Annual Report
2020

Cargo


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Cargo

Annual Report 2020

Cargo

Czech Railways Group


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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 third pillar of the Company's long-term strategy is interoperability. The Company is a partner of all major combined transport operators. The ownership interest in two terminals - in Lovosice and in Brno – is considered by the Company to be a great competitive advantage. For already fifteen years, ČD Cargo, a.s. has been offering its customers transportation using modern Innofreight technology. The Company is socially responsible and considers CSR as the fourth pillar of its business.


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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,
- International.

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 products,
- 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.

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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	2020	2019	2018	2017	2016	2015	2014
Structure of assets and liabilities (CZK million)							
Total assets**	27 172	25 016	20 093	18 470	18 172	17 742	17 333
Fixed assets**	24 185	22 190	16 698	15 626	15 280	14 588	14 528
Equity	9 419	9 726	9 126	8 529	7 718	6 727	6 122
Structure of profit/(loss) (CZK million)							
Revenues*	12 266	13 037	13 076	11 923	11 760	12 063	12 352
Operating profit/(loss)	-78	988	1 020	1 097	1 372	968	1 568
Profit/(loss) before tax	-276	791	878	947	1 153	698	1 273
Ratio indicators (%)							
Current liquidity (current assets/current liabilities)	57 %	50 %	80 %	83 %	83 %	62 %	59 %
Total indebtedness (liabilities /total assets)**	65 %	61 %	55 %	54 %	58 %	62 %	65 %
Average number of employees	6 877	7 158	7 134	7 130	7 065	7 335	7 451
Performance indicators							
Amount of transports (millions of tons)	61,0	65,0	68,4	66,1	65,9	66,4	68,6
Transport performance (million of tariff tonne-kilometres)	10 545	11 516	12 928	11 819	11 365	11 139	11 622

* 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

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

The Transportation segment is realised through the provision of entire trains transport product or the goods being transported on the individual basis that ČD Cargo, a.s. offers to its customers 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 the activities such as rail siding operations, customs services, security consultancy, storage, lease of residual capacity of railway vehicles and locomotives or maintenance and repair of third parties' rail vehicles.

These activities are provided through both, the parent company's own capacities and in cooperation with other companies in which ČD Cargo has an equity interest.

The potential of subsidiaries mainly focuses on the implementation of foreign expansion, which is one of the strategic goals of ČD Cargo, a.s. In 2020, the development of transport in Austria and, more recently, in Germany through the Niederlassung Wien and Germany branches. ČD Cargo, a.s., through its subsidiaries, also offers its customers transportation to Poland and Slovakia. ČD Cargo Group also has new licenses for Hungary.

With a transport volume of 61 million tonnes of goods, ČD Cargo Group ranks among the most important railway 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
Revenues*	2020	10 845	3 585	(2 164)	12 266
	2019	11 606	3 591	(2 160)	13 037
Services, material and energy consumption**	2020	(5 071)	(2 642)	2 155	(5 558)
	2019	(5 331)	(2 655)	2 275	(5 711)
Employee benefits costs	2020	(3 828)	(694)	5	(4 517)
	2019	(4 135)	(427)	(1)	(4 563)
Depreciation and amortization**	2020	(1 618)	(497)	59	(2 056)
	2019	(1 454)	(339)	(62)	(1 855)
Operating profit	2020	7	34	(119)	(78)
	2019	606	466	(84)	987
Profit before taxation	2020	(173)	12	(115)	**(276)**
	2019	439	448	(96)	**791**
Profit for the period from continuing operations	2020	(146)	14	(116)	**(248)**
	2019	347	359	(98)	**608**

* as a result of IFRS 15 implementation, since 2018 the revenue from lease is reported newly within the "Revenues"
** the year-on-year change is also affected by the implementation of IFRS 16

TRANSPORTATION SEGMENT

The results of the Transportation Segment for 2020 were negatively affected by the COVID-19 pandemic. The Company sought to eliminate the decline in performance through a number of cost-saving measures, which contributed to maintaining the positive operating result of this segment at CZK 7 million. In 2020, the profit/(loss) before taxation of the Transportation Segment amounted to CZK (173) million. The decline in volume of transport fully corresponded to the economic development of most industries and the reduction of combined transport from / to China. This decrease was partially offset by lower volume of variable costs and savings in other operating costs and external services in order to streamline capacity utilization. On the other hand, depreciation and financial costs increased year-on-year, in connection with ongoing investments in the renewal, modernization and maintenance of the fleet of freight wagons and locomotives. These investments increase the reliability, flexibility and interoperability of the railway vehicles fleet, which is necessary not only for the continued expansion of the ČD Cargo brand into foreign transport markets, but above all for the long-term sustainability of the Company's vehicle fleet. Part of the released capacity of the Company in connection with the lower volume of transport was used within the additional services related with transportation, which also contributed to the reduction of the total loss.

ADDITIONAL SERVICES RELATED WITH TRANSPORTATION

In the segment of Additional Services, the ČD Cargo Group generated a profit before tax of CZK 12 million for 2020. The Company succeeded in utilising the temporarily remaining capacity of freight wagons on the transport market. The activity of companies in which ČD Cargo has an equity interest, that provide logistic and other accompanying transportation services, continued. Additional Services contribute to the stable profitability of this segment despite higher investment costs, growth in labour costs, increase in the price of some material inputs and services. In prior year, the Additional Services segment also linked greater share of the ČD Cargo Group's employees.


1918–2018
Cargo

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Major Events in 2020

January

- 13 January - the locomotive 383.008 of ČD Cargo, a.s., reached a speed of 200 km/h during a test run in the section Břeclav – Brno

February

- 5 February - Vectron 383.002 of ČD Cargo, a.s., departed from Bydgoszcz, in Poland, providing transport of ATR 220 diesel multiple units from the manufacturer PESA Bydgoszcz to the Austrian-Italian border crossing station Tarvisio. The train was run in cooperation with the subsidiary CD Cargo Poland and the Niederlassung Wien branch;
- 12 February - an exercise of Fire and Rescue Service of the of the Správa železnic (Railway Administration) was held on the Jihava-Pávov siding; the aim of which was to practice simulated situations on new series 742.71 and 744 of locomotives.

March

- Commencement of alcohol shipments for disinfection production, which was also carried out in April;
- 18 March - in Hranice na Moravě, the locomotive 163.022, which is a prototype of the locomotive series 163 equipped with the ETCS safety device, was taken over from ČD Telematika, after the physical installation of ETCS and all other related components;

April

- 3 April - the first train with ČD Cargo license and ČD Cargo driver arrived at Ingolstadt station;
- 3 April - in Ostrava representatives of ČD Cargo, a.s., took over the last 20 tank wagonsof the Zacns series from the manufacturer Tatravagónka Poprad. The fleet of wagons from this series already consist of 100 pieces in total;

May

- 4 May - a test unloading of RoskTainer INFRA – interesting technical innovations for the transport of materials to the lockouts – took place in Prague-Vršovice;
- 29 May - the first direct ČD Cargo train to Italy (CZ-ITA train) departed from Brno-Maloměřice;
- 30 May - the first complete container train from China arrived at the terminal in Pardubice carrying anti-epidemic material and medical equipment. Other trains followed.

June

- 4 June - a cargo plane carrying military equipment deployed as part of the Army of the Czech Republic's (AČR) mission in Mali arrived in Pardubice. Air transport was provided by ČD Cargo, a.s., on the basis of a strategic agreement with the Army of the Czech Republic (AČR);
- 20 June - the subsidiary CD Cargo, a.s., Slovakia arranged the first transport on its own license on Railways of the Slovak Republic's tracks. It was the transport of LKW Walter semi-trailers;
- 23 June - trial operation of 388 ČD Cargo locomotives on the Railway Administration's tracks began. For the first time ever, the 388.001 vehicle travelled from Ústí nad Labem to Klášterec nad Ohří and back;
- 23 June, the Endowment Fund of ČD Group - ŽELEZNICE SRDCEM ("THE RAILWAY WITH THE HEART") was established;
- The first agreement on increasing energy efficiency has been concluded between the Ministry of Industry and Trade and ČD Cargo, a.s.

August

- 20 August 2020 - the first of two heavy transformers weighted 163 tons left Pilsen. Its transport to the Mochovce nuclear power plant was provided by ČD Cargo and CD Cargo Slovakia

September

- 7 September - a colloquium entitled "The Future of the Railway Industry" was held, and was attended by the Executive Director Tomáš Tóth on behalf of ČD Cargo, a.s.;
- Completion of successful tests of electric locomotives of series 163 and 363 retrofitted with the on-board units of the European Train Control System;
- Commencement of block trains with cars on the route Bratislava - Passau - Falkenberg

October

- 1 October - CD Cargo Hungary became a full-fledged carrier on the Hungarian railway network;
- 9 October - a promo ride which symbolically started the carriage of trains for ŠKO-ENERGO recipients for green energy took place.

November

- Ensuring the transport of soldiers and equipment for the military exercises of the NATO rapid reaction force in Lithuania;
- On 5 and 6 November was held the virtual 29th plenary session of the Coordinating Council for Trans-Siberian Transportation (CCTT), of which ČD Cargo, a.s., is an active member;
- 11 November - CD Cargo Hungary arranged the first transport on its own license on Hungarian tracks. It was a train with wood from various destinations in the Czech Republic to the Romanian station Moacșa

December

- Conclusion of an agreement with the European Investment Bank (EIB) on securing finance through an investment loan;
- Launch of the historically second project of conversion of locomotives 163 series into dual-system locomotives series 363.

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 and Business Partners, Ladies and Gentlemen,

another year has passed and we all know that it was a year full of unpredictable events and challenges. It was complicated and at the same time very dynamic. I am definitely evaluating that year as the most difficult one in the history of our Company. We reached the bottom and proved that we can also bounce back from it – on all fronts i.e. in business, operations and finance.

When news of a new disease appeared in the media in the spring and we saw citizens in veils, crowded hospitals and closed shops on television screens, it seemed unreal and relatively distant. And suddenly it was here. An epidemic or rather a pandemic has affected the whole world, including the Czech Republic. We were surprised, but we had to deal with it. Neither ČD Cargo nor any of us were prepared for a similar situation in private life. At work, we had to quickly move into crisis mode, start communicating by all available online means and respond quickly not only to changes resulting from government regulations, but also to the decline in demand for our services. While at the beginning the clear priority was to provide protective and disinfectant products for our employees, we gradually moved to the equally important task, which was to eliminate the effects of the crisis on our Company. We also had to take a number of unpopular measures.

We transported 59 million tons of goods on the domestic market, which is almost 5 million tons less than in 2019. We lost almost everything in the first half of the year. We did not lose clients, but their production and subsequently our cooperation was paralyzed by the first wave of the pandemic. However, we managed to obtain additional transport volumes abroad and thus strengthen our position on the European transport market. In May 2020, we prepared two scenarios for the development of the economy by the end of the year – a conservative and worst case scenario. Unfortunately, both of them expected loss-making management. Today, I can proudly say that the loss is lower than predicted in both scenarios.

Despite the difficult conditions, we continued to invest in our vehicle fleet. We have started trial operation of 388 TRAXX series locomotives and we expect the completion of their European approval process in 2021. Deliveries of new diesel locomotives of the 744 series, "bison" 753.6 series were completed, and we also had 15 modernized machines of the 742.71 series available at the end of the year. However, we had to deal not only with the purchase of new or modernization of existing locomotives, but also with the implementation of the ETCS train protection system in traction vehicles. Investments associated with the modernization of the vehicle fleet are among the priorities of our Company and I am very pleased that we managed to obtain funding from the European Investment Bank, which chose ČD Cargo, a.s., as a reliable company that will provide a relatively high loan on very favourable terms.

The crisis is far from over, but I believe that we will take a lot of positives out of it. In particular, I must mention human connectedness, which consists of, for example, a willingness to sew veils for colleagues. We have also learned to communicate with each other faster and more effectively. Of course, thanks also go to all employees. We all need to pull together, act as a team and work together to overcome this crisis.

I wish everyone good health.

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

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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 of 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: 39 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 Center Officer in Česká Třebová. In preparation for the establishment of ĆD 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

2. Radek Dvořák

Member of the Board of Directors (since 1 April 2020), age: 40 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 EU 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: 63 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.

Changes in the Composition of the Board of Directors

12 March 2020, České dráhy, a.s., as the sole shareholder of ČD Cargo, a.s., decided to dismiss Bohumil Rampula from the position of a member of the Board of Directors of ČD Cargo, a.s. with effect from 31 March 2020, and at the same time 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 4 December 2020, České dráhy, a.s., as the sole shareholder of ČD Cargo, a.s., exercising the powers of the General Meeting, decided to dismiss Ivan Bednárik from the position of the Chairman of the Board of Directors of ČD Cargo, a.s. with effect from 4 December 2020 and at the same time decided on the election of Tomáš Tóth to the position of a member of the Board of Directors of ČD Cargo, a.s. with effect from 4 December 2020. Bohumil Rampula continues to work at ČD Cargo, a.s. as a Sales Director.

Ivan Bednárik currently holds the position of CEO and Chairman of the Board of Directors of ČD, a.s.

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: 43 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 September 25, 2019 he was appointed CEO and Chairman of the Board of Directors of ČD, a.s.

2. Lukáš Týfa

Member of the Supervisory Board (since 4 January 2019), age: 42 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: 56 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), age: 43 years

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: 57 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: 62 years

Pavel Kysilka graduated from the Faculty of Economics of University of Economics in Prague. From 1982 to 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 to 2015, he was the Chairman of the Board of Directors and CEO of Česká spořitelna.

He is the founder of 6D Academy, 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.

Changes in the Supervisory Board

With effect from 18 September 2020, Roman Onderka resigned from the Supervisory Board of ČD Cargo, a.s.

On 18 September 2020, České dráhy, a.s., as the sole shareholder of ČD Cargo, a.s., exercising the powers of the General Meeting, decided to appoint Jan Vrátník as a member of the Supervisory Body of ČD Cargo, a.s. with effect from 4 October 2020.

Audit Committee

1. Oldřich Vojíř

Chairman of the Audit Committee (member since 15 December 2009, Chairman since 18 February 2010), age: 59 years

(Since 17 December 2019 re-appointed as a member of the Audit Committee for another term)

Oldřich Vojíř 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: 54 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 ŽĎAS in Žďár nad Sázavou, dealing with plant equipment construction and design. From 1991 to 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. Přibyslav. Since 2002, he has been a member of the Town Council of Přibyslav. He was a member of the Supervisory Board of MERO, a.s., Kralupy nad Vltavou from 2003 to 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: 58 years, (on 17 December 2019, he was re-appointed for another term)

Miroslav Zámečník graduated from the University of Economics in Prague and was a Pew Fellow at the 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.

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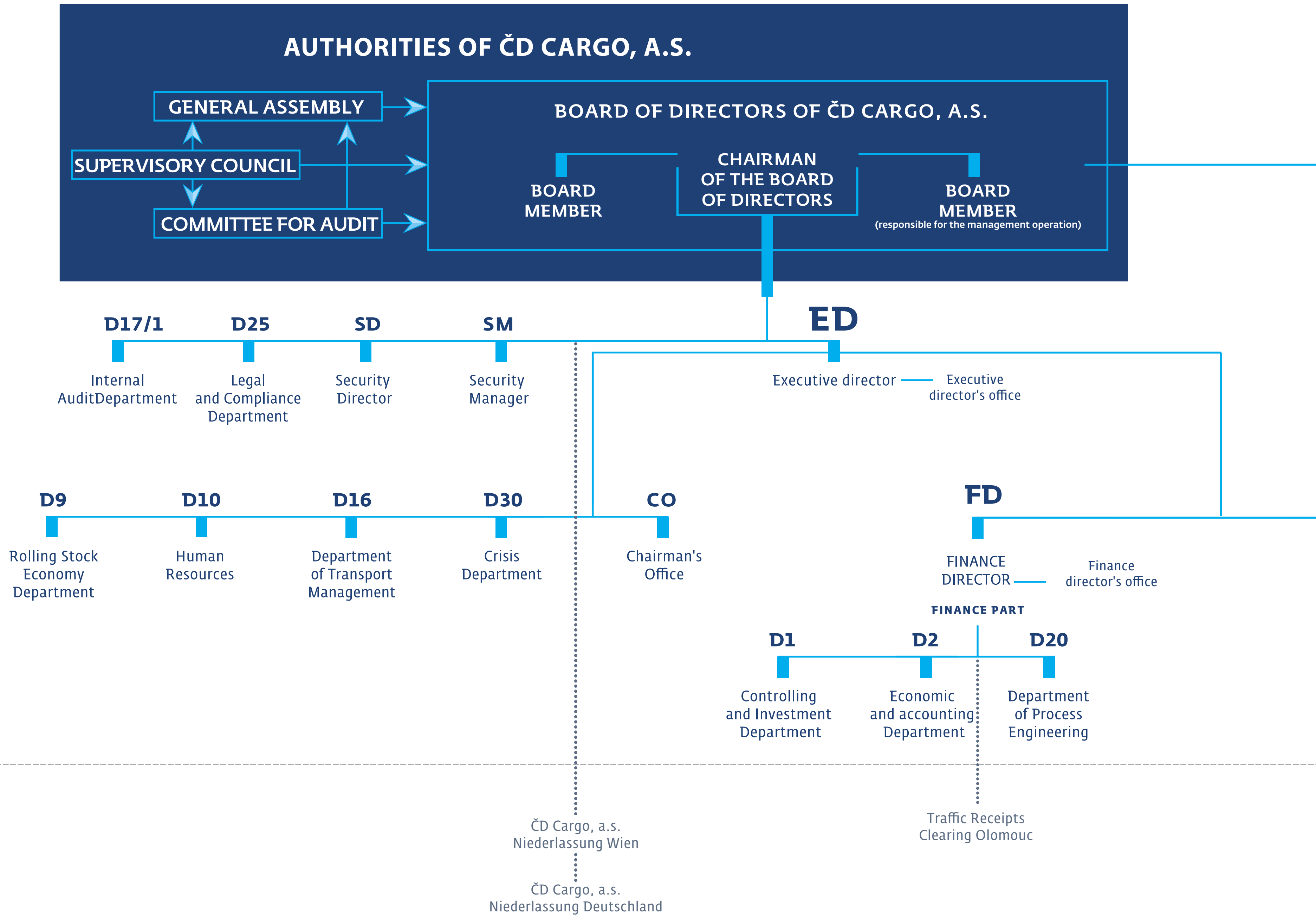
Organisational Structure of ČD Cargo, a.s., as at 31. 12. 2020



Joint ventures, capital interests

RAILLEX, a.s. (based in Prague)

BOHEMIAKOMBI, spol. s r.o. (based in Prague)

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)

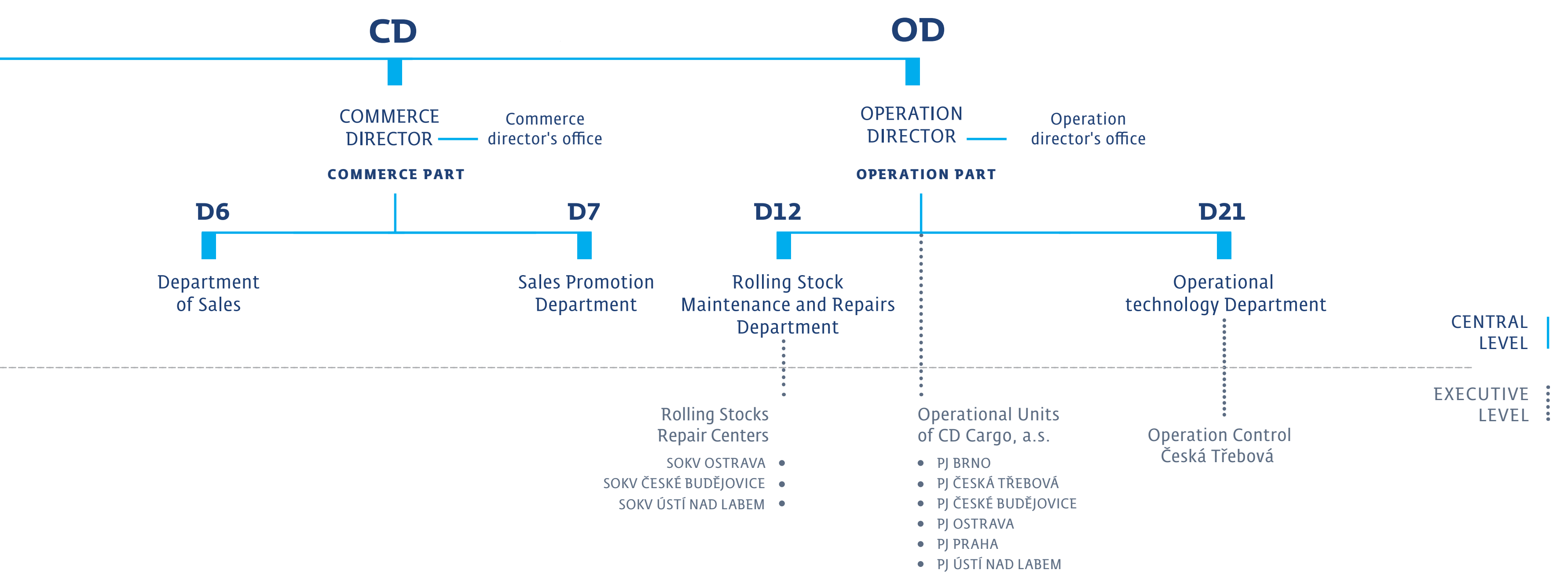
Terminal Brno, a.s. (based in Brno)

ČD Logistics, a.s. (based in Prague)

ČD-DUSS Terminál, a.s. (based in Lovosice)

Auto Terminal Nymburk, s.r.o. (based in Prague) - in liquidation from 1.10.2020

CD Cargo Slovakia, s.r.o. (based in Bratislava)

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Report of the Board of Directors on the Business Activities and Position of ČD Cargo, a.s.

The Board of Directors of ČD Cargo, a.s., presents this Report on the Company's Business Activities and Company's Assets.

Freight Transportation Operations

FREIGHT TRANSPORTATION

The year 2020 was full of twists. At the beginning of the year the results at the beginning of the year reflected a slight cooling of the economy, especially in the steel and energy sectors. The first wave of the Covid-19 pandemic, when the economy almost "shut down", brought a major turning point. It can be said that the pandemic affected the results in almost all commodities, most notably in automotive, combined transport and brown coal. After the slow start of the economy, there was an autumn boom in transport, thanks to which the difference against the plan was reduced, and in some commodities the performance was even higher than in 2019.

In 2020, ČD Cargo, a.s. transported 59,042 million tons of goods on the domestic market, which is approximately 8 % less than was transported in the same period of 2019. Revenues from freight transport in 2020 amounted to CZK 10,185 billion, which is CZK 756 million less than in 2019. The largest excess of sales was achieved in the commodities wood and paper products, in construction materials and in the transport of food and agricultural products. On the other hand, the most year-on-year sales decline occurred in solid fuel transportation. Then in 2020, the ČD Cargo Group transported a total of 60,967 million tons 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).* The synergistic effect of the cooperation between our two foreign branches was reflected in a significant increase in their own business. The activities of foreign subsidiaries were also successful - for example, in Slovakia, almost 200,000 tons of goods were transported in six months of "holding" their own license.The ongoing recession in European metallurgy at the beginning of the year, as well as the decline in metallurgical production, had a major impact on the results in the commodity **iron and engineering products.** The Covid-19 pandemic fully manifested itself in April. This was related, among other things, to the decline in sales of automotive sheets, the complexity of transport from/to Italy, etc. However, the transport of wire from Italy in a combination of rail - transhipment in Ostrava - road was successful. All new demand was affected by strong pressure from competing carriers. The situation improved slightly in the second half of the year and, for example, iron ore was transported in higher volumes than in 2019.

The global trend of reducing emissions has also affected Czech customers in the commodities of brown and black coal. The price of power electricity remained low, which affected the consumption of **brown coal**. In the heating industry, the jump in the prices of emission allowances had a negative effect. A further decline in interest in this fuel occurred with the decline in industrial production (Covid-19), which is closely related to the decline in electricity production. For example, part of the trains to Mladá Boleslav or Otrokovice had to be renounced. On the contrary, several shipments were obtained at the expense of the competition. The situation did not improve even during the summer. During this period, some heating plants switched completely to wood chip heating and coal trains were renounced. Some improvement did not occur until the end of autumn, when power plants and heating plants were pre-supplied with coal before the winter. In the case of **hard coal**, mining was limited in both OKD and Poland (Polish mines and coking plants still have large coal reserves). Coal-fired power plants and heating plants also reduced fuel consumption. The difficult situation in metallurgy was reflected, over all beneficiaries, in the consumption of coking coal. Covid-19 caused major problems both in the Polish mines and in OKD, when mining was completely stopped for some time. As a result, ČD Cargo secured the import of tens of thousands of tons of hard coal from Gdańsk to the Czech Republic in Innofreight containers. Of course, the commodity situation also had an adverse effect on the subsidiary CD Cargo Poland.

The situation in the **building commodity** was stable throughout the year. Covid-19 did not manifest itself so significantly here. However, due to the reduction of electricity production, the demand for desulphurisation limestones decreased, not only in the Czech Republic but also in neighboring Germany. The transport of limestone in RockTainers carried out in cooperation with the carrier SD-KD continued successfully. Infrastructure constructions were almost not limited - ČD Cargo provided both hauling and unloading of gravel and removal of waste soil throughout the Czech Republic. The modernization of the Prague-Vršovice - Prague-Hostivař tracks can be considered as a reference. The transport of **wood and paper products** was stable almost all year round. The result of the pandemic was a lack of manpower for felling wood and also overcrowding of landfills at the beneficiaries. We managed to acquire new markets in Poland, Hungary and Romania. The results in the commodity were adversely affected by the activities of competing carriers, which apply an efficient model for the collection of consignments from sidings by old locomotives and their removal in the form of block trains by modern machines. The competitive advantage was the GigaWood offer and also the possibility to transport through Slovakia and Hungary on own license.

Covid-19 also affected on the results in the commodity **chemical products and liquid fuels**. Due to lower fuel prices, it had a positive effect on the increase in fuel imports, especially from Germany to the Czech Republic; the pandemic had a negative effect, for example, on the supply of aviation fuel to Prague Airport or in limiting production in many companies. In the **food and agricultural products** commodity, the plan for 2020 was exceeded. Throughout the year, the grain was transported smoothly and without significant difficulties. We managed to get more spot shipments in transit Hungary - Slovakia - Germany. Unfortunately, their course was negatively affected, as well as the smoothness of fuel transport, the extensive closures at PPS Děčín / Bad Schandau.

The Covid-19 pandemic also had a negative effect on the commodity **other**. The epidemiological measures taken affected the possibility of holding planned military exercises, and practically the only major military transport was the transport of soldiers and equipment to the rapid reaction force in Lithuania and back. The return by plane of part of the military equipment from the mission in Mali on the basis of a strategic agreement with the Army of the Czech Republic (AČR) was ensured and can be assessed as interesting with a very positive impact on sales. Several shipments of transformers were carried out, for example, two shipments of transformers from Pilsen to the Mochovce nuclear power plant, in cooperation with CD Cargo Slovakia at the turn of August and September.

Combined transport is one of the commodities that have been significantly affected by the Covid-19 pandemic. Maritime transport from China, as well as further domestic connections was particularly affected. The cessation of car production also resulted in a decrease in the number of trains with car trailers. The transport of containers with disassembled cars was not carried out either. In addition to the usual transports, transports by 3 trains with medical aids from China to Pardubice were organized, and the carriage of timber in containers from various terminals in the Czech Republic to China was successfully developed. Both of these business cases were implemented in cooperation with ČD Cargo Logistics. Probably the most affected was the **automotive** commodity, in which, in spring, transports fell to almost zero due to the cessation of production of all automobile companies with which ČD Cargo cooperates. The gradual increase in transports did not take place until June, when production and shipping were fully resumed by all car manufacturers. In autumn, the Company successfully started and carried out diversionary transports from Devínská Nová Ves to Falkenberg via Austria and Germany (cooperation with branches) for the BLG customer.

OPERATIONAL MANAGEMENT (OPERATIONAL STRUCTURE)

In many ways, the year 2020 was challenging and groundbreaking for the operational management of ČD Cargo, a.s. The optimization of the entire operational component of the Company forced by a result decline in the second half of 2019 was completed. The need to save internal costs was reflected in all three basic components of operational management. All this took place in the difficult conditions of the global COVID pandemic, which fully developed in our territory in March and in various intensities negatively affected the Company's activities for the rest of the year.

The optimization of the management unit was completed on 1 August 2020 by merging the existing Technology and Transport Organization Department with the Capacity Planning Department into one unit, which, under the name Operational Technology Department, not only enabled insignificant employee savings, but, under a unified management, shows greater ability to respond quickly and in a coordinated manner to business requirements, and thus also customers in terms of operational management planning. After the elaboration of a realistic and continuously specified long-term and medium-term operational plan, this plan with a continuous update is handed over to the management unit to the implementation phase.

The operational unit management is ensured by the Operating Unit Česká Třebová (ČD Cargo dispatching apparatus), which in response to the current development of operational situation and customer orders creates and implements "short-shift plans" of train service and organizes the necessary movement of empty fleet for loading. Everything is overseen by the transport management department, which connects the Company's business and operational units, coordinates everything and communicates with the customer's current requirements.

The introduction of new methods of operational work management continues. A long-term transition from obsolete management methods to real operational planning in the environment of the Customer Transport Management (ŘZP) system, which is planned for more and more trains, in already all commodities, has been developed and is gradually being implemented in close cooperation with the Department of Transport Management. The basic operational structure of the management unit remains both dispatching workplaces in the number of 12 for the organization of train journeys and 7 workplaces of wagon dispatchers for the organization of the empty wagons extension. The structure is complemented by employees who deal with product transport planning and the organization of "ad hoc" train transit. However, activities that were not necessary for this unit, or showed duplicate elements were removed by gradual optimization leading to savings.

The executive operational unit is continuously provided for a long time from the level of individual "ČD Cargo Operational Units", which are operationally subject to the Operating Unit Česká Třebová and deal with the assembly of long-distance trains, and the implementation of local work. Significant savings in personnel and operating costs with maintaining all elements of work quality were achieved thorough reassessment of existing activities in relation to the activities centralization and greater mobility of employees.

In 2020, the project of train transport under the direction of ČD Cargo on German territory was successfully completed by activating the branch of ČD Cargo, a.s. Niederlassung Deutschland, which thus supplemented the existing branches of ČD Cargo Niederlassung Wien for Austrian territory.

OPERATIONAL SAFETY

Operational safety is a general term that contains many individual components in all its complexity. All these parts together form the system for ensuring the safety of rail operation and railway transport operation. It must be implemented by every railway operator and railway transport operator (hereinafter referred to as the "carrier") who applies for a Safety Certificate on the basis of valid legislation, at this time mainly European legislation.

The carrier's certificate proves that the carrier has an internal organisational structure and management system for ensuring rail transport and has established a system of ensuring the safety of rail transport operation, which means a set of organisational and technological measures implemented for safe operation of rail transport.

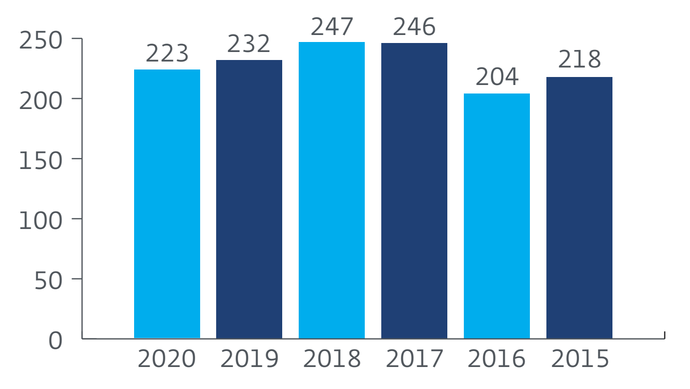
This requires many activities, such as establishing safety policies and communicating them to all employees, risk assessment procedures and methods, implementation of risk control measures in the event that changes in operating conditions or materials pose new risks to the railway infrastructure or the operation of railway transport, staff training programs and systems, which ensure the maintenance of staff qualifications and an adequate level of performance of tasks, as well as determining provisions on the implementation of periodic internal controls of the safety management system.

The risk assessment and control within the established safety management system is based on the Commission Implementing Regulation (EU) No. 402/2013 on the common safety method for risk evaluation and assessment. Each railway undertaking, infrastructure manager and entity in charge of maintenance should ensure that its subcontractors and other parties implement risk management measures. This procedure of ČD Cargo, a.s., is fulfilled in all areas of its activity.

One of the important elements of this system is the determination of procedures ensuring that extraordinary events (hereinafter referred to as the "EE") are reported within the conditions set by legislation, their causes are identified, then carefully analysed and necessary preventive measures are taken.

ČD Cargo, a.s. ensured the fulfilment of statutory obligations in the area of investigation of EE by means of the "Agreement on cooperation in cases of extraordinary events in railway transport and in cases of fatal and serious accidents at work" (hereinafter referred to as the Agreement). Investigation of the causes and circumstances of the origin of EE in railway transport for ČD Cargo, a.s. was carried out by Správa železnic, státní organizace, by its authorized persons based on the Agreement.

Development of the total number of extraordinary events



In 2020, ČD Cargo, a.s. recorded a total of 223 EE, of which 60 accidents, 3 serious accidents, and 160 incidents. From the data as of 1 February 2021, ČD Cargo, a.s., is responsible or co-responsible for the establishment of 129 EE, while 105 of the concluded EE are due to the fault / co-fault of ČDC employees. In this context, it should be noted that ČD Cargo, a.s. complies with legal provisions and has an insurance contract in accordance with Section 35 (2) of Act No. 266/1994 Coll., On Rail, in the event of an obligation to compensate for damage caused by operation of rail transport.

The total material damage caused by all EE is estimated at more than CZK 113,9 million. Compared to 2019, this is a slight increase of approximately CZK 10 million. ČD Cargo, a.s., is liable for damages in the amount of CZK 47,3 million.

The damage caused in 2020 was mostly affected by serious accidents with tragic consequences, when one person was killed and a total of 42 people were injured, and the resulting estimated damage from these three EE exceeds CZK 56 million. It should be noted that there were collisions of rail vehicles in all the three cases. In two of them – it was a collision of a passenger train with a ČD Cargo, a.s. and in one case – where an employee of ČD Cargo, a.s. is responsible – oncoming railway traction vehicles crashed into standing freight train. At this EE, "only" material damage of railway vehicles exceeding the amount of CZK 5 million occurred.

All the above-mentioned financial amounts are not final, and in the course of 2021, they will be gradually refined according to the completed EE surveys as well as to the completed repairs and overall liquidation of the consequences of EE.

At EE in 2020, 29 people were killed and 61 wounded. Among the injured are also 10 employees of ČD Cargo, a.s., in whom damage to health were caused during EE.

12 railway traction vehicles (of which 10 owned by ČD Cargo, a.s.) and 72 railway wagons (of which 51 wagons owned by ČD Cargo, a.s.) derailed. A total of 82 railway traction vehicles (of which 73 owned by ČD Cargo) and 68 railway wagons (of which 35 wagons owned by ČD Cargo, a.s.) were damaged.

In the past period, EE primarily caused by prohibited movement of the railway vehicle past the signal was carefully monitored. Out of the total number of 25 EE in this group, the drivers of ČD Cargo, a.s., are responsible for the occurrence in 22 cases. Each EE is very specific and it is difficult to identify one specific cause, but almost all of them always have a common denominator in the failure of the human factor, when the relevant employee did not properly concentrate on the performance of the service.

An equally important element of the safety management system is the performance of internal control aimed at complying with all rules of rail transport operation. In 2020, due to the complex epidemiological situation, the possibility of direct personal control was limited, however, we record the implementation of a total of 16 092 inspections registered in the relevant application. In these, 1 357 defects were found, for which appropriate measures were subsequently taken.

In all respects of the safety management system assessment, it follows that it is necessary to continuously ensure all the safe operation of rail transport's activities precisely and responsibly and to take adequate preventive measures within the framework of the identified facts. It is important to ensure the proper functioning of all elements of the system so that the European Safety Certificate can be fully defended in the near future.

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 227 buildings and 251 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 690 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 3,856 thousand.

LEASE OF RAILWAY VEHICLES

One of the important 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 partners 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.

Increasingly, we use the spare capacity of rail vehicles in commercial transactions in cooperation with other subsidiaries, as part of joint expansion on foreign markets.

VEHICLES FLEET, MANAGEMENT OF VEHICLES

As of 31 December 2020, in order to ensure the operation of freight trains, ČD Cargo, a.s., held 767 traction vehicles, of which 42 were locomotives subject to financial lease agreements. As of 31 December 2020, 657 locomotives were used for operations, while the freight wagons fleet consisted of total 20 697 own freight wagons of different types. The fleet size was expanded according to needs to 3 200 leased wagons, in average. Approx. 18,5 thousand vehicles of the total fleet were in operating condition.

During 2020, 106 wagons were scrapped due to wear and tear, obsolescence or poor technical condition. The 148 Eas series, 69 Falls series and 206 Faccs series wagons have been upgraded. For the year 2021, 1 193 outdated and technically worn-out freight wagons are selected for disposal or scrapping. In the course of 2020, 1 dissolved locomotive was scrapped, and 8 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 2020, 2 718 vehicles underwent periodic repairs.

The Repair Centres for the Railway Wagons of ČD Cargo, a.s. participated in the installation of fuel measurement equipment for locomotives, 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 selected series of wagons, 1 223 ATEX2-certificate tracking units were installed.

In 2020, 14 modernized 742.71x series locomotives were delivered (modernization of the 742 series locomotive, already a total of 15 pieces). Also, the last of the 5 supplied locomotives for light rail service and the shift of the 744 series as well as 3 locomotives of 753.6 series were delivered for rail service. The 753.6 series is operated by ČDC in a total of 4 pieces. Furthermore, trial operation of 2 locomotives of 388 series (from the current delivery of a total of 10 locomotives), which were "lent" for this purpose to ČD Cargo from Bombardier Transportation was started.

In 2020, the serial implementation of ETCS on locomotives of the 163 and 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. In 2020, further 40 eight-axle 80-feet Sggrrs wagons, specifically designed for transportation of containers and Innofreight superstructures, were added to fleet of ČD Cargo, a.s. The wagons in combination with SteelPallets are used for the transport of cast-iron and slabs, whereas in combination with WoodTainers and MonTainers for the transport of lignite and wood chips for various customers who adapt the unloading to the new technology. In 2020, the so-called "ballast" equipment of the group was implemented in the number of 20 INNO cars of the Sggrrs series, so that they could also be used for container transport. Overall, ČD Cargo, a.s. operates more than 450 wagons with INNO technology as of 31 December 2020.

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

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

The Company's reporting includes regular evaluation of vehicle capacity utilization, 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 Activities

PRINT AND MEDIA COMMUNICATION

In 2020, communication with journalists was carried out via Press Department of České dráhy. Not only through press releases, all important topics were communicated, especially these regarding the four pillars on which ČD Cargo bases its activities. Examples are the development of foreign activities, the delivery of new vehicles or socially responsible activities.

Print communication focused on advertising ČD Cargo, a.s. services in professional magazines; advertisements and PR articles were published, among others, in Dopravní noviny, Železniční magazín or Business Soiré magazine. Through Železničář, the group's newspaper, ČD Cargo addressed a wide range of people interested in rail transport. The basis of internal communication was the monthly Cargovák, which brought, among other things, current interviews with personalities of the Czech Railways, reports on successfully implemented business cases and, of course, information for the Company's employees. The traditional autumn business conference did not take place due to the bad epidemic situation and was at least partially replaced by a special issue of the ČD Cargo Bulletin.

The number of visitors to the ČD Cargo website increased by 8 % year-on-year. This communication channel was used, among other things, to operatively inform customers about transportation restrictions due to the Covid-19 epidemic, etc. The www.1vagon.cz platform was used to promote the offer of transport of individual wagon consignments which pointed out the advantages of this service also for small and medium-sized enterprises and enabled the customers to easily calculate the cost for transport.

At the end of 2020, 117 customers had access to information through the EROZA portal. For example, portlets for work and use of data from ČD Cargo Data's internal systems and queries (movement of consignments), Overview of contracts, Overview of invoices, Loading bans and others are actively used in this way.

During the year 2020, the Company profile on Facebook was also used for communication. Facebook was used not only for the presentation of ČD Cargo, a.s. activities, but also for promotion of rail freight transport in general. An interesting action was "ČD Cargo anything - anywhere" photo competition. Submitted photographs were subsequently used to design wall and table calendars of ČD Cargo. Since June 2020, the Company has been communicating its activities also on Twitter.

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 has been present at most of the significant international transport and logistics fairs.

In 2020, the trade fair presentations were significantly marked by restrictive measures in fight against coronavirus pandemic, therefore all trade fair events were cancelled or postponed to 2021. Unfortunately, the planned ČD Cargo presentations at the TransRussia Moscow international exhibition and the domestic trade fair 'Czech Raildays' in Ostrava could not be realized.

The situation was similar in relation to conference events, thus the ČD Cargo business conference and also the traditional partnership at the event 'Railway Day' had to be cancelled. Some events were held entirely online, such as the Pardubice Railway Conference, where ČD Cargo, a.s., was one of the partners.

RESEARCH, DEVELOPMENT AND COOPERATION WITH UNIVERSITIES

During 2020, 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 VSB - Technical University of Ostrava and abroad mainly 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 the results can be used or applied in practice. At the same time, students have the opportunity to get familiar with freight carrier's environment as part of professional consultations or professional internship at the Company.

ČD Cargo considers the cooperation with universities as highly important and beneficial for both parties. The Company can use the results or findings from diploma theses to improve the quality of its further activities. The universities, hence students, can verify their theoretical knowledge on solving specific topics from the freight carrier's environment. At the same time, ČD Cargo, a.s. attempts for closer cooperation with students during their studies, offering temporary work or professional work opportunities to interested persons with a higher level of knowledge of railway transport.

INFORMATICS

In the field of informatics of ČD Cargo, a.s., a number of projects were addressed in 2020.

Operational Systems

PRIS - mobile version

In 2020, the 1st stage of the mobile PRIS project was completed. A mobile application on the Android software platform was launched. The scope of PRIS inquiries and information at this stage corresponds to the use of the position of Handling Train Head of Service. A rugged 10-inch tablet was chosen as the hardware for this operational application. The solution enables data collection for IS PRIS within the handling train journey and handling service runs by one employee.

An integral part of the project is the server part - the application server, which is newly built due to the new system architecture. In the following year, the scope of queries and information of PRIS in the mobile application will be increased, so that the solution can be used for other job positions within the scope of work of the station. Furthermore, the development of a new responsive version of PRIS will take place on a common application server platform with a mobile version of PRIS.

ZEVO-O Upgrade

In 2020, analysis and development works were carried out on the generation change of the ZEVO- O system, which should become the basic system for the work of a fleet manager during 2021 and provide sufficient information for CD 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. 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.

Digitization of Maintenance Records Processes - traction vehicles part

In 2020, the pilot operation of the project Digitization of Records Registration Processes was launched - the traction vehicles part, when maintenance records were changed to new digital NOETiC system of the HAKO company at selected workplaces of SOKV Ostrava. This system provides a precise record of all operations at the workplace and on a specific traction vehicle, and thus allows not only the possibility of continuous optimization of repair processes, but also the perfect documentation of the traction vehicle, which will be essential for the future ECM system. After the successful verification of the pilot operation at selected workplaces, the project of deploying this system at all OKV ČD Cargo workplaces was immediately started and will be completed at the beginning of 2022.

Installation of GPS devices on freight wagons

In 2020, a total of 1 700 communication units (ATEX 2 and 3 certification) were installed within the Intelligent Freight Wagons project on selected groups of Eas, Falls, Res, Sgns/Sgnss wagons, which are often used for international transport. Furthermore, a data interface was created, which ensured the transmission of information (e.g. GPS coordinates, wagons events, technical data on GPS units) from MDM IntVuz system to the Enterprise Service Bus (ESB). GPS coordinates are then provided to the Cargo network and geolocated, which converts the coordinates to an infrastructure point of ČD Cargo, a.s. Next, the data are sent to the IS PRIS, where they are displayed as the freight wagon detail and the detail of the movement of this wagon. IS PRIS then provides this information to selected internal systems. The final consumer is the CO ICAR data warehouse, where modifications have taken place, which, in addition to receiving and displaying data, mainly ensure the functionality of calculating of kilometres runs from GPS coordinates. The kilometres calculation function is now running in test operation, which will end on 31 March 2021. Within the mentioned MDM IntVuz, PRIS, Co ICAR and ESB systems, it was necessary to make user modifications to ensure routine operation of units in ČD Cargo, a.s., from 1 January 2021.

Expansion abroad

The aim of the project is to ensure modifications of existing operating systems in such a way that it is possible to operate individual activities of the carrier (check-in of wagon, train, shipment) not only in the Czech Republic, but also abroad through its own license. Modifications were made in a number of operational information systems - DISC OŘ, ASC (tablets for drivers), PRIS, CNP, ÚDIV, which consisted mainly in extending the functionality.

Electronization

Electronic process of handing over and taking over freight wagons to / from external maintenance

At the beginning of October, the O12 software tool in the SAP FIORI environment was put into use, enabling monitoring of the process of periodic wagons repairs at external repairers, which enables data entry via tablets directly when handing over wagons to the repair shop, commission inspections and leaving the repair shop.

Electronic Book of Norms

At the end of 2020, software support for electronic acquaintance of employees with documents was implemented. It will be launched during the first quarter of 2021, thus gradually eliminating the need to distribute paper documents of various types to employees.

Driver Navigation

The aim of the project is to supply a system solution for processing the electronic form of timetable sheet (TJŘ) 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 on a moving map and an acoustic and visual warning of any impending danger, or of a ride in violation of the currently valid conditions on the tracks. The first test version for the project team was delivered in December 2020. The first stage was accepted at the beginning of January and the application was extended to 50 drivers, who are currently testing the application and providing feedback to ČDC and to the supplier, who is currently working on application improvements and modification of the second stage, which will be delivered this year.

Transportation Management

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 2020, 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 planned 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 approx. 600 order forms were created, which contain around 1 400 technologies. Within the rollout, a gradual transition to the new way of ordering follows. For shipments processed in this way, the method of planning and monitoring / evaluation of the reality will be changed. Following the rollout and the results of transport monitoring, process optimization will take place in 2021 with a direct link to the management of customer shipments. Subsequently, other service processes of individual departments will be optimized.

DISC M

During the autumn of 2020, a pilot operation of the freight wagons localization 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 delivery of an empty wagon for loading, as well as to plan the utilization of trains or the loading of loads. During 2021, start into routine operation for all transports is planned.

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 2021, 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.

Business Systems

Oscar upgrade

The aim is to ensure the functioning of the key application CD Cargo, a.s., supporting the business activities of ČD Cargo in the years to come. Within two years, support for the MS Dynamic 2011 version (the platform on which OSCAR runs) will terminate. Due to the complexity of upgrading to a higher version and experience with problems with the platform, it is better to perform a complete upgrade of IS OSCAR. Another goal is to create a new pricing model in the individual wagon consignment segment, based on the principles of individual wagon consignment network utilization. The deadline for the deployment of the new price model is the business year 2021. At the same time, it is a preparation of the OSCAR application for the implementation of new functionalities in relation to changes in ČDC's business processes - implementation of order form, capacity planning, etc.

This year, the current functional requirements for optimizing the work in the application and fundamental functional requirements were solved - a new module for multi-section transports, a new module for document generation, implementation of the ŘOS, extension of the interface for DWH. The upgrade of the OSCAR application will take place so that the modification of the new application is ready for the business year 2022. The development of the second generation OSCAR IS will be carried out on the basis of architecture design and functional assignment, processed within the IT Business Support Project.

Microsoft Infrastructure Upgrade

In 2020, the specification of the future architecture of Microsoft systems and services was completed, which will form the core of the system infrastructure, enabling the company's transition to modern ways of internal and external collaboration, and ensuring protection of the company's information assets using modern security tools and technologies. As part of the MS infrastructure modernization project called 'MOMIS', a hybrid environment will be created in 2021 with significant use of Microsoft 365 cloud services, which will include mainly the areas of infrastructure, security, office and application environment. The project was approved by the Board of Directors and the Supervisory Board of ČD Cargo, a.s. Through ČD-IS, an Enterprise Agreement was also concluded with Microsoft and its competing partner T-Mobile for the purchase of the necessary licenses and services. The first part of the M365 services was purchased on the basis of this agreement. Preparatory work was carried out with Microsoft on the specification of the scope and schedule of work in the pilot part of the modernization in the following period.

Other

Lovosice IS Replacement

The aim of the information system replacement project in the Lovosice logistics center was to map the coverage of the warehouse operation using ICT, which was covered for the needs of the customer Mondi by WMS system and for the storage of automotive goods by Logenius system, and providing a variant of coverage of the entire warehouse by one information system. Based on the performed analysis, the optimal variant in the coverage of the entire logistics center by the Logenius system was determined and the necessary adjustments were made in 2020. Simultaneously with these modifications, the replacement of obsolete HW on logistics wagons was ensured. In 2021, the necessary adjustments are planned in the programming of the Logenius system interface to ensure communication with a new customer, who will use our logistics centre as a distribution point for paper products from Sweden.

Energy consumption monitoring

In the area of traction energy, the project of measuring and evaluating the performance and traction consumption of locomotives on the ordered shift within ČD Cargo, a.s. was launched together with the 2021 timetable. This project followed a similar project from 2019 concerning the evaluation of traction consumption of train running in independent traction. This completed the entire stage of information coverage of energy consumption in independent traction. The output information from this project will be used not only to refine cost planning, calculation of transport performance, but also to monitor the effectiveness of the use of station reserves and the technology of operating traction vehicles by drivers. The verification operation of the project last year confirmed the previously established assumptions that the traction vehicle will spend approximately 50% of its power on the engine idling. The information obtained will undoubtedly help to reduce this unfavourable ratio.

INVESTMENT

In 2020, ČD Cargo, a.s. acquired fixed assets with a total value of CZK 3,041 billion, which means a year-on-year decrease of approximately CZK 1,1 billion. Another CZK 112 million was paid from subsidies and provided advances on the subsidy. The decrease in the value of realized investments is the result of adopted saving measures in investment activities with the aim of reducing expenses and stabilizing the Company's financial situation at the time of loss of income due to the COVID-19 pandemic. For individual investments, the priorities were reassessed, which made it possible to loosen the schedule and postpone part of the investment.

The Company's investment activity continued to be primarily focused on the renovation and modernisation of railway vehicles fleet, where investments amounted to CZK 2,9 billion (including component repairs of freight wagons and locomotives), representing 95 % of the total value of acquired fixed assets.

Investments in freight wagons

In terms of freight wagons investments, the most significant event was the purchase of 40 new freight wagons of Sgg(m)rrs series for combined transport and transport using Innofreight swap bodies, the purchase of 247 new high-sided Eanos wagons and the purchase of 20 new large-capacity Zacns tanks. The change of the combined floors of the Eas wagons to all-metal has been gradually reduced. The equipping of freight wagons with so-called "silent" brake blocks continued very intensively. Substantial part of the funds was also spent on component repairs of nearly 2 700 wagons.

Investments in traction vehicles

In the area of the acquisition of traction vehicles, the most significant investment projects in 2020 were the purchase of 3 Effiliner locomotives for medium-duty freight line service and one Effishunter locomotive for shift and line service.

In the area of modernizations and reconstructions, the project of modernization of diesel locomotives of the 742 series continued. At the same time, the implementation of ETCS equipment on locomotives of 163, 363 and 742 series continued. In this area, the implementation of ETCS on locomotives of 130 and 753.7 series is already contractually ensured. The conversion of 163 series vehicles for operation on alternating electric traction also was contracted. The final stage of equipping the remaining vehicles with radio stations of the GSM-R system was also started.

In 2020, additional funds were invested in component repairs of locomotives (including their engines) in accordance with the new maintenance scheme, 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 and fuel 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 2020, among others, the reconstruction of the operating building at OKV Břeclav and the reconstruction of the turntable rails at OKV Most were completed.

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 2020, 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, the reconstruction of foot lifts, the acquisition of equipment and cars for foreign branches 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 realizes 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 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.

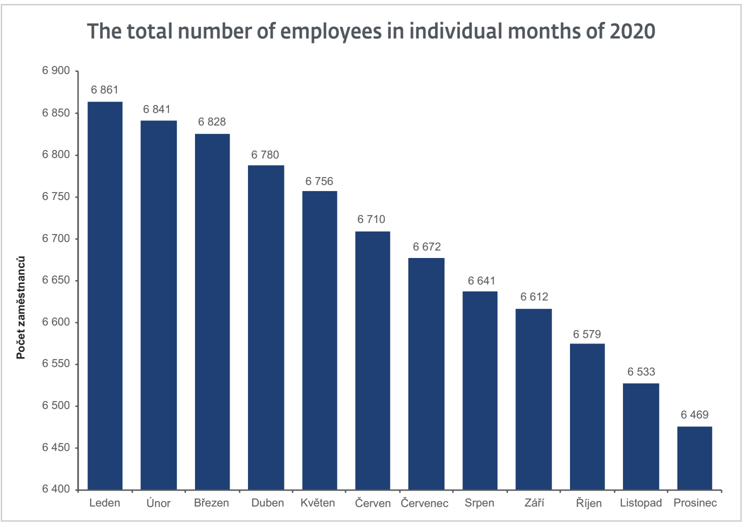
In 2020, no cases of violation of the Code of Conduct or human rights abuses were reported nor suspected.

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 2020 differed significantly from the regular year, especially in relation to the effects of the Covid-19 epidemic (pandemic) and its impact on Company's performance, including labour consumption. Especially at the turn of Q1 and Q2, there was a decrease in orders, therefore, in accordance with the valid legislation and strategy of the Czech Republic in eliminating the effects of coronavirus, the employer - in agreement with trade unions - used partial unemployment in the meaning of Section 209 of the Labour Code in the period from April to August. At the same time, ČD Cargo, a.s. used government subsidy programs to eliminate economic impacts during the year.

The average registered number of full-time employees including foreign branches in Germany and Austria, was 6 681,2 in 2020. The total number of employees including foreign branches as at 31 December 2020 was 6 469. The total number of employees in ČD Cargo, a.s., was 6 439, from which were 1 318 women and 5 121 men. The total number of employees in Austria was 29, from which were 7 women and 22 men and in Germany was employed one men. The following chart shows the development of the total number of full-time employees throughout the reported period. The optimization took place at the end of 2020, when there was a significant departure of employees in connection with austerity measures, which is clearly presented on the chart.



A smaller part of the considered savings was transferred to the first half of 2021, with the fact that their implementation will be the subject of the Company's next annual report. The reason was to provide defined activities related to the technology of the new train schedule at the turn of the year and closing operations.

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 organized cultural and sports activities.

Specific groups of employees may undergo preventive healing stays under specified conditions. In 2020, this employee benefit was significantly limited during the epidemiological crisis.

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

The cooperation of ČD Cargo, a.s., with secondary schools and universities continues to develop successfully. We cooperate with more than 10 secondary schools, including student training. For students of these schools, this represent an advantage in the form of arranged internships at various operational workplaces; however this form of activity was also affected by coronavirus restrictions.

WAGE AND SOCIAL AREA, COOPERATION WITH TRADE UNIONS

In 2020, the average salary from the payroll costs excluding other staff costs at ČD Cargo, a.s., amounted to CZK 38 058.

The principles of remuneration and employee benefits have been enshrined in the "Corporate Collective Agreement of ČD Cargo, a.s., for 2019 - 2020" valid until 31 March 2020 and subsequently in the "Corporate Collective Agreement of ČD Cargo, a.s., for 2020 - 2021" valid for the period from 1 April 2020 to 31 March 2021, and in related internal company standards. In 2020, the Company duly fulfilled all its commitments to employees in the area of remuneration and employee benefits.

In 2020, eight trade unions were active in ČD Cargo, a.s.

EDUCATION

In the area of development and maintenance of professional competence, employees participate in educational activities of obligatory and optional content. ČD Cargo, a.s., has a range of qualifications, knowledge and skills of employees described by internal standards in the sense of valid legal norms and the needs of the employer for ensuring customer requirements. For their continuous development, employee's education focuses on providing training to meet qualification requirements in accordance with legislative requirements, offering specific training to acquire the necessary knowledge and skills even beyond qualifications, including the implementation of not only presenting, but also e-learning and combined training and knowledge sharing support and experiences. Even in the described activities, available forms and capacities had to be sought because of the restrictive measures announced on the territory of the Czech Republic.

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 2020, no fatal work accidents occurred. During 2020, ČD Cargo, a.s., was also affected by the COVID-19 epidemic, to which the Company responded by adjusting organizational procedures and introducing measures against the spread and transmission of the disease at its workplaces. 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 its 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, therefor it became the basic control act adopted by ČD Cargo, a.s. (i.e. document of ultimate importance, respectively extraordinary importance).

The above-mentioned internal standard sets up periodic e-learning training, which must be attended by members of the Board of Directors of ČD Cargo, a.s., as well as management and administrative employees. The last periodic training 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 of ČD Cargo, a.s., www.cdcargo.cz.

In 2020, 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 SQAS (Rail) attestation - carried out every three years by an independent accredited assessor - 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 the holder of the Authorized Economic Operator CZAEOF0801B7 legitimacy - Simplified Customs Procedures / Security and Security Measures (AEOF). The Company has already obtained this certificate in 2009 and, in accordance with the applicable customs legislation, successfully managed to keep it in re-assessment in 2017 and also in 2020. 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.

The certificate facilitates access to customs clearance and an AEO certificate is even necessary to handle some customs simplifications.

Customs Services

As part of supplementary services ČD Cargo, a.s. provides to its customers representation services in customs procedures and reporting of Intrastat statistics. The Company offers its clients the opportunity to discuss the export and import procedures in the offices of customs representatives and additionally the customs clearance procedure at the stations in Český Těšín and Valašské Meziříčí. 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.

Amongst the Company's customers there are also many smaller companies that transport their goods by type of transport other than rail, especially at internal workplaces, which do not have the facility of the intermediate stops. The Company considers this service to be important, as it brings an increase in prestige and awareness of ČD Cargo, a.s., and is a possible source of potential shipments. 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 securing the customs debt. For some shipments, the use of this simplification is the least burdensome for customers.

The Company and the Community

INTERNATIONAL ACTIVITIES AND RELATIONS

International activities of ČD Cargo, a.s. are coordinated in cooperation with the parent company ČD, a.s. 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, a.s., is an independent member only in the Central Clearing Center (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.

We also use the ORFEUS system for the central exchange of consignment note and wagon bill data (partly in the electronic consignment note mode) with 12 foreign partners. We use the central database of wagons CoReDa, which describes the wagons from the point of view of commercial responsibility. We have joined the Digital Platforms project as part of the Rail Freight Forward initiative. Together with ČD, ČDC participates in the activities of the company Hit Rail and we are connected to the European railway data network Hermes VPN. Under the General Contract of Use for Wagons, we have started using the GCU Broker headquarters to share lists of wagons by holder and to transmit wagon damage reports. We have started tests of the GCU Broker function for the exchange of technical data of wagon.

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 Organization 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 2020 was strongly marked by the COVID-19 pandemic, when most international meetings, conferences and trade fairs have been gradually postponed and subsequently cancelled or organized 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 adoption 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 2020, 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 in relation to the so-called Green Deal for Europe.

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 2020, ČD Cargo, a.s., managed to keep its ISO 14001 certification. The relevant certificate valid until 2 June 2021 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.

In 2020, a number of activities with a positive impact on the environment were implemented, like for example ecological disposal of unnecessary freight wagons. Since 2020, the OKV Nymburk has been undergoing the reconstruction of the sewerage system, which will improve protection of groundwater against pollution. An agreement on implementation of thermal insulation of the heavy repair hall (HATO) at SOKV Ústí nad Labem was signed, which will save energy for heating and reduce greenhouse gas emissions. At the OKV Most, the gas boiler for heating the MTZ warehouse was replaced with a more environmentally friendly one - again reducing the emissions of greenhouse gases. At OKV Břeclav, the existing melting furnace, heated by coke, was replaced at the workplace of the paw bearing foundry by an electric melting furnace with self-extraction, thus eliminating coke handling, slag, ash, slag formation and emissions of solid pollutants from coke combustion. At the same workplace, the operating building was reconstructed - the old windows were replaced with new plastic ones, the gas boiler was replaced with a new condensing boiler, thus reducing the emissions for thermal energy. An industrial spray washer and an ultrasonic cleaner for printed circuit boards were purchased at SOKV České Budějovice. In both cases, it is a question of replacing the current method of cleaning with more environment friendly one. A project for the reconstruction of heating in the SOKV České Budějovice (transition from steam to hot water pipeline) is being prepared - the implementation is planned for 2021.

Fire protection in 2020:

- 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 Czech Fire Service, identified no failures.
- In 2020, there were 65 interventions in total for ČDC, out of which 2 were fires in traction vehicles due to technical failures, 1 was fire of wagon, due to someone else's fault and 1 case of ignition of overheated bearing. Two cases were caused by smoke-filled HKV engine room due to the glowing of the cabling insulation. Other cases of fire brigade interventions were related to removal of droplets from cisterns or putting derailed train back on tracks. Other interventions can be described as so-called additional services performed under contractual relationship and were related to securing loose cargo on vehicles, transfer of cargo, tree pruning and wagon washing.
- The total costs of ČDC allocated to the fire protection for 2020 amounted to CZK 821 186.

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

ČD Cargo, a.s. total cost for interventions in 2020	ČD Cargo, a.s. total number of interventions for the year 2020	Of which:			
		Fires and burns	Drips and reseals	Assistance in removing the consequences of emergency	Other operations
CZK 821 186	65	7	5	21	32

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. As part of a pilot project, we provided electricity produced from renewable sources for transport performed for ŠKO-ENERGO, and together we saved 36 tonnes of CO_2 emissions in the last quarter of 2020. 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 center in Broumov.

In an effort to help little Eliášek, we financially supported the training of the Chance assistance dog at the Pestrá assistance dog center.

ČD Cargo, a.s. do not forget about history either. Therefore, we provided some of our locomotives with a varnish reminiscent of their condition after production. We also participated in several events promoting not only the history but also the present of railway transport. At these events, the number and scope of which was considerably limited as a result of the Covid-19 pandemic in 2020, the above-mentioned retro vehicles are also presented. In 2020, in area of CSR activities, we also supported sports activities for young athletes and railway modelers.

ČD Cargo, a.s., has joined companies that are bothered by misinformation and that only support professional, responsible and honest work with information. We do not want our brand to be presented in places where half-truths or unsubstantiated facts are spread. We support https://nelez.cz

On June 23, 2020, the Endowment Fund of the ČD Group - ŽELEZNICE SRDCEM ("THE RAILWAY WITH THE HEART") was established by České dráhy, a.s., and ČD Cargo, a.s. The main goal of this endowment fund is to help railway workers and their families who have found themselves in difficult life situations caused by external influences, such as a serious accident at work, a serious illness or a threat from natural disasters. Endowment contributions are intended mainly for medical expenses, rehabilitation, purchase of compensatory aids, reimbursement of costs associated with the repair of a home destroyed by a flood, and it is also a matter of helping families to educate children.

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Companies in which ČD Cargo has an Equity Interest

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 SLOVAKIA, S.R.O.
Date of entry in the Commercial Register: 24 September 2008 (Slovakia)
Share capital: EUR 5 397 475
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 %
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.

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.

ČD 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.

AUTO TERMINAL NYMBURK, S.R.O. (IN LIQUIDATION)
Date of entry in the Commercial Register: 24 October 2012
Share capital: CZK 200 000
ČD Cargo, a.s., interest: 100 %
Principal business activity: freight forwarding and technical activities in transportation.

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 Á 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 2020, the following changes took place in the structure of the ČD Cargo, a.s., equity interest within ČD Consolidation Group:

- On 11 May 2020, ČD Cargo, a.s., acquired a 100% stake in TERMINDEX and at the same time the company was renamed to CD Cargo Hungary.
- On 5 March 2020, the branch of ČD Cargo, a.s., was registered in Germany under the trade name CD Cargo, a.s. Niederlassung Deutschland with principal business activity of rail freight transport.
- On 1 October 2020, Auto Terminal Nymburk, s.r.o. entered into liquidation.

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Financial Situation of ČD Cargo, a.s.

The separate financial statements prepared in accordance with IFRS as adopted by the EU are the statutory financial statements.

Investment activities*

Investment activities of ČD Cargo, a.s. (CZK mil.)	2020	2019	2018	2017
Acquisition of freight wagons	598	1 190	267	313
Renovation and modernisation of freight wagons	25	51	17	23
Acquisition of traction vehicles	185	548	295	104
Renovation and modernisation of traction vehicles	685	107	47	83
Machinery investments	14	37	4	8
Construction investments	17	59	78	51
Other investments	131	198	194	224
Component accounting for revision repairs of railway vehicles	1 386	1 969	1 609	628
Total investments	**3 041**	**4 159**	**2 511**	**1 434**
Advances paid for investments	*369*	*335*	*213*	*30*
Advance payments for subsidies	*81*	*141*	*19*	*0*

Funding

In 2020, 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 of 31 December 2020, the amount of CZK 0,7 billion was drawn in excess of the cash-pooling limit. As of 31 December 2020, no limits or credit frames had been drawn.

* The investments are presented according to the International Financial Reporting Standards in Annual report 2020 of ČD Cargo,

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 2020, 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.

LEASES

In 2020, a lease contract was concluded with ČSOB Leasing, a.s., for the purpose of financing 1 Effishunter traction vehicle of the 744 series.

BONDS

This funding source significantly strengthens the financial stability of the Company's cash flow due to its long-term nature. In 2020, the fourth bond issue in the total amount of CZK 1 billion was repaid. The new bonds issue with serial number of 10th with a nominal value of CZK 1 billion was carried out. As of 31 December 2020, ČD Cargo, a.s. has issued bonds in the total amount of CZK 4,77 billion.

INVESTMENT LOANS

ČD Cargo, a.s. also uses investment loans to finance long-term investments. In the course of 2020, three new investment loans were concluded with a total credit limit of CZK 3 billion. As of 31 December 2020, a total of CZK 2,8 billion had been drawn.

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.

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 2020, 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 subsequently shared with the Board of Directors.

BUSINESS RISKS

Business risks are monitored at the level of individual commodities. To reduce the negative impact, individual measures are determined and their implementation and effectiveness are monitored. Performance and related business risks at the beginning of 2020 reflected the slight cooling of the economy, especially in metallurgy, and also the development of power prices. The first wave of the Covid-19 pandemic brought a major breakthrough, when the economy almost came to a halt, with an impact on all commodities, most notably in automotive, combined transport and brown coal. After a gradual start-up of the economy and the measures taken, there was a gradual increase in transport.

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 manage 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 implement currency 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 2020, 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 – Price of Diesel

The significant cost component represents diesel, which ČD Cargo, a.s., consumes during its operations. In 2020, in line with the Financial Risk Management Strategy, the Company 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.

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.

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Expected Development, Objectives and Intended Activities

ČD Cargo, a.s. expects a gradual stabilization of transport performance, despite the uncertain development of the economy due to the Covid-19 pandemic and the constant pressure from other rail carriers. As part of the so-called Green Deal, we expect a significant decrease in the transport of solid fuels, but there are opportunities to ensure the logistics of transporting wood chips, waste for incineration, etc. Transport losses will also be offset by increasing performance of ČD Cargo, a.s., abroad.

The Company will continue to implement measures to increase the efficiency of its internal processes and utilization 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 utilization of cost items and by ensuring sufficient medium and long-term liquidity of the Company. The long-term goal is to stabilize 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 2020, the share capital of the Company amounted to CZK 8 494 000 thousand and was fully paid.

During the accounting period 2020, 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 2020 and the results of control activities.

The Supervisory Board of ČD Cargo, a.s., met in ten regular meetings in the course of 2020, 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, as 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.

Václav Nebeský
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 2020

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 2020 to 30 September 2020 and 1 January 2020 to 31 December 2020.

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 2019, and of preparing the Annual Report of ČD Cargo, a.s., for the year 2020.

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 2020 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 2020 to 31 December 2020, 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 2020.

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 23 March 2021

Oldřich Vojíř,
Chairman of the Audit Committee

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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 2020 to 31 December 2020, 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 2020 to 31 December 2020, 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 2020 to 31 December 2020.

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 2020 to 31 December 2020, 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 2020 to 31 December 2020 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 2020 to 31 December 2020, and the Auditor's Opinion.

Oldřich Vojíř,
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 2020 to 31 December 2020, 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 2020 to 31 December 2020, 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 2020 to 31 December 2020.

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 2020 to 31 December 2020, 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 2020 to 31 December 2020 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 2020 to 31 December 2020, and the Auditor's Opinion.

Oldřich Vojíř,
Chairman of the Audit Committee

Report of the Audit Committee of ČD Cargo, a.s., on the Report on Relations for the year 2020

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 2020, 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 2020.

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 2020, 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 2020.

Oldřich Vojíř,
Chairman of the Audit Committee

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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 2020, of the Group’s consolidated financial performance and consolidated cash flows for the year ended 31 December 2020 in accordance with International Financial Reporting Standards as adopted by the European Union, and
- the separate financial statements give a true and fair view of the separate financial position of the Company as at 31 December 2020, of the Company’s separate financial performance and separate cash flows for the year ended 31 December 2020 in accordance with International Financial Reporting Standards as adopted by the European Union.

What we have audited

The Group’s consolidated financial statements comprise:

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

The Company’s separate financial statements comprise:

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

Basis for opinion

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

Independence

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

Our audit approach

Overview

The materiality level was determined as 1% of the average total revenue for the years 2018-2020, which represents:
for the Group - CZK 133 million;
for the Company – CZK 125 million.

We have identified four entities, that were subsequently selected for audit based on their size or related risk. For one additional entity, 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. Entities, for which we performed the above procedures, represent 98 % of the Group’s revenue.

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

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

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Materiality

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

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

Overall Group materiality	CZK 133 million (CZK 117 million for the previous period)
Overall materiality for the Company standing alone	CZK 125 million (CZK 110 million for the previous period)
How we determined it	Materiality for the Group and the Company was determined based on total revenue.
Rationale for the materiality benchmark applied	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 2018-2020.

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
Correct reporting of lease contracts under IFRS 16, Leases (Group and Company). In 2019, the Company and the Group implemented IFRS 16 - Leases. For the purpose of its initial application, the Company and the Group chose a modified retrospective method that does not require the adjustment of comparable data. In 2020, there were changes in some lease contracts from 2019 in the forms of modification, reassessment or termination. In 2020, new lease contracts were also concluded. As of 31 December 2020, the right of use amounted to CZK 3,114 million for the Group and CZK 2,997 million for the Company. The changes to the lease contracts have a significant impact on the financial statements. The related accounting policies are disclosed in Notes 2.4. For further information on the implementation of IFRS 16, see Notes 15.2 and 19 of the consolidated financial statements and Notes 15.2 and 19 of the separate financial statements.	In connection with the changes to lease contracts, we performed the following procedures: • 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.

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 entities 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 four entities and specific audit procedures on one entity would be a suitable scope of work. The criteria for determining the extent of the work on individual entities were mainly their size, complexity and risk in terms of audit procedures. Audit work on entities based in the Czech Republic was performed by the group audit team; work on entities 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 98% of the Group's revenue. For the remaining entities, 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 its environment obtained in the course of the audit, we are required to report if we have identified material misstatements in the other information. We have nothing to report in this regard.

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

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

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

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.

- obtain an understanding of internal controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group and the Company's internal controls.

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the board of directors.

- conclude on the appropriateness of the board of directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group and the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inade-

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quate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.

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

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

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

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

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 2020 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 5 years.

Provided non-audit services

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

The non-audit services we have provided to the Company and its subsidiaries in the period from 1 January 2020 to 31 December 2020 are disclosed in Note 24 of the notes to the consolidated financial statements.

6 April 2021

PricewaterhouseCoopers Audit, s.r.o.

represented by

Václav Prýmek

Milan Zelený
Statutory Auditor, Licence No. 2319

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Separate Financial Statements (IFRS)[1]

Separate Financial Statements for the Year 2020

Prepared in accordance with IFRS as adopted by the EU

Cargo

Separate Financial Statements for the Year Ended 31 December 2020

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 6 April 2021

Ing. Robert Heděnec
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

[1]Chapters relating to f inancial statements are numbered separately.

SEPARATE STATEMENT OF FINANCIAL POSITION (BALANCE SHEET) AS AT 31 DECEMBER 2020

(CZK million)		31 Dec 2020	31 Dec 2019
Property, plant and equipment	5	19,689	18,272
Intangible assets	6	623	588
Right-of-use assets	19	2,997	2,350
Investments in subsidiaries, associates and joint ventures	7	539	538
Other financial assets	10	70	110
Other assets	11	2	-
Total non-current assets		**23,920**	**21,858**
Inventories	8	292	244
Trade receivables	9	1,555	1,465
Cash and cash equivalents	12	524	337
Other financial assets	10	225	194
Other assets	11	129	259
Total current assets		**2,725**	**2,499**
TOTAL ASSETS		**26,645**	**24,357**
Share capital	13	8,494	8,494
Capital funds	13	417	435
Retained earnings/(Accumulated losses)		393	734
Total equity		**9,304**	**9,663**
Loans, borrowings and bonds	15	10,378	7,297
Deferred tax liability	29	1,655	1,701
Provisions	16	96	101
Other financial liabilities	17	6	1
Other liabilities	18	148	197
Total non-current liabilities		**12,283**	**9,297**
Trade payables	14	1,976	2,203
Loans, borrowings and bonds	15	1,936	2,229
Income tax payable		18	64
Provisions	16	249	110
Other financial liabilities	17	179	192
Other liabilities and commitments	18	700	599
Total current liabilities		**5,058**	**5,397**
TOTAL LIABILITES		**26,645**	**24,357**

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SEPARATE STATEMENT OF PROFIT OR LOSS FOR THE YEAR ENDED 31 DECEMBER 2020

(CZK million)		Year ended 31 Dec 2020	Year ended 31 Dec 2019
Revenue	21	11,341	12,088
Other operating income	22	727	558
Services, leases, material and energy consumption	23	(5,168)	(5,394)
Employee benefit costs	24	(4,320)	(4,364)
Depreciation and amortization	25	(2,039)	(1,721)
Other operating expenses	26	(734)	(306)
Profit (loss) on operating activities		**(193)**	**861**
Financial expenses	27	(246)	(291)
Financial income	28	55	94
Profit (loss) before tax	**29**	**(384)**	**664**
Income tax	29	70	(134)
Profit (loss) for the period		**(314)**	**530**

SEPARATE STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2020

(CZK million)	Year ended 31 Dec 2020	Year ended 31 Dec 2019
Profit (loss) for the period	**(314)**	**530**
Actuarial gains/losses on liabilities related to employee benefits	10	4
Other comprehensive income for the year (items that are not subsequently reclassified to profit or loss)	**10**	**4**
Cash flow hedging	(68)	54
Relating deferred income tax	13	(10)
Other comprehensive income for the year (items that may be reclassified to profit or loss)	**(55)**	**44**
Total comprehensive income for the year	**(359)**	**578**

SEPARATE STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2020

(CZK million)	Share capital	Share Premium**	Reserve Fund**	Cash flow hedge fund**	Actuarial gains/losses**	Accumulated (losses)/earnings	Total equity
Balance as of 1 January 2019	**8,494**	**197**	**192**	**(24)**	**(16)**	**242**	**9,085**
Profit for the period	-	-	-	-	-	530	530
Other comprehensive income for the period	-	-	-	44	4	-	48
Total comprehensive income for the period	**-**	**-**	**-**	**44**	**4**	**530**	**578**
Allocation to the reserve fund	-	-	38	-	-	(38)	-
Total transactions with owners for the period	-	-	38	-	-	(38)	-
Balance as of 31 December 2019	**8,494**	**197**	**230**	**20**	**(12)**	**734**	**9,663**
Loss for the period	-	-	-	-	-	(314)	(314)
Other comprehensive income for the period	-	-	-	(55)	10	-	(45)
Total comprehensive income for the period	**-**	**-**	**-**	**(55)**	**10**	**(314)**	**(359)**
Allocation to the reserve fund	-	-	27	-	-	(27)	-
Total transactions with owners for the period	-	-	27	-	-	(27)	-
Balance as of 31 December 2020	**8,494**	**197**	**257**	**(35)**	**(2)**	**393**	**9,304**

** 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 2020

(CZK million)		Year ended 31 Dec 2020	Year ended 31 Dec 2019
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit (loss) for the year before tax		(384)	664
Dividend and profit distribution income	22	(149)	(160)
Financial expenses	27	194	187
Profit from sale and disposal of non-current assets		(96)	(51)
Depreciation and amortisation of non-current assets	25	2,039	1,721
Changes in impairment of non-current assets	5	154	(31)
Changes in allowances for doubtful accounts		50	(1)
Change in provisions		146	(33)
Foreign exchange rate gains		7	2
Change in provisions for investments in subsidiaries, associates and joint ventures		(1)	7
Other		7	15
Cash flows from operating activities before changes in working capital		**1,967**	**2,320**
Change in trade receivables		(160)	80
Change in inventories		(54)	(64)
Change in other assets		313	(3)
Change in trade payables		(96)	83
Change in other payables		24	(79)
Total changes in working capital		**(21)**	**17**
Cash flows from operating activities		**1,946**	**2,337**
Interest paid	27	(189)	(177)
(Income tax paid) / Returned income tax overpayment		(10)	(14)
Dividends received		38	249
Net cash flows from operating activities		**1,785**	**2,395**
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for property, plant and equipment		(2,983)	(3,854)
Income from property, plant and equipment sold		112	83
Payments for intangible assets		(155)	(165)
Interest received		3	3
Subsidies received for acquisition of assets		71	-
Net cash flows from investing activities		**(2,952)**	**(3,933)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issued bonds		987	1,770
Bonds repayments		(1,000)	-
Drawing of loans and borrowings		2,848	777
Repayments of loans and borrowings		(745)	(561)
Lease payments under IFRS 16		(745)	(706)
Net cash flows from financing activities		**1,345**	**1,280**
The effect of exchange rate changes on cash balances		9	-
Net (decrease) in cash and cash equivalents		187	(258)
Cash and cash equivalents at the beginning of the period	12	337	595
Cash and cash equivalents at the end of the period	**12**	**524**	**337**

1. General Information

1.1. ESTABLISHMENT OF THE COMPANY

ČD Cargo, a.s. (hereafter referred to as „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 of 31 December 2020, the Company's registered share capital was 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 of 31 December 2020. The reporting period is the calendar year from 1 January 2020 to 31 December 2020.

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.

Based on the division above, it is appropriate to structure principal activities by commodities, i.e. by the nature of transported goods with respect to capacity requirements, requirements for vehicles, demands for operating technologies or special care of consignments as follows:
- Transport of solid fuels,
- Transport of ores, metals and machinery products,
- Transport of chemical products and liquid fuels,
- Transport of building materials,
- Transport of wood and paper products,
- Transport of food and agricultural products,
- Combined transport,
- Logistics solutions for transport of consignments using intermodal transportation units, predominantly containers,
- Automotive
- Transport of other non-classified commodities.

Based on the volume of transported goods, ČD Cargo, a.s. is one of the top ten most significant railway companies in Europe and the European Union.

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 30.

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 2020, České dráhy consolidation group consists of the following companies. During 2020, Autoterminál Nymburk, s.r.o. entered into liquidation, as the original intention of its establishment was not fulfilled and the company did not carry out business activities. On the other hand, new companies CD Cargo Hungary Kft., Tramex Rail s.r.o., Smart Ticketing, s.r.o., ČD Reality a.s., and ČD Restaurant, a.s. were established within the České dráhy Group.

Name of the entity	Ownership of ČD, a. s. 2020 (%)	Ownership of ČD, a. s. 2019 (%)	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 Přerov	27786331
ČD Cargo, a. s.	100.00	100.00	Control	Jankovcova 1569/2c, 170 00 Prague 7	28196678
Dopravní vzdělávací institut, a.s.	100.00	100.00	Control	Prvního pluku 621/8a, 186 00 Prague 8	27378225
ČD travel, s.r.o.	51.72	51.72	Control	28.října 372/5, 110 00 Prague 1	27364976
ČD relax s. r.o.	51.72	51.72	Control	28.října 372/5, 110 00 Prague 1	05783623
ODP-software, spol.s r.o.	100.00	100.00	Control	Pernerova 2819/2a, 130 00 Prague 3	61683809
CHAPS spol. s r.o.	100.00	100.00	Control	Bráfova 1617/21, 616 00 Brno	47547022
ČSAD SVT Praha, s.r.o.	100.00	100.00	Control	Křižíkova 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	27244164
Žižkov Station Development, a.s.	51.00	51.00	Joint Control	U Sluncové 666/12a 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	-	Control	Brněnská 1748/21b, 678 01 Blansko	26246422
Smart Ticketing, s.r.o.	100.00	-	Control	Pernerova 2819/2a, 130 00 Prague 3	02033011
ČD Reality a.s.	100.00	-	Control	Prvního pluku 81/2a, 130 00 Prague 3	27195872
ČD Restaurant, a.s.	100.00	-	Control	Prvního pluku 81/2a, 130 11 Prague 3	27881415
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	-	Control	Keleti sor utca 26-4, 4150 Püspökladány, Hungary	09-09-031990
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	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
Auto Terminal Nymburk, s.r.o. in liquidation**	100.00	100.00	Control	Jankovcova 1569/2c, 170 00 Prague 7	24234656
České dráhy, a. s.	-	-	-	Nábřeží L.Svobody 12/1222, 110 15 Prague 1	70994226

*Ownership interest is exercised through ČD Cargo, a.s.
** Change in 2020

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.

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 30.6. and 30.7.

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 and Repair Centres for Railway Wagons, Accounting of Carriage Revenues in Olomouc and the Operating Unit in Česká Třebová.

The internal organisation of the Company (principles of the hierarchy, organisational structure, principal management system and authorities of organisational structure units including the responsibility and authority of managers) is determined in the Organisational Policy of ČD Cargo, a.s., and the Signing Authority Rules of ČD Cargo, a.s.

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 of 31 December 2020 was following:

Board of Directors

Chairman	Tomáš Tóth
Member	Zdeněk Škvařil
Member	Radek Dvořák

On 12 March 2020, České dráhy, a.s., as the sole shareholder of ČD Cargo, a.s. exercising the powers of the General Meeting decided to recall Mr. Bohumil Rampula from the position of a member of the Board of Directors of ČD Cargo, a.s. as of 31 March 2020.

On 12 March 2020, České dráhy, a.s., as the sole shareholder of ČD Cargo, a.s., exercising the powers of the General Meeting decided to appoint Mr. Radek Dvořák as a member of the Board of Directors of ČD Cargo, a.s., as of 1 April 2020.

On 4 December 2020, České dráhy, a.s., as the sole shareholder of ČD Cargo, a.s. exercising the powers of the General Meeting decided to recall Mr. Ivan Bednárik, from the position of a member of the Board of Directors of ČD Cargo, a.s., with immediate effect.

On 4 December 2020, České dráhy, a.s., as the sole shareholder of ČD Cargo, a.s., exercising the powers of the General Meeting decided to appoint Mr. Tomáš Tóth as a member of the Board of Directors of ČD Cargo, a.s., with immediate effect.

On 4 December 2020, the Board of Directors of ČD Cargo, a.s., at its meeting, appointed Mr. Tomáš Tóth as the Chairman of the Board of Directors of ČD Cargo, a.s.

Supervisory Body

Chairman	Václav Nebeský
Member	Lukáš Týfa
Member	Radek Nekola
Member	Marta Urbancová
Member	Jan Vrátník
Member	Pavel Kysilka

With effect from 3 October 2020, Mr. Roman Onderka resigned from the position of a member of the Supervisory Board of ČD Cargo, a.s.

On 18 September 2020, České dráhy, a.s., as the sole shareholder of ČD Cargo, a.s., exercising the powers of the General Meeting decided to appoint Mr. Jan Vrátník as a member of the Supervisory Board of ČD Cargo, a.s., with effect from 4 October 2020.

Audit Committee

Chairman	Oldřich Vojíř
Member	Miroslav Zámečník
Member	Libor Joukl

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.

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

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

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 recognized 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 recognized in the amount that reflects the consideration to which an entity expects to be entitled in exchange for services. Revenue is recognized net of value added tax. Revenue is recognized when the services are transferred to the customer at the transaction price. Services and goods provided in a bundle together with railway transportation services are considered to be a standalone performance obligation.

Railway transportation services

Sales of railway transportation services are recognized 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 recognized 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 recognized when a legal entitlement to receive a payment occurs and when such payment is probable.

Interest income is recognized 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 recognized 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 and therefore comparative information has not been restated and is presented under IAS 17. The details of accounting policies under both IAS 17 and 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 recognizes 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 recognizes 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 of 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 of 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 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 recognized 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 recognized on a straight-line basis over the term of the lease. Initial direct costs incurred in negotiating and concluding an operating lease are included in the carrying amount of the leased asset and are 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 recognizes the collected funds as a financial liability (debt), which, together with interest is amortized by lease payments.

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

If a sale and leaseback transaction was recognized as a sale and finance lease under IAS 17 before 1 January 2019, the Company, as a seller-lessee, recognizes the leaseback in the same way as it accounted for any other finance lease that existed at the date of initial application and continues to amortize any gain from sale over the lease term.

If a sale and leaseback transaction was recognized as a sale and finance lease under IAS 17 before 1 January 2019, the Company, as a seller-lessee, recognizes the leaseback in the same way as it accounted for any other finance lease that existed at the date of initial application, and adjusts the asset's right of use to which the leaseback relates, for any deferred gains or losses that relate to non-market conditions recognized in the statement of financial position immediately before the date of initial application.

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 recognized 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 recognized 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 recognized in profit or loss in the period in which they are incurred.

2.7. GRANTS

Government grants are not recognized 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 recognized as a reduced cost of those non-current assets in the statement of financial position.

Other government grants are recognized 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 recognized 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 recognized in the statement of financial position are their present value. Additions to these liabilities and provisions are recognized 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 recognized 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 recognized for all taxable temporary differences. Deferred tax assets are generally recognized 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 realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

2.9.3. Current tax and deferred tax for the period

Current and deferred tax are recognized as an expense or income in profit or loss, except when they relate to items that are recognized outside of profit or loss (i.e. other comprehensive income or directly in equity). In such case the tax is also recognized 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 recognized impairment loss. 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 recognized 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. 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 derecognized 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 recognized 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 amortization and impairment losses. Amortisation is recognized on a straight-line basis over their estimated useful lives. The estimated useful life and amortization 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 derecognized 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 recognized 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 recognized 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 recognized 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 join-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.

2.15. PROVISIONS

Provisions are recognized 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 recognized 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 recognized 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 recognized as other operating income.

2.16. FINANCIAL INSTRUMENTS

Financial assets and financial liabilities are recognized 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 recognized immediately in profit or loss.

Financial assets are classified in the following three categories: financial assets at amortized 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.

2.16.1. Effective interest method
The effective interest method is a method for calculating the amortized 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 recognized using the effective interest rate of debt instruments, except for financial assets and liabilities classified as of fair value through profit or loss.

2.16.2. 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 recognized in profit and loss account.

2.16.3. Financial assets at amortized 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 recognized by applying the effective interest rate, except for short-term receivables for which the recognition of interest would be immaterial.

2.16.4. 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 recognized 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 recognized 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.

2.16.5. 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 recognized in other comprehensive income and accumulated in equity is recognized in profit or loss.

2.16.6. 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 recognized under other financial liabilities.

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

2.16.8. 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 derecognized and the consideration paid or payable is recognized in profit or loss.

2.16.9. 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 recognized 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 as of FVTPL.

2.16.10. 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.

2.16.11. Cash flow hedges

The effective portion of changes in fair value of derivatives that are designated and qualify as cash flow hedges is recognized 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 recognized directly in profit or loss.

Amounts previously recognized in other comprehensive income and accumulated in equity are reclassified to profit or loss in the period in which the hedged item is recognized in profit or loss, within the same line item as the recognized 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 recognized 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 recognized 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.

2.16.12. Financial derivatives held for trading

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

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

The change in fair value of derivatives held for trading is recognized 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 2020

During the year ended 31 December 2020 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 3 - Amendments to IFRS 3 – Definition of a Business	1 January 2020
IAS 1, IAS 8 – Amendments to IAS 1 and IAS 8 – Definition of 'Material'	1 January 2020
IFRS 9, IFRS 7, IAS 39 – Amendments to IFRS 9, IFRS 7 and IAS 39 Interest Rate Benchmark Reform	1 January 2020
IFRS 16 – COVID-19 Related Rent Concessions	1 January 2020
Various IFRS - Amendments to References to the Conceptual Framework in IFRS Standards	1 January 2020

The adoption of the above standards, amendments and interpretations 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 BY THE COMPANY

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

Amendments, new and revised standards and interpretations	Effective for annual periods beginning on or after
IFRS 3 - Amendments to IFRS 3 - Reference to the Conceptual Framework	1. January 2022*
IFRS 4 - Amendments to IFRS 4 - Extension of the Temporary Exemption from Applying IFRS 9	1. January 2021
IFRS 9, IFRS 7, IAS 39, IFRS 4 and IFRS 16 - Amendments to IFRS 9, IFRS 7, IAS 39, IFRS 4 and IFRS 16 - Interest Rate Benchmark Reform - Phase 2	1. January 2021
IFRS 10, IAS 28 - Amendment to IFRS 10 and IAS 28 - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Date will be determined *
IFRS 17 - Amendments to IFRS 17 Insurance Contracts	1. January 2023*
IAS 1 - Amendments to IAS1 - Classification of Liabilities as Current or Non-current	1. January 2023*
IAS 16 - Amendments to IAS 16 - Proceeds before Intended Use	1. January 2022*
IAS 37 - Amendments to IAS 37 - Onerous Contracts - Cost of Fulfilling a Contract	1. January 2022*
Various standards - Annual Improvements to IFRS Standards 2018-2020	1. January 2022*

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

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 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 recognized 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. USEFUL LIVES OF PROPERTY, PLANT AND EQUIPMENT

The Company reviews estimates of the useful lives of depreciated fixed assets at the end of each reporting period, as the useful lives of fixed assets may change.

4.2. PROVISIONS 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.

4.3. 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.).

4.4. 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 relation to contract provisions, the economic situation on the market to which the asset belongs, as well as past experience with the lessor, and the lease term is adjusted accordingly.

4.5. CHANGE IN ACCOUNTING POLICY

The Company has decided to apply hedge accounting to foreign currency lease liabilities in accordance with IFRS 16. This involves hedging currency risk with non-derivative instruments from 1 January 2020. The impact of the revaluation of foreign currency liabilities is newly recognized in equity. The impact for the accounting period 2020 amounted to CZK 63 million. Besides the statement of profit or loss, it is also classified in the statement of comprehensive income of the Company.

4.6. IMPACT OF COVID – 19 ON THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2020

At the beginning of 2020, the existence of a new coronavirus causing covid-19, which had spread globally, was confirmed.The pandemic, and in particular restrictive measures taken to reduce health effects, have disrupted many business and economic activities and in 2020 affected the company's business.

The Company faced not only a drop in demand, but also complications in international transport, including a number of safety and hygiene measures. The decline in performance in most of the company's transported commodities fully corresponded with the economic development of industries and the restriction of transport of goods to / from China and throughout Europe. The shortfall in freight traffic was approximately CZK 1,400 million and was partially eliminated by the continued expansion of the ČD Cargo, a.s., brand abroad through branches in Germany and Austria. At the same time, the negative impact of the loss of sales was reduced by a number of cost-saving measures aimed primarily at more efficient use of operating capacities and increased labour productivity. In order to complete the process of optimising human resources, a provision of CZK 72 million was recognised in the 2020 accounts.

5. Property, Plant and Equipment

Cost (CZK million)	Balance as at 1 Jan 2019	Additions	Disposals	Transfers	Balance as of 31 Dec 2019	Additions	Disposals	Transfers	Balance as at 31 Dec 2020
Land	117	-	-	-	117	-	-	-	117
Construction	1,621	42	(1)	41	1,703	15	(2)	14	1,730
Individual movable assets	37,619	3,564	(3,017)	139	38,305	2,511	(954)	269	40,131
- Machinery, equipment, and furniture and fixtures	*498*	*55*	*(30)*	*(38)*	*485*	*5*	*(3)*	*5*	*492*
*- Vehicles**	*37,115*	*3,509*	*(2,986)*	*177*	*37,815*	*2,506*	*(950)*	*264*	*39,635*
- Other	*6*	*-*	*(1)*	*-*	*5*	*0*	*(1)*	*-*	*4*
Asset under construction	361	145	-	(142)	364	389	(6)	(283)	464
Advances	213	152	(30)	-	335	375	(341)	-	369
Total	**39,931**	**3,903**	**(3,048)**	**38**	**40,824**	**3,290**	**(1,303)**	**-**	**42,811**

Accumulated depreciation and impairment (CZK million)	Balance as at 1 Jan 2019	Additions	Disposals	Transfers	Impairment	Balance as of 31 Dec 2019	Additions	Disposals	Transfers	Impairment	Balance as at 31 Dec 2020
Construction	918	29	(1)	-	-	946	32	(2)	-	-	976
Individual movable assets	23,581	1,109	(3,017)	(42)	(31)	21,600	1,340	(954)	-	153	22,139
- Machinery, equipment, and furniture and fixtures	352	11	*(30)*	*(17)*	-	316	15	*(3)*	4	-	332
*- Vehicles**	23,224	1,098	*(2,986)*	*(25)*	(31)	21,280	1,325	*(951)*	*(4)*	153	21,803
- Other	5	-	*(1)*	-	-	4	-	-	-	-	4
Asset under construction	6	-	-	-	-	6	3	(3)	-	1	7
Total	**24,505**	**1,138**	**(3,018)**	**(42)**	**(31)**	**22,552**	**1,375**	**(959)**	**-**	**154**	**23,122**

Net book value (CZK million)	Balance as at 31 Dec 2020	Balance as at 31 Dec 2019	Balance as at 1 Jan 2019
Land	117	117	117
Constructions	754	757	703
Individual movable assets	17,992	16,705	14,038
- Machinery, equipment, and furniture and fixtures	160	169	146
*- Vehicles**	17,832	16,535	13,891
- Other	-	1	1
Assets under construction	457	358	355
Advances	369	335	213
Total	**19,689**	**18,272**	**15,426**

* Vehicles acquired under leaseback and are presented in the financial statements under the item „Vehicles". Their net book value amounted to CZK 2,391 million as at 31 December 2020 and CZK 2,740 million as at 31 December 2019. Liabilities arising from these leasebacks transactions are part of Note 15.2. „Lease liabilities". The Company's liabilities from leaseback transactions are secured by the lessor against the leased assets. These assets are not classified as finance leases under IFRS, however their legal basis is a lease agreement and therefore, from a legal point of view, they classify as leased assets.

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

Vehicles mainly comprise rail vehicles (railway traction vehicles, freight wagons) used for railway freight transport. As at 31 December 2020, an allowance is created for these items in the amount of the difference between the carrying amount and the recoverable amount of CZK 399 million (as of 31 December 2019: CZK 247 million).

In 2020, the biggest increases of movable tangible assets relate to repairs of R and D type (components) of the railway traction vehicles in the amount of CZK 778 million, technical improvement of traction rail vehicles in the amount of CZK 407 million, revision repairs (components) of freight wagons in the amount of CZK 323 million.

In addition, during the accounting period the following assets were acquired:
- 247 new Eanos freight wagons worth CZK 447 million;
- 40 new Sgg(m)rrs - innowagon (Innofreight technology) freight wagons worth CZK 107 million;
- 3 freight wagons 753.6 series worth CZK 127 million;
- wheelsets (components) for freight wagons worth CZK 198 million;
- new wagon body component worth CZK 94 million;
- technical inspection (components) to freight wagons worth CZK 73 million.

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 2020	Balance as at 31 Dec 2019
Cost	2,108	2,188
Depreciation	(1,174)	(1,366)
Net book value	**934**	**822**

During 2020, 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 100 million. Furthermore, the Company received a subsidy for LL brake blocks (so-called 'silent brake blocks') in the amount of CZK 8 million and a subsidy for the energy-saving building project of assembly plant in České Budějovice in the amount of CZK 4 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 assessment 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. 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. 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. The model confirmed that the market value of these assets significantly exceeds their book value.

5.1. PLEDGED ASSETS

The Company's assets as of 31 December 2020 and 31 December 2019 were not pledged. The Company's liabilities from leaseback transactions are secured by the lessor right to the leased assets.

6. Intangible Assets

Cost (CZK million)	Balance as at 1 Jan 2019	Additions	Disposals	Transfers	Balance as of 31 Dec 2019	Additions	Disposals	Transfers	Balance as at 31 Dec 2020
Software	929	98	(15)	29	1,041	86	-	31	1,158
Royalties	122	-	-	5	127	9	-	12	148
Assets under construction	34	66	-	(34)	66	31	(1)	(43)	53
Total	**1,085**	**164**	**(15)**	**-**	**1,234**	**126**	**(1)**	**-**	**1,359**

Accumulated amortisation (CZK million)	Balance as at 1 Jan 2019	Additions	Disposals	Balance as of 31 Dec 2019	Additions	Disposals	Balance as at 31 Dec 2020
Software	501	62	(15)	548	84	-	632
Royalties	94	4	-	98	6	-	104
Total	**595**	**66**	**(15)**	**646**	**90**	**-**	**736**

Net book value (CZK million)	Balance as at 31 Dec 2020	Balance as at 31 Dec 2019	Balance as at 1 Jan 2019
Software	526	493	428
Royalties	44	29	28
Assets under construction	53	66	34
Total	**623**	**588**	**490**

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 2020, intangible assets include royalties (licenses) in total net book value of CZK 44 million. The most significant items are Microsoft Infrastructure licenses in the amount of CZK 11 million, Modular System licenses in the amount of CZK 11 million, SAP licenses in the amount of CZK 8 million, Altworx licenses in the amount of CZK 4 million. In 2020, licenses in the total amount of CZK 21 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 2020	Balance as at 31 Dec 2019	Balance as at 1 Jan 2019
Operational and business tasks under the project PROBIS	300	315	262
SAP	78	83	43
IT Security Program	15	21	24
Other	133	74	99
Total	**526**	**493**	**428**

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 2020 consist mainly of modifications and upgrades of existing systems: SAP projects in the amount of CZK 14 million, Dispatching information system under the project of the calculation of complete trains in the amount of CZK 30 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 12 million, development of the Operational Information System PRIS in the amount of CZK 16 million.

7. Investments in Subsidiaries and Associates

Category (CZK million)	Investment* as at 31 December 2020	Investment* as at 31 December 2019
Subsidiaries	499	499
Joint ventures and associates	40	39
Total	**539**	**538**

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

7.1. INFORMATION ON SUBSIDIARIES

Name of the entity (CZK million)	Registered office	Investment* as at 31 December 2020	Investment* as at 31 December 2019
CD Cargo Germany GmbH	Niddastrasse 98-102, 60329 Frankfurt am Main, Germany	1	1
CD Cargo Poland Sp. z o.o.	Grzybowska 4/3, 00-131Warsaw, Poland	260	260
CD Cargo Austria GmbH	Rotenturmstraße 22/24, 1010 Vienna, Austria	-	-
CD Cargo Slovakia, s.r.o.	Seberíniho 1, 821 03 Bratislava, Slovakia	138	138
CD Cargo Hungary Kft.**	Keleti sor utca 26-4, 4150 Püspökladány, Hungary	-	-
Terminal Brno, a.s.	K Terminálu 614/11, 619 00 Brno	49	49
ČD-DUSS Terminál, a.s.	Lukavecká 1189, 410 02 Lovosice	2	2
ČD Cargo Logistics, a.s.**	Opletalova 1284/37, 110 00 Prague 1	49	49
Auto Terminal Nymburk, s.r.o. in liquidation	Jankovcova 1569/2c, 170 00 Prague 7	-	-
Total		**499**	**499**

* The value of the share represents the net value of the investment consisting of the acquisition price less any loss allowance
** The new company in 2020

Name of the entity	Principal activities	Ownership interests as at 31 December 2020	Ownership interests as at 31 December 2019
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 %**	-
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.	100%	100%

* The Company is fully owned by CD Cargo Germany GmbH
** The company is fully owned by CD Cargo Slovakia, s.r.o.

7.2. INFORMATION OF JOINT VENTURES AND ASSOCIATES

Name of the entity (CZK million)	Registered office	Investment* as at 31 December 2020	Investment* as at 31 December 2019
BOHEMIAKOMBI, spol. s r.o.	Opletalova 6, 110 00 Prague 1	-	-
Ostravská dopravní společnost, a.s.	U Tiskárny 616/9, 702 00 Ostrava - Přívoz	12	11
RAILLEX, a.s.	Americká 525/23, 120 00 Prague 2	1	1
Ostravská dopravní společnost – Cargo, a.s.	U Tiskárny 616/9, 702 00 Ostrava - Přívoz	27	27
Total		**40**	**39**

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

Name of the entity	Principal activities	Ownership interests as at 31 December 2020	Ownership interests as at 31 December 2019
BOHEMIAKOMBI, spol. s r.o.	Brokerage of transportation services except for the transportation by own vehicles.	30%	30%
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%
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 2020 (CZK million)	RAILLEX, a.s.	BOHEMIAKOMBI, spol. s r.o.	Ostravská dopravní společnost, a.s.	Ostravská dopravní společnost - Cargo, a.s.
Total assets	**39**	**26**	**172**	**220**
Current assets	-	1	-	46
Non-current assets	39	25	172	174
Total liabilities	**22**	**16**	**147**	**31**
Current liabilities	-	-	-	-
Non-current liabilities	22	16	147	31
Net assets	17	10	25	189
Share of net assets	**8**	**-**	**13**	**38**

31 December 2019 (CZK million)	RAILLEX, a.s.	BOHEMIAKOMBI, spol. s r.o.	Ostravská dopravní společnost, a.s.	Ostravská dopravní společnost - Cargo, a.s.
Total assets	**48**	**24**	**101**	**199**
Current assets	48	23	101	148
Non-current assets	-	1	-	51
Total liabilities	**27**	**15**	**78**	**38**
Current liabilities	27	15	78	37
Non-current liabilities	-	-	-	1
Net assets	21	9	23	161
Share of net assets	**10**	**-**	**12**	**32**

(CZK million)	2020	2019
Total income	1,039	1,109
Profit for the period	43	47
Share of profit for the period	**12**	**14**

8. Inventories

(CZK million)	31 Dec 2020	31 Dec 2019
Spare parts and other components for rail vehicles and traction vehicles	222	228
Spare parts for other machines, devices and equipment	9	9
Fuels, lubricants and other petroleum products	3	3
Work clothes, work shoes, protective devices	17	2
Other	46	8
Total cost	**298**	**250**
Write-down of inventories to their net realisable value	(6)	(6)
Total net book value	**292**	**244**

9. Trade Receivables

Trade receivables consist of the following items:

	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 2020	Gross	1,539	35	35	2	2	83	157	1,696
	Allowances	(54)*	-	(1)	(1)	(2)	(83)	(87)	(141)
	Net	**1,485**	**35**	**34**	**1**	**-**	**-**	**70**	**1,555**
31 Dec 2019	Gross	1,351	105	16	3	22	58	204	1,555
	Allowances	(5)*	(1)	(1)	(3)	(22)	(58)	(85)	(90)
	Net	**1,346**	**104**	**15**	**-**	**-**	**-**	**119**	**1,465**
1 Jan 2019	Gross	1,514	131	27	2	4	83	247	1,761
	Allowances	(28)*	(13)	(14)	(1)	(4)	(83)	(115)	(143)
	Net	**1,486**	**118**	**13**	**1**	**-**	**-**	**132**	**1,618**

* it mainly includes allowances for overdue receivables for which the maturity has been postponed by the agreement on the repayment schedule, but the payment of which is very uncertain, as well as allowance for receivables before due date, as a result of the implementation of IFRS 9.

9.1. MOVEMENT OF ALLOWANCES FOR DOUBTFUL TRADE RECEIVABLES

Movement of allowances for doubtful receivables (CZK million)	2020	2019
Allowances at 1 January	**90**	**143**
Creation of allowances – trade receivables	56	68
Use of allowances – trade receivables	(4)	(63)
Write-offs – trade receivables	(1)	(58)
Allowances at 31 December	**141**	**90**

10. Other Financial Assets

(CZK million)	31 Dec 2020	31 Dec 2019
Lease receivables	40	52
Hedging derivatives	29	10
Restricted cash (see Note 5.)	-	48
Other financial assets	1	-
Other non-current financial assets	**70**	**110**
Lease receivables	12	11
Hedging derivatives	25	14
Group cash-pooling	3	1
Receivables for damages and losses	6	9
Receivables for damages and losses - allowances	(4)	(4)
Restricted cash (see Note 5.)	76	157
Other financial assets	119	19
Other financial assets - allowances	(12)	(13)
Other current financial assets	**225**	**194**
Total Other financial assets	**295**	**304**

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

Within the item restricted cash, advance payment of the subsidy from CEF received for the implementation of the European Train Control System for locomotives is recorded. This advance is gradually drawn for advances and partial payments for ETCS to suppliers (see Note 5.) and will be exhausted during 2021.

In 2020, the item "Other financial assets" included a receivable from CD Cargo Poland Sp. z o. o. in the amount of CZK 100 million from unpaid dividends. These dividends are due in 2021.

There was no reason to create an allowance for any Other financial assets due to the expected credit loss, in relation to IFRS 9.

10.1. FINANCE LEASE RECEIVABLES

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

Disclosure required according to the IFRS 16:

Analysis of maturity of receivables from leasing payments:

(CZK million)	31 Dec 2020	31 Dec 2019
1 year	13	13
2 years	13	13
3 years	13	13
4 years	13	13
5 years	3	13
More than 5 years	-	3
Undiscounted lease payments	**55**	**68**
Minus: Unrealized financial income	(3)	(5)
Present value of lease payments receivable	**52**	**63**
Impairment allowance	-	-
Net investment in leasing	**52**	**63**
In the statement of financial position as:		
Short-term lease receivables	12	11
Long-term lease receivables	40	52
Total	**52**	**63**

The amounts recognized in the statement of profit or loss:

(CZK million)	Balance as at 31 Dec 2020	Balance as at 31 Dec 2019
Net proceeds from financial investments	2	1

The Company uses a simplified approach in accordance with IFRS 9 to measure expected credit losses using a provision for expected life-cycle losses on 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 due days. 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 lessee's operations, 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 2020	31 Dec 2019
Advances	2	-
Non-current financial assets	**2**	**-**
Advances	51	68
Tax receivables – VAT	42	142
Prepaid expenses	32	45
Other	4	4
Other current financial assets	**129**	**259**
Total Other financial assets	**131**	**259**

"Advances" 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 amortized 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 2020	31 Dec 2019
Cash in hand and cash in transit	3	2
Cash at bank *	521	335
Total**	**524**	**337**

* 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 20120, dividend income from subsidiary CD Cargo Germany GmbH in the amount of CZK 25 million (2019: CZK 32 million) was partly recognised as non-cash income and offset against their liabilities in the amount of CZK 11 million. The remaining part of CZK 14 million was fully paid.

In 2019, dividends from CD Cargo Poland Sp. z o. o. were granted in the amount of CZK 100 million. They are due in 2021 and are reported under „Other financial assets".

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

Bank (CZK million)	Short-term rating*	Long-term rating*	31 Dec 2020	31 Dec 2019
Citibank Europe plc	P-1	Aa3	33	1
Česká spořitelna, a.s.	P-1	A1	1	1
Československá obchodní banka, a.s.	P-1	A1	279	272
ING Bank, N.V.	P-1	Aa3	71	3
Komerční banka, a.s.	P-1	A1	98	20
Raiffeisenbank a.s.	P-1	A2	2	1
UniCredit Bank Czech Republic and Slovakia a.s.	P-2	Baa1	5	5
Všeobecná úvěrová banka a.s.	P-1	A2	32	32
Total			**521**	**335**

* Moody's bank rating is effective at the end of 2020

13. Equity

13.1. SHARE CAPITAL

As at 31 December 2020, the Company records the share capital in the amount of CZK 8,494 million in a form of 100 dematerialised shares. The share capital was fully paid.

13.2. CAPITAL FUNDS

(CZK million)	31 Dec 2020	31 Dec 2019
Share premium	197	197
Statutory reserve fund	257	230
Cash flow hedging reserve	(35)	20
Actuarial losses	(2)	(12)
Total	**417**	**435**

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 of December 1, 2007.

13.2.2. Reserve fund

(CZK million)	2020	2019
Balance as at 1 January	**230**	**192**
Profit allocation to the reserve fund	27	38
Balance as at 31 December	**257**	**230**

Allocation to the reserve fund represents, according to the company's articles of association, the accumulated allocations from the profits of previous years and is intended exclusively to cover any losses. In accordance with the company's internal rules, the allocation to the reserve fund amounts to CZK 27 million and CZK 38 million for 2019.

13.2.3. Cash flow hedging reserve

(CZK million)	2020	2019
Balance at the beginning of the year	**20**	**(24)**
Profit /(loss) from revaluation	(54)	49
Reclassification to profit or loss	(14)	5
Total change in the cash flow hedging reserve	**(68)**	**54**
Related income tax	13	(10)
Balance at the end of the year	**(35)**	**20**

The cash flow hedging reserve includes accumulated gains and losses from the effective hedging of cash flows. The cash flow hedge fund represents the accumulated gains and losses on effective cash flow hedges. This effect shall be recognised in profit or loss at the time of settlement or when the derivative ceases to meet the conditions of hedge accounting over the life of the derivative.

Reclassification from cash flow hedge reserve into profit or loss

Currency forwards and swaps – hedging future income in foreign currencies (CZK million)	2020	2019
Balance as at 1 January	**12**	**(19)**
Change in the fair value of the hedging derivatives	44	45
Reclassification to the expenses and income	(10)	(7)
Related corporate income tax – change	(6)	(7)
Balance as at 31 December	**40**	**12**

Interest swaps – hedging loans and lease contracts with variable rate (CZK million)	2020	2019
Balance as at 1 January	**(27)**	**(28)**
Change in the fair value of the hedging derivatives	-	-
Reclassification to the expenses and income	34	1
Related corporate income tax – change	(7)	-
Balance as at 31 December	**-**	**(27)**

Foreign currency leasing liabilities from IFRS 16 - hedging future revenue in foreign currencies * (CZK million)	2020	2019
Balance as at 1 January	**-**	**-**
Change in the fair value of lease liability	(78)	-
Reclassification to the expenses and income	-	-
Related corporate income tax – change	15	-
Balance as at 31 December	**(63)**	**-**

* change of method see Note 4.5.

Commodity forwards – hedging prices for the purchases of diesel and traction energy (CZK million)	2020	2019
Balance as at 1 January	**35**	**23**
Change in the fair value of the hedging derivatives	(20)	4
Reclassification to the expenses and income	(38)	11
Related corporate income tax – change	11	(3)
Balance as at 31 December	**(12)**	**35**

13.2.4. Actuarial losses

(CZK million)	2020	2019
Balance as at 1 January	**(12)**	**(16)**
Actuarial gains and losses	10	4
Balance as at 31 December	**-2**	**(12)**

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

14. Trade Payables

Year (CZK million)	Category	Before due date	Past due date (days) 1 - 30	31 – 90	91- 180	181 -365	365 and more	Total past due date	Total
31 Dec 2020	Short-term	1,858	19	5	2	-	92	118	1,976
31 Dec 2019	Short-term	2,069	25	51	8	50	-	134	2,203

The Company does not recognize 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 2020	31 Dec 2019
Long-term bank loans	2,434	-
Liabilities from leaseback	946	1,140
Liabilities from leasing	2,601	2,187
Loans from České dráhy, a.s.	137	205
Issued bonds	4,260	3,765
Total long-term	**10,378**	**7,297**
Short-term bank loans	291	-
Liabilities from leaseback	277	285
Liabilities from leasing	769	595
Loans from České dráhy, a.s.	75	323
Issued bonds	524	1,026
Total short-term	**1,936**	**2,229**
Total	**12,314**	**9,526**

Loans are initially recognised at fair value less transaction costs. In the subsequent periods, loans are measured at amortized cost using the effective interest method; all differences between the consideration (less transaction costs) and the value of the instalments are recognised in the statement of profit or loss over the entire period of the loan.

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 383 series traction vehicles (Vectron). As of 31 December 2020, the remaining balance of the loan was divided into a long-term part in the amount of CZK 137 million and a short-term part in the amount of CZK 75 million.

On 19 December 2019, ČD Cargo, a.s., drew a loan in the amount of CZK 250 million based on a Mutual Credit Facility Agreement in excess of cash-pooling from the parent company České dráhy, a.s., This loan was repaid on 18 March 2020.

Three investment loans were implemented with a total credit framework of CZK 3,000 million during 2020. As of 31 December 2020, CZK 2,800 million was drawn from this credit framework. For detailed information on investment loans see Note 31.8.

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.

Under the above-mentioned bond programme or under separate issuance conditions, the following bond issues exist as of 31 December 2020:

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
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

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
Nominal value of the bond	CZK 500 million
Interest rate	CZK 5 million
Issue rate	fixed interest income 1.26 %
Payment of interest income	100 %
Date of interest payment	annually retrospectively
Date of the final maturity	29.12. each year
Nominal value of the bond	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
Nominal value of the bond	CZK 1,000 million
Interest rate	CZK 5 million
Issue rate	fixed interest income 2.55 %
Payment of interest income	100 %
Date of interest payment	annually retrospectively
Date of the final maturity	20.7. each year
Nominal value of the bond	20.7.2025

Administrator	Komerční banka, a.s.
Issue manager	ING Bank, N.V.
Date of issue	17.7.2019
Trading	CZK 1,000 million
Nominal value of the bond	CZK 5 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
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
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. LEASE LIABILITIES

The Company concluded several leaseback contracts for the purchase of railway vehicles. The duration of the lease is a maximum of 10 years. The Company has the ability to buy these vehicles upon the expiration of the lease. The Company's payables arising from lease are collateralised by the lessor's ownership title to the leased assets.

The value of lease liabilities is as follows:

(CZK million)	Minimum lease payments		Present value of minimum lease payments	
	31 December 2020	**31 December 2019**	**31 December 2020**	**31 December 2019**
Less than 1 year	1,122	1,003	1,046	880
From 1 to 5 years	2,668	2,753	2,535	2,499
5 years and more	1,032	882	1,012	828
Total	**4,822**	**4,638**	**4,593**	**4,207**
Less future financial costs	(229)	(431)	-	-
Present value of min. leasing's repayments	**4,593**	**4,207**	**4,593**	**4,207**
In the statement of financial position as:				
– short-term loans			*1,046*	*880*
– long-term loans			*3,547*	*3,327*
Total			**4,593**	**4,207**
In the statement of financial position as:				
– lease liabilities			*3,370*	*2,782*
– leaseback liabilities			*1,223*	*1,425*
Total			**4,593**	**4,207**

Financial lease liabilities and leaseback liabilities are presented within financial instruments in Note 31.2.

Movements on financial liabilities are described in Note 31.8.2.

Fair value of lease liabilities is disclosed in the Note 31.10.1.

16. Provisions

(CZK million)	Balance as at 1 Jan 2020	Creation	Use	Cancellation	Balance as at 31 Dec 2020
Provision for litigation	23	45	(9)	-	59
Provisions for employee benefits	155	59	(54)	-	160
- of which long-term part	*101*				*96*
Restructuring provision	-	84	(12)	-	72
Other provisions	33	53	(24)	(8)	54
Total provisions	**211**	**241**	**(99)**	**(8)**	**345**
Long-term	*101*				*96*
Short-term	*110*				*249*

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 increase the provision to cover potential litigation costs to CZK 59 million as at 31 December 2020 (as at 31 December 2019: CZK 23 million).

The provision for employee benefits includes the employees´ entitlement to a financial contribution on life jubilees, financial contribution upon retirement and reimbursement of medical expenses, including salary refunds in wellness and recovery stays. As of 31 December 2020, the provision was calculated in the amount of CZK 160 million. Compared to 2019, there were no significant changes in the provision balance. In calculating the provision, the Company used an actuarial model which is based on up-to-date employee information (number of employees, date of the old-age pension claim, average salary, amount of the financial contribution) and anticipated parameters established on the basis of a reasonable estimate and publicly available statistical documents: anticipated fluctuation in the number of employees, anticipated increase in salaries, anticipated inflation level, likelihood of death or disablement according to the data of the Czech Statistical Office. Cash flows are discounted to the present value using the discount rate derived from the yield level of government bonds.

In the context of the measures taken in 2020 towards a more efficient use of human resources and increasing the productivity of both operational and administrative staff, and the approved, properly communicated completion of this process in 2021, the company has created a provision for expected costs in connection with this optimization, respectively, a provision for restructuring amounting to CZK 72 million.

As at 31 December 2020, other provisions mainly include the Company's provisions for damages.

17. Other Financial Liabilities

(CZK million)	31 Dec 2020	31 Dec 2019
Hedging derivatives	4	-
Liability arising from supplier loans	2	1
Other long-term financial liabilities	**6**	**1**
Hedging derivatives	16	-
Liability arising from supplier loans	16	3
Other	147	189
Other short-term financial liabilities	**179**	**192**
Total other financial liabilities	**185**	**193**

Other financial liabilities are measured at amortised cost.

Three lease contracts on the sale and 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 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 an action in the District Court for Prague 7 to determine the ownership of the 1,141 vehicles, and yet it has not been solved. 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.). In 2020, the resulting liability forms the most significant part of the item „Other" in the amount of CZK 121 million (excluding VAT), in 2019 this liability was also in the amount of CZK 121 million.

As of 31 December 2020, the item "Other" also included liabilities concerning the judicial conciliation in the dispute over the price of traction energy collected from Správa železnic, s.o. and relating to the settlement of the damage due to Správa železnic, s.o. traffic closures pursuant to a court judgment. These commitments were paid in 2020. More detailed overview of the mutual relations with Správa železnic, s.o. is presented in Note 30.6.

18. Other Liabilities and Commitments

Other liabilities and commitments consist of following items:

(CZK million)	31 Dec 2020	31 Dec 2019
Subsidy received	-	48
Other liabilities	148	149
Other long-term liabilities	**148**	**197**
Payables to employees	314	260
Liabilities for social security and health insurance	144	126
Tax liabilities - tax withheld employees	48	38
Subsidy received	174	157
Other short-term liabilities	**680**	**581**
Refunds liabilities	20	18
Other short-term liabilities and commitments	**700**	**599**
Total Other liabilities and commitments	**848**	**796**

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 are currently expected to be used for the supply of prototypes of selected series of locomotives in 2021.

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. Operating 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 2019	Additions	Change of lease period	Disposals	Transfers	Balance as at 31 Dec 2019	Additions	Change of lease period	Disposals	Balance as at 31 Dec 2020
Buildings	398	35	36	(114)	-	355	121	48	(65)	459
- out of which Lovosice logistics centre	*149*	*-*	*-*	*(62)*	*-*	*87*	*-*	*-*	*-*	*87*
Equipment	465	124	4	-	-	593	112	20	(127)	598
- out of which Innofreight technologies	*463*	*123*	*4*	*-*	*-*	*590*	*112*	*20*	*(127)*	*595*
Vehicles	1,181	1,395	242	(790)	(140)	1,888	1,318	288	(746)	2,748
- out of which freight wagons	*1,146*	*1,378*	*242*	*(769)*	*(140)*	*1,857*	*1,315*	*288*	*(742)*	*2,718*
Total	**2,044**	**1,554**	**282**	**(904)**	**(140)**	**2,836**	**1,551**	**356**	**(938)**	**3,805**

Accumulated depreciation and impairment (CZK million)	Balance as at 1 Jan 2019	Depreciation	Disposals	Transfers	Balance as at 31 Dec 2019	Depreciation	Disposals	Balance as at 31 Dec 2020
Buildings	-	72	(4)	-	68	65	(20)	113
- out of which Lovosice logistics centre	*-*	*20*	*-*	*-*	*20*	*13*	*-*	*33*
Equipment	-	75	-	-	75	110	(94)	91
- out of which Innofreight technologies	*-*	*75*	*-*	*-*	*75*	*110*	*(94)*	*91*
Vehicles	41	422	(75)	(45)	343	451	(190)	604
- out of which freight wagons	*41*	*415*	*(72)*	*(45)*	*339*	*443*	*(189)*	*593*
Total	**41**	**569**	**(79)**	**(45)**	**486**	**626**	**(304)**	**808**

Net book value (CZK million)	Balance as at 31 Dec 2020	Balance as at 31 Dec 2019	Balance as at 1 Jan 2019
Buildings	346	287	398
- out of which Lovosice logistics centre	*54*	*67*	*149*
Equipment	507	518	465
- out of which Innofreight technologies	*504*	*515*	*463*
Vehicles	2,144	1,545	1,140
- out of which freight wagons	*2,125*	*1,518*	*1,105*
Total	**2,997**	**2,350**	**2,003**

As part of the reassessment of leases concluded in previous periods for an indefinite period, the estimate of the lease period for the following years was updated, this impact is stated as a change in the lease term. The rental prices of contracts were also adjusted.

The current incremental interest rate was used for reassessed leases for an indefinite period. The impact of the changes in these contracts was reflected in assets with an increase of CZK 35 million and an increase in liabilities by CZK 33 million.

In 2020, a significant lease agreement was concluded for the lease of trucks. Based on the option contained in the contract, they will be repurchased upon termination of the lease. The value of the option is reflected in the value of the asset. The total amount of the increase from this contract in 2020 is 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 of 1 January 2019, the value of this right-of-use was calculated at CZK 558 million and impaired by CZK 409 million. As of 1 January 2019, the resulting amount of CZK 149 million was recorded in the above table "Cost". As of 31 December 2020, these right-of-use assets are recognized in the carrying amount of 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 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 2020	Balance as at 31 Dec 2019
Short-term lease liabilities	769	595
Long-term lease liabilities	2,601	2,187
Total lease liabilities (see Note 15.)	**3,370**	**2,782**

The amounts recognised in statement of profit or loss:

(CZK million)	2020	2019
Depreciation of right-of-use assets	(626)	(569)
Interest expense on lease liabilities	(56)	(71)
Short-term lease expenses	(88)	(73)
Low-value assets lease expenses	(15)	(14)
Variable lease payments (not included in the measurement of the lease liability) expenses	-	(20)
Proceeds from the sublease of right-of-use assets	-	1

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, material and energy consumption.

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).

In 2019, total monetary expenses related to leases amounted to CZK 884 million (of which leasing payments of CZK 706 million, interest expenses of CZK 71 million, short-term lease payments of CZK 73 million, low-value assets lease payments of CZK 14 million and expenses related to variable lease payments of CZK 20 million).

19.2. COMMITMENTS

As of the balance sheet date, the Company concluded contracts for the purchase of property, plant and equipment and investment property in the amount of CZK 7,954 million, of which CZK 4,544 million relates to unpaid supplies (out of which CZK 3,451 million represents investments to be paid in 2021 and CZK 1,093 million to be paid in subsequent years). As of 31 December 2020, the remaining amount of CZK 3,410 million was paid. A significant part of commitments in the amount of CZK 4,477 million relates to investments in railway vehicles.

19.3. CONTINGENT ASSETS

ČD Cargo, a.s. records contingent assets resulting from a CZK 103 million penalty for Ostravské opravny a strojírny, s.r.o. Penalty refers to delayed deliveries of repaired freight wagons that have not been completed according to the contractual terms. As the company in question disputes this penalty, ČD Cargo, a.s. in accordance with IAS 37, records these assets as contingent assets and are they not recognized in the financial statements as of 31 December 2020.

20. Received and Issued Bank Guarantees

20.1. BANK GUARANTEES ISSUED

Bank guarantees issued in Komerční banka, a.s. as of 31 December 2020 from the contractual limit of CZK 50 million.

List of active bank guarantees issued by ČD Cargo, a.s. as at 31 December 2020

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	30.6.2021	Bank guarantee to fulfil all liabilities and obligations of the Lessee under the Lease Agreement with West Invest Waterfront Towers Ltd. - Lighthouse.
P3 Lovosice s.r.o., Na Florenci 2116/15, 110 00 Prague 1	Warranty for rent	17 million	CZK	13.6.2021	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	16.9.2021	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	16.9.2021	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.

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20.2. BANK GUARANTEES RECEIVED

List of active bank guarantees received by ČD Cargo, a.s. as at 31 December 2020

In behalf of	Guarantee provider	Amount	Currency	Termination date	Reason for bank guarantee
Siemens, s.r.o., Prague 13, Siemensova 1, 155 00	Unicredit Bank Czech Republik and Slovakia, a.s.	1 million	EUR	30.4.2021	Securing the delivery of interoperable locomotives for the needs of ČD Cargo, a.s., and operability under warranty.
Siemens, s.r.o., Prague 13, Siemensova 1, 155 00	Unicredit Bank Czech Republik and Slovakia, a.s.	1 million	EUR	31.12.2021	Securing the delivery of interoperable locomotives for the needs of ČD Cargo, a.s. for the installation of ETCS 3.6.0. version
Wagony Swidnica SP. O.Z.O., Strzelinska 35; 50-100 Swidnica, Poland	Citibank Europe plc, organizational unit	2 million	EUR	31.5.2021	Securing the delivery of 500 new railway freight wagons of EANOS line.
CZ LOKO, a.s.; Semanínská 580; 560 02 Česká Třebová	Komerční banka, a.s.	51 million	CZK	15.6.2021	Securing the delivery of new diesel locomotives 753.6 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.	43 million	CZK	24.4.2021	Securing the delivery 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	31.5.2021	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	31.5.2021	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	31.5.2021	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	31.5.2021	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	31.5.2021	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	Československá obchodní banka, a.s.	59 million	CZK	26.1.2022	Securing the obligation during modernisation of the selected locomotive (prototype) from the public contract „Implementation of the modernization of 50 locomotives 742 series".
CZ LOKO, a.s.; Semanínská 580; 560 02 Česká Třebová	Československá obchodní banka, a.s.	53 million	CZK	27.12.2021	Securing proper performance pursuant to Article 12.2. (prototype) from the public contract „Performing modernization of 50 locomotives 742 series".
CZ LOKO, a.s.; Semanínská 580; 560 02 Česká Třebová	Československá obchodní banka, a.s.	1 million	EUR	31.3.2021	Securing the obligation during the Switch-off of phase of selected locomotive (prototype) from the public contract „Modernization of 50 Locomotives 742 series".
CZ LOKO, a.s.; Semanínská 580; 560 02 Česká Třebová	Československá obchodní banka, a.s.	0.4 million	EUR	31.3.2021	Securing the obligation during the Switch-off of phase of selected locomotive (prototype) from the public contract „Modernization of 50 Locomotives 742 series".
CZ LOKO, a.s.; Semanínská 580; 560 02 Česká Třebová	Komerční banka, a.s.	1 million	EUR	10.12.2021	Securing the obligation during the Switch-off of phase of selected locomotive (prototype) from the public contract „Modernization of 50 Locomotives 742 series".
CZ LOKO, a.s.; Semanínská 580; 560 02 Česká Třebová	Komerční banka, a.s.	1 million	EUR	10.12.2021	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"
ČD - Telematika a.s., Pernerova 2819/2a, 130 00 Praha 3 a **AŽD Praha s.r.o.,** Žirovnická 3146/2, 106 00 Praha 10	Komerční banka, a.s.	5 million	EUR	17.3.2022	Securing the realization 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.
TATRAVAGÓNKA, a.s., Štefánikova 887/53; 05801 Poprad, Slovakia	COMMERZBANK Aktiengesellschaft, branch 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 trucks.
Bombardier Transportation Gmbh, Eichhomstrasse 3, 10785 Berlin, Germany	COMMERZBANK Aktiengesellschaft, branch Praha	11 million	EUR	31.12.2021	In accordance with the purchase contract No. 6926-2018-O01 dated 20 August 2018, ensuring the delivery of up to 50 Traxx MS3 locomotives (BZ for reserve for the first 10 locomotives).
Metrostav a.s., Koželužská 2450/4, 180 00 Praha 8	Raiffeisenbank a.s.	3 million	CZK	14.6.2024	In accordance with the contract for work no. 06695-2018-SOKV UNL from 28 April 2018, securing the construction of a new steel hall for cleaning railway vehicles in the Repair centres of the railway wagons (SOKV Ustí nad Labem).
Bombardier Transportation Gmbh, Eichhomstrasse 3, 10785 Berlin, Germany	COMMERZBANK Aktiengesellchaft, branch Praha	75 thousand	EUR	30.6.2021	Bank guarantee for tender offer provided for „Deliveries of new locomotives for the needs of ČD Cargo, a.s.".
Bombardier Transportation Gmbh, Eichhomstrasse 3, 10785 Berlin, Germany	COMMERZBANK Aktiengesellchaft, branch Praha	75 thousand	EUR	30.6.2021	Bank guarantee for tender offer provided for „Deliveries of new locomotives for the needs of ČD Cargo, a.s.".
Bombardier Transportation Gmbh, Eichhomstrasse 3, 10785 Berlin, Germany	COMMERZBANK Aktiengesellschaft, branch Praha	115 thousand	EUR	30.6.2021	Bank guarantee for tender offer provided for „Deliveries of new locomotives for the needs of ČD Cargo, a.s.".
Siemens, s.r.o., Prague 13, Siemensova 1, 155 00	UniCredit Bank Czech Republik and Slovakia, a.s	0,3 million	EUR	18.5.2021	Bank guarantee for tender offer provided for „Deliveries of new locomotives for the needs of ČD Cargo, a.s.".
Stadler Rail Valencia S.A.U., Mitxera, 46550, Valencia, Spain	Komerční banka, a.s.	75 thousand	EUR	30.9.2021	Bank guarantee for tender offer provided for „Deliveries of new locomotives for the needs of ČD Cargo, a.s.".

21. Revenue

(CZK million)	2020	2019
Revenue from freight transportation:	**10,185**	**10,942**
– Revenue from freight transportation - local	3,301	3,677
– Revenue from freight transportation - foreign	6,884	7,265
– Revenue from freight transportation - Germany	2,289	2,294
– Revenue from freight transportation – Austria	1,005	865
– Revenue from freight transportation - Slovakia	819	976
– Revenue from freight transportation – Poland	667	974
– Revenue from freight transportation – Ukraine	331	365
– Revenue from freight transportation – Romania	262	220
– Revenue from freight transportation – Italy	255	210
– Revenue from freight transportation – Slovenia	219	-
– Revenue from freight transportation – Hungary	197	-
– Revenue from freight transportation – Russia	142	230
– Revenue from freight transportation – other countries	698	1,131
Other revenue from freight transportation:		
– Other revenue from freight transportation- local	428	369
– Other revenue from freight transportation- foreign	136	175
Other freight revenue recognised over the period of time	**564**	**544**
Other revenue related to transportation	200	210
Total revenue from customer contracts	**10,949**	**11,696**
Revenue from lease	392	392
Total revenue	**11,341**	**12,088**

Revenue from leases includes revenues from short-term and occasional leases of freight wagons and railway traction vehicles (see Note 19.1.).

Other revenue from freight transportation include mainly revenues from services performed at railway stations, supplementary services and the rail siding agenda.

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

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

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 spoločnost´ Cargo Slovakia, a.s.
- Rail Cargo Austria AG

Other companies

- Maersk Line A/S
- STVA S.A.
- CD Cargo Germany GmbH
- DB Cargo Logistics GmbH
- LKW WALTER INTERNATIONAL
- BLG AutoRail GmbH

21.1. 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 2020	31 Dec 2019
Refund liabilities	20	18
Total refund liabilities	**20**	**18**

21.2. REMAINING PERFORMANCE OBLIGATIONS

Remaining liabilities (CZK million)	31 Dec 2020	31 Dec 2019
Revenue from freight transport	14	15
Other revenue from freight transport	3	1
Other revenue from principal activity	1	1
Other revenue from operating activity	2	1
Total	**20**	**18**

22. Other Operating Income

(CZK million)	2020	2019
Gain from sale of property, plant and equipment	60	51
Gain from disposal of unnecessary assets	38	52
Compensations for deficits and damage	52	52
Contractual penalties and default interest	2	10
Foreign exchange gains - operational	364	116
Change in provisions for receivables - income	-	58
Change in provisions for tangible fixed assets - income	-	30
Dividends received	149	160
Other	62	29
Total other operating income	**727**	**558**

23. Services, Rental, Material and Energy Consumption

(CZK million)	2020	2019
Traction costs	**(1,085)**	**(1,194)**
– Traction fuel (diesel)	*(363)*	*(406)*
– Traction electricity	*(722)*	*(788)*
Payment for the use of railway route	**(789)**	**(907)**
Other purchased consumables and services	**(3,294)**	**(3,293)**
– Consumed material	(231)	(272)
– Consumed other energy	(92)	(91)
– Consumed fuel	(8)	(9)
– Repairs and maintenance	(197)	(230)
– Travel costs	(38)	(45)
– Telecommunication, data and postal services	(55)	(55)
– Other rental	(47)	(64)
– Rental for rail vehicles	(300)	(265)
– Transportation charges	(1,722)	(1,667)
– Services associated with the use of buildings	(45)	(45)
– Operational cleaning of rail vehicles	(3)	(4)
– Border area services	(185)	(189)
– Advertising and promotion costs	(9)	(15)
– Infrastructure capacity allocation	(28)	(25)
– IT	(149)	(143)
– Performances of fire brigade service	(1)	(1)
– Services in the field of ecology	(9)	(9)
– Other services	(175)	(164)
Total services, material and energy consumption	**(5,168)**	**(5,394)**

The item traction electricity for the period from 1 January 2020 to 31 December 2020 includes mainly traction electricity purchased from Správa železnic, s.o, in the amount of CZK 722 million (in 2019: CZK 788 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 Company's statutory auditor – PricewaterhouseCoopers Audit, s.r.o. and other entities within the PricewaterhouseCoopers network are presented in following table.

(CZK million)	2020	2019
Statutory audit of annual financial statements	(1)	(1)
Other services*	(3)	(11)
Total	**(4)**	**(12)**

* warehouse optimisation projects

24. Employee Benefit Costs

(CZK million)	2020	2019
Payroll costs	(2,982)	(3,076)
Severance pay	(91)	(28)
Pension benefits	(832)	(845)
Other social security and health insurance	(341)	(347)
Emoluments to key management	(24)	(19)
Other employee benefit costs	(50)	(49)
Total employee benefit costs	**(4,320)**	**(4,364)**

Other employee benefit costs mainly include employee training costs.

Average recalculated total number of employees:

	2020	2019
Employees	6,681	6,960
Key management	12	12
Total average recalculated total number of employees	**6,693**	**6,972**

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)	2020	2019
Short-term benefits	(18)	(14)
Pension benefits	(4)	(3)
Other social and health contributions	(2)	(2)
Total key management compensation	**(24)**	**(19)**

25. Depreciation And Amortisation

(CZK million)	2020	2019
Depreciation of plant and equipment and vehicles (Note 5.)	(1,323)*	(1,086)*
Depreciation of lease – IFRS 16	(626)	(569)
Amortisation of intangible assets (Note 6.)	(90)	(66)
Total depreciation and amortisation	**(2,039)**	**(1,721)**

* in Note 5. the net book value of disposed assets amounting to CZK 52 million in 2020 (in 2019: CZK 52 million) is reported in addition to depreciation.

26. Other Operating Expenses

(CZK million)	2020	2019
Impairment losses on receivables	(50)	-
Change in provisions for property, plant and equipment	(154)	-
Change in inventory allowances	-	(6)
Costs of contractual penalties and default interest	(7)	(14)
Taxes and fees	(6)	(8)
Foreign exchange losses - operating	(336)	(102)
Premium	(81)	(76)
Recurrent losses	(35)	(24)
Other	(65)	(76)
Total other operating expenses	**(734)**	**(306)**

27. Financial Expenses

(CZK million)	2020	2019
Interest on bank overdraft accounts and loans	(25)	(12)
Interest on finance lease payables and leasebacks	(47)	(61)
Interest on lease obligations – IFRS 16	(56)	(71)
Interest expense – bonds	(63)	(39)
Other interest expense	(4)	(6)
Unwinding of the discount of provisions	(2)	(2)
Exchange rate losses – financial	(47)	(90)
Bank expenditures	(2)	(2)
Other financial expenses	-	(8)
Total financial expenses	**(246)**	**(291)**

28. Financial Income

(CZK million)	2020	2019
Exchange rate gains – financial	52	93
Interest received	3	1
Other financial income	-	-
Total financial income	**55**	**94**

29. Income Tax

29.1. INCOME TAX RECOGNISED IN PROFIT OR LOSS

(CZK million)	2020	2019
Current income tax for the period recognised in the statement of profit or loss	37	(75)
Deferred tax recognised in the statement of profit or loss	33	(59)
Total income tax expense	**70**	**(134)**

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

(CZK million)	2020	2019
Profit before tax	(384)	664
Statutory tax rate on corporate income in the Czech Republic	19%	19%
Expected income tax expense	73	(126)
Adjustments:		
Income on dividends	28	30
Other non-deductible expenses	(23)	(39)
Non-taxable income	2	8
Income tax related to prior periods	(77)	(7)
Impact on deferred tax from the previous period	67	-
Income tax recognised in profit or loss	**70**	**(134)**

29.2. INCOME TAX RECOGNISED IN OTHER COMPREHENSIVE INCOME

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

29.3. DEFERRED TAX

(CZK million)	Non-current assets	Provisions	Leases	Receivables	Other	Total
Balance 1 January 2019	**1,228**	**(138)**	**575**	**(21)**	**(12)**	**1,632**
Deferred tax recognised in statement of profit or loss	(18)	6	51	14	6	59
Deferred tax recognised in other comprehensive income	-	-	-	-	10	10
Balance 31 December 2019	**1,210**	**(132)**	**626**	**(7)**	**4**	**1,701**
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)
Balance 31 December 2020	**1,166**	**(151)**	**661**	**(16)**	**(5)**	**1,655**

30. Related Party Transactions

30.1. TRADE RECEIVABLES AND PAYABLES AT THE END OF REPORTING PERIOD

31 December 2020 (CZK million)	Receivables	Payables
České dráhy a.s.	3	112
Parent company	**3**	**112**
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
Subsidiaries	**185**	**150**
RAILLEX, a.s.	3	-
BOHEMIAKOMBI, spol. s r.o.	1	-
Ostravská dopravní společnost, a.s.	22	-
Ostravská dopravní společnost – Cargo, a.s	2	16
Joint ventures and associated companies	**28**	**16**
ČD - Telematika a.s.	-	27
ČD - Informační Systémy, a.s.	-	88
DPOV, a.s.	1	45
Výzkumný Ústav Železniční, a.s.	9	-
Other companies	**10**	**160**
Total	**226**	**438**

31 December 2019 (CZK million)	Receivables	Payables
České dráhy a.s.	6	117
Parent company	**6**	**117**
CD Cargo Germany GmbH	15	42
CD Cargo Austria GmbH	15	1
CD Cargo Poland Sp. z o.o.	15	51
CD Cargo Slovakia, s.r.o.	21	16
ČD Cargo Logistics, a.s.	85	19
ČD-DUSS Terminal, a.s.	1	2
Terminal Brno, a.s.	-	4
Subsidiaries	**152**	**135**
RAILLEX, a.s.	3	-
BOHEMIAKOMBI, spol. s r.o.	1	-
Ostravská dopravní společnost, a.s.	15	-
Ostravská dopravní společnost - Cargo, a.s	3	11
Joint ventures and associated companies	**22**	**11**
ČD - Telematika a.s.	-	9
ČD - Informační Systémy, a.s.	-	109
DPOV, a.s.	1	20
ČD relax s.r.o.	-	2
Dopravní vzdělávací institut, a.s.	-	1
Výzkumný Ústav Železniční, a.s.	9	-
Other companies in the České dráhy Group	**10**	**141**
Total	**190**	**404**

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 collateralised and will be paid by non-cash payment or by netting. No guarantees were received or provided.

30.2. INCOME FROM RELATED PARTIES TRANSACTIONS

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
Total	**1**	**1,443**	**8**	**13**	**1,465**

2019 (CZK million)	Sale of assets	Sale of services	Other income	Financial income	Total
České dráhy a.s.	1	21	1	-	23
DPOV, a.s.	-	4	-	-	4
Výzkumný Ústav Železniční, a.s.	-	44	-	-	44
CD Cargo Germany GmbH	-	286	-	1	287
CD Cargo Austria GmbH	-	49	1	-	50
CD Cargo Poland Sp. z o.o.	-	97	1	3	101
CD Cargo Slovakia, s.r.o.	-	206	1	1	208
ČD Cargo Logistics, a.s.	-	537	-	-	537
ČD-DUSS Terminal, a.s.	-	9	-	-	9
Terminal Brno, a.s.	-	1	-	-	1
RAILLEX, a.s.	-	27	-	-	27
BOHEMIAKOMBI, spol. s r.o.	-	13	-	-	13
Ostravská dopravní společnost, a.s.	-	53	-	-	53
Ostravská dopravní společnost - Cargo, a.s	-	24	2	-	26
Total	**1**	**1,371**	**6**	**5**	**1,383**

30.3. PURCHASE FROM RELATED PARTIES

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
Total	**291**	**436**	**1,203**	**9**	**22**	**1,961**

In 2020, purchases from České dráhy, a.s., represented mainly purchased motor diesel worth CZK 328 million and purchased spare parts or other supplies.

2019 (CZK million)	Assets	Material and energy	Services	Other expenses	Financial expenses	Total
České dráhy a.s.	50	531	124	7	7	719
ČD - Telematika a.s.	2	2	18	-	-	22
ČD - Informační Systémy, a.s.	71	5	113	-	-	189
DPOV, a.s.	54	15	2	-	-	71
ČD relax s.r.o.	-	-	18	-	-	18
Dopravní vzdělávací institut, a.s.	-	-	21	-	-	21
JLV, a.s.	-	-	2	-	-	2
CD Cargo Germany GmbH	-	-	132	-	1	133
CD Cargo Austria GmbH	-	-	2	-	-	2
CD Cargo Poland Sp. z o.o.	-	-	450	-	2	452
CD Cargo Slovakia, s.r.o.	-	-	158	-	1	159
ČD Cargo Logistics, a.s.	-	1	139	-	1	141
ČD-DUSS Terminal, a.s.	-	-	6	-	-	6
Terminal Brno, a.s.	-	-	25	-	-	25
RAILLEX, a.s.	-	-	4	-	-	4
Ostravská dopravní společnost - Cargo, a.s.	-	-	55	-	-	55
Total	**177**	**554**	**1,269**	**7**	**12**	**2,019**

In 2019, purchases from České dráhy, a.s., represented mainly purchased motor diesel worth CZK 406 million and purchased spare parts or other supplies.

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

30.4.1. Sales

In 2020 and 2019, no significant sales of assets to related parties were made.

30.4.2. Purchases

Purchases (CZK million)	Intangible assets	Property, plant and equipment	Intangible assets	Property, plant and equipment
	2020	2020	2019	2019
České dráhy, a.s.	-	48	-	50
ČD - Telematika a.s.	-	111	-	2
ČD - Informační Systémy, a.s.	60	5	60	11
DPOV, a.s.	-	67	-	54
Total	**60**	**231**	**60**	**117**

30.5. LOANS FROM RELATED PARTIES

On 17 October 2016, the Company drew a loan from České dráhy, a.s., in the amount of CZK 540 million to finance the purchase of series 383 locomotives (Vectron). As of 31 December 2019, the loan balance is divided into a long-term portion of CZK 205 million and a short-term portion of CZK 73 million. As of 31 December 2020, the remaining balance of the loan is divided into a long-term portion of CZK 137 million and a short-term portion of CZK 75 million. The loan is disclosed in Note 15. "Loans, borrowings and bonds".

As of 19 December 2019, ČD Cargo, a.s., drew a loan in the amount CZK 250 million based on a Mutual Credit Facility Agreement in excess of cash-pooling from the parent company České dráhy, a.s. The loan was fully paid on 18 March 2020.

30.6. RELATIONS WITH SPRÁVA ŽELEZNIC

In the accounting period 2020 and 2019, the costs incurred in relation to Správa železnic, s.o. predominantly include the fees for the allocation of capacity and use of the railway infrastructure. Furthermore, the Company also purchased electric traction energy from Správa železnic, s.o. The costs for the accounting periods 2020 and 2019 are disclosed in Note 23.

In 2020, the income of the Company includes mainly sales from national carriage of wagon consignments in the amount of CZK 13 million (in 2019: CZK 16 million).

Expenses and income of the Company resulting from the transactions conducted with Správa železnic, s.o. in 2020 and 2019 were as follows:

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
Total	**1,573**	**20**

31 December 2019 (CZK million)	Expenses	Income
Operation of railway route	1	-
Use of the railway route and allocated route capacity	909	-
Property rental	11	-
Electric traction energy	778	-
Revenue from freight transportation	-	16
Performance of firefighter emergency services	1	-
Telecommunication services	41	-
Contractual fines and default interest	17	-
Compensation of damages	8	12
Extraordinary events investigation	3	-
Repairs and maintenance	1	-
Other	12	4
Total	**1,782**	**32**

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

Receivables (CZK million)	31 Dec 2020	31 Dec 2019
Revenue from freight transportation	2	2
Estimated payables	8	11
Other	51	69
Total	**61**	**82**

Payables (CZK million)	31 Dec 2020	31 Dec 2019
Use of railway route and allocated capacity of the railway – freight transport	94	182
Property rental – expenses and income	-	-
Uncollected capacity "ŽDC"*	4	-
Electric traction energy	31	17
Court settlement – traction energy	-	26
Settlement Agreement – exclusions	-	5
Radio communication technology	5	9
Other	4	4
Estimated payables	148	85
Use of railway route and allocated capacity of the railway – freight transport	68	1
Compensation of damaged caused by extraordinary events	4	4
*Uncollected capacity ŽDC**	-	10
Electric traction energy	65	60
Radio communication technology	4	-
Heat supply	5	6
Other estimated payables	2	4
Total	**286**	**328**

* unbundled capacity of the railway infrastructure

The amount of CZK 5 million as of 31 December 2019 is the short-term part of the liability relating to the compensation for damage caused by the exclusions of the Správa železnic, s.o. based on a judicial decision dated 15 January 2014. In 2020, this liability was fully paid.

The amount of CZK 26 million as of 31 December 2019 is the short-term part of the liability relating to the settlement of the out-of-court agreement on the dispute over the price of traction energy consumed during the 2009 accounting period. In 2020, this liability was fully paid.

30.7. 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 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	-
Total	**23**	**107**

31 December 2019 (CZK million)	Expenses	Revenue
Use of railway route and allocated capacity of the railway	1	-
Revenue from freight transportation	-	256
Heat energy	9	-
Other	1	2
Total	**11**	**258**

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

Receivables (CZK million)	31 Dec 2020	31 Dec 2019
Revenue from freight transportation	19	18
Total	**19**	**18**

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

Payables (CZK million)	31 Dec 2020	31 Dec 2019
Purchased railway services	7	-
Other	1	1
Estimated payables	1	1
Heat supply	1	1
Total	**9**	**2**

30.8. 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.).

31. Financial Instruments

31.1. CAPITAL RISK MANAGEMENT

The Company manages its capital to ensure that it is able to continue as a going concern while optimizing the ratio between external and own resources. According to bank requirements, the maximum target ratio between foreign and own funds is 75%.

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)	Chapter	31 Dec 2020	31 Dec 2019
Loans, borrowings and bonds	15	12,314	9,526
Cash and cash equivalents	12	(524)	(337)
Total net debt		**11,790**	**9,189**

(CZK million)	Chapter	31 Dec 2020	31 Dec 2019
Share capital	13	8,494	8,494
Capital funds	13	417	435
Retained earnings/accumulated losses		393	734
Total equity		**9,304**	**9,663**

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.

31.2. CATEGORIES OF FINANCIAL INSTRUMENTS

Categories of financial assets under IFRS 9 (CZK million)	Categories of financial assets under IAS 39	Classes of financial assets	Chapter	31 Dec 2020	31 Dec 2019
Financial assets at amortised cost	Loans and receivables	Cash and cash equivalents	12	524	337
		Trade receivables	9	1,555	1,465
		Other financial assets	10	241	280
Financial assets at fair value presented in statement of profit or loss	Financial assets at fair value presented in statement of profit or loss	Other financial assets - derivatives used in hedge accounting	10	54	24
Total				**2,374**	**2,106**

Categories of financial assets under IFRS 9 (CZK million)	Categories of financial assets under IAS 39	Classes of financial assets	Chapter	31 Dec 2020	31 Dec 2019
Financial liabilities at fair value presented in statement of profit or loss	Financial liabilities at fair value presented in statement of profit or loss	Other financial liabilities - derivatives used in hedge accounting	17	20	0
Financial liabilities at amortised cost	Financial liabilities at amortised cost	Finance lease and leaseback liabilities	15	4,593	4,207
		Issued bonds	15	4,784	4,791
		Loans	15	2,937	528
		Trade payables	14	1,976	2,203
		Liabilities arising from supplier loans	17	18	4
		Liabilities from settlement agreements	17	-	31
		Other financial liabilities	17	147	158
Total				**14,475**	**11,922**

Financial instruments are measured at fair value (level 2) as described in Note 31.10.3.

Income from individual classes of financial assets is as follows:

Class of financial asset (CZK million)	2020	2019	Presented in profit or loss statement
Interest on cash and cash equivalents	3	1	Financial income
Dividends on available-for-sale financial assets	149	160	Other operating income
Total	**152**	**161**	

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.

31.3. 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.

31.4. 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 2020 (CZK million)	EUR	USD	Other	Total
Financial assets	1,101	3	-	1,104
Financial liabilities	(845)	-	(2)	(847)
Total	**256**	**3**	**(2)**	**257**

31 Dec 2019 (CZK million)	EUR	USD	Other	Total
Financial assets	1,205	3	-	1,208
Financial liabilities	(905)	-	(2)	(907)
Total	**300**	**3**	**(2)**	**301**

31.4.1. 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 one crown 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)	2020	2019
Translation of items denominated in foreign currencies at the end of the period	(10)	(12)
Change in the fair value of derivatives at the end of the period	(7)	-
Total impact on the profit for the period	**(17)**	**(12)**
Change in the fair value of derivatives at the end of the period	84	71
Total impact on other comprehensive income	**84**	**71**

If the Czech currency weakened by CZK 1, the values would be the same with the opposite sign only.

31.4.2. 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 positive EUR balance generated by the company. The hedge ratio is regularly monitored in relation to the risk management objectives.

At the same time, the Company does not separate the hedging cost, and assumes that it is currently insignificant. Possible changes are regularly monitored.

Due to 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.

The hedging nominal value is lower than the future expected balance in EUR, i.e. hedging never exceed 80% of the expected balance in EUR. A CZK/EUR exchange rate is hedged, then converted into foreign currency earnings (EUR) in company currency (CZK). The maximum hedging volumes are set in the Financial Risk Management Strategy of ČD Cargo, a.s. as follows:

- for 2021, maximum 80% of the underlying asset (expected balance in EUR);
- for 2022, maximum 65% of the underlying asset (expected balance in EUR);
- for 2023, maximum 50% of the underlying asset (expected balance in EUR).

Monetary hedging was contracted under regular market conditions (without premium payment), the fair value of derivatives was nil as of 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 the predictable (fixed) amount of the CZK/EUR exchange rate used to sell the positive balance of EUR.

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 balance, as well as for a possible significant decline in the creditworthiness of the counterparty. 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 of:

Foreign currency forwards

Sale (CZK million)	Average currency exchange rate	Foreign currency	Nominal value	Fair value
31 December 2020	27.048	EUR	2,272	54
31 December 2019	26.162	EUR	1,884	21

Open foreign currency forwards and options to purchase foreign currency were not closed in 2020. No foreign currency forwards and options to purchase foreign currency were concluded in 2019.

At the same time, on 29 December 2020 a currency swap was carried out with a sale of EUR 6.5 million and a purchase of CZK 170.755 million (exchange rate CZK 26.270/EUR).

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 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**

31 December 2019 (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	102	203	915	610	-	**1,830**

31.5. INTEREST RATE RISK MANAGEMENT

The Company is exposed to the risk of changes in interest rates as it borrows part of its funds with variable interest rates. The Company manages interest rate risk by maintaining an appropriate combination of fixed and variable rate financing.

If necessary, the Company concludes interest rate swap contracts in order to hedge future cash flows resulting from loans and borrowings with variable rates. The hedging is regularly assessed to align the opinions on the development of interest rates with the defined level of acceptable risk. This treatment provides for the application of the economically most effective hedging strategies.

31.5.1. Interest rate sensitivity analysis

The exposure to changes in interest rates is measured by the sensitivity analysis. The Company is exposed to the interest rate risk due to:

- change in interest expenses from loans and lease with a variable rate;
- change in the fair value of concluded financial derivatives.

The following table shows the impact that an increase in interest rates of 200 basis points 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 the decrease in the profit and other comprehensive income:

(CZK million)	2020	2019
Interest from loans and lease with variable rate for the period	-	(11)
Change in the fair value of derivatives at the end of the period	-	-
Total impact on the profit for the period	**-**	**(11)**
Change in the fair value of derivatives at the end of the period	-	-
Total impact on other comprehensive income	**-**	**-**

If interest rates were reduced by 200 basis points, the values would be the same with the opposite sign only.

31.5.2. Interest rate swaps

Based on interest rate swap contracts, the Company agrees to exchange the difference between fixed and floating rate interest amounts calculated on agreed notional principal amounts. Such contracts enable the Company to eliminate the risk of changing cash flows on the issued variable rate debt. The fair value of interest rate swaps at the end of the reporting period is determined by discounting the future cash flows.

For the Company, the interest rate risk represents the fluctuation of overdraft interest rates and sources of funding at a floating interest rate. The Company has decided to reduce the risk by hedging interest rates on the part of its floating-rate funding sources.

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 an interest rate swap agreement maturing in 2020, that compensates the interest rate risk from interest rate payments arising from the lease with variable interest rate and the same parameters (nominal value, date of individual repayments) as individual interest rate swap. The hedge ratio is regularly monitored in relation to the risk management objectives.

Due 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.

Swaps nominal values are the same as the nominal values of the respective volume of individual leases. The floating part of the lease payments (12M Pribor) is hedged by 12M Pribor. Maturity of lease payments and interest rate hedging is the same. Interest rate swaps were negotiated at market price (without premium payment), the fair value of derivatives was nil as of the trade date. There are no agreements on limiting the agreed interest rate (interest rate options) included in the swaps. The Company expects no early termination or repayment of lease payments. The individual effectiveness is regularly monitored and measured.

Based on the above, the Company expects that the hedging relationship will be effective over its entire life, and changes in cash flows from lease payments will be compensated by changes in cash flows arising from interest rate swaps. The result of the transaction (after including of interest rate swaps) should be the predictable (fixed) interest cost of the leasing.

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 as interest rate swap counterparties. The credit risk associated with both, the bank and the Company, is considered as a minimal and will be reassessed when a significant change in circumstances occurs in one of the parties.

Potential reasons of possible inefficiencies are considered by the Company as significant decline in creditworthiness of ČD Cargo, a.s., or counterparty. Also, in case of early termination or modification of the lease agreement caused by violation of resolutions specified in the contract, whether by ČD Cargo, a.s., or counterparty.

The following table details the terms of interest rate swap contracts outstanding at the end of the reporting period.

IRS

31 December 2019	Average contracted fixed interest rate	Principal CZK million	Fair value of assets (liabilities) CZK million.
Less than 1 year	3.250%	13	-
1 to 5 years	3.250%	-	-
Total			**-**

This is related to interest payments insurance on leases of series 753 locomotives.

The Company will settle the difference between the fixed and variable interest rate on a net basis. Exchanges of payments under interest rate swaps and payments of the interest on loans are concurrent and the amount accumulated in equity is reclassified to the profit or loss in the period in which variable interest rates from the loan impact the profit or loss.

The above-mentioned interest rate hedging was terminated in June 2020. As of 31 December 2020, the Company has not entered into any interest rate hedging.

31.6. 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.

31.6.1. 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)	2020	2019
Change in the fair value of derivatives at the end of the period	11	12
Total impact on other comprehensive income	**11**	**12**

If the diesel price was reduced by 10 %, the values would be the same with the opposite sign only.

31.6.2. Commodity derivatives

In line with the requirements for managing interest rate 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.

At the same time, the Company does not separate the cost of hedging, as it assumes that they are currently insignificant. Possible changes are regularly monitored.

The economic relationship between the hedging instrument and the hedged item is described using the following parameters.

The effectiveness of hedging will be measured by comparing changes in the hedging instrument's internal value and changes in the fair value of the hedged cash flows. 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 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 are set in the Financial Risk Management Strategy of ČD Cargo, a.s., then:

- 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 of 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 price of diesel. The Company 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 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 of the end of the accounting period:

Purchase of diesel	Hedged average price (CZK/mt*)	Volume of contract (mt*)	Fair value (CZK million)
31 December 2020	10,964	12,000	(20)
31 December 2019	12,912	9,600	4

* 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 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 purchases of diesel	5	11	48	43	-	**107**

31 December 2019 (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 purchases of diesel	7	14	63	50	-	**134**

31.7. 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.

For the purposes of determining expected credit losses through simplified access, short-term receivables are classified according to common characteristics in terms of credit risk and appropriate maturities. On that basis, the Company evaluates the expected credit loss rates determined for trade receivables.

Expected credit loss rates are determined under the payment profile and sales for the 6-year prior period until 1 December 2020, respectively 31 December 2020 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 of 31 December 2020. They do not take into account the possible impacts of the expected economic downturn due to the spread of COVID-19 since February 2020.

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Overview of impairment for short-term receivables

31 December 2020	Before due date	Past due date (days)					Total
(CZK million)		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
Expected credit loss	**(53)**	**-**	**(1)**	**(1)**	**(2)**	**(83)**	**(140)**
Individual expected credit loss	(1)	-	-	-	-	-	(1)
Expected credit loss total	**(54)**	**-**	**(1)**	**(1)**	**(2)**	**(83)**	**(141)**

* impairment matrix = % of allowance from historical developments + % of considered future development = % of total allowance

31 December 2019	Before due date	Past due date (days)					Total
(CZK million)		1 - 30	31 – 90	91- 180	181 -365	over 365 days	
Expected credit loss rate *	0.4 %	1 %	6 %	100 %	100 %	100 %	6 %
Short-term trade receivables - gross residual value	1,351	105	16	3	22	58	1,555
Expected credit loss	**(5)**	**(1)**	**(1)**	**(3)**	**(22)**	**(58)**	**(90)**
Individual expected credit loss	-	-	-	-	-	-	-
Expected credit loss total	**(5)**	**(1)**	**(1)**	**(3)**	**(22)**	**(58)**	**(90)**

* impairment matrix = % of allowance from historical developments + % of considered future development = % of total allowance

Movement of provision for doubtful debts (CZK million)	2020	2019
Allowances as at 1 January	**90**	**143**
Creation of allowances - trade receivables	56	68
Use of allowances - trade receivables	(4)	(63)
Write-offs - trade receivables	(1)	(58)
Allowances as at 31 December	**141**	**90**

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.

The following table identifies the categories of financial assets and financial liabilities that have been offset at the balance sheet date. The company did not identify contractual offsets that were not realized as of the balance sheet date. The values of collateral that would affect the amount of a financial liability or financial asset are set out in Note 20. Guarantees received and issued.

2020 (CZK million)	Chapter	Amounts before offsetting	Offset values	Values in the balance sheet after offsetting
Classes of financial assets				
Trade receivables	9	1,588	(33)	1,555
Classes of financial liabilities				
Trade payables	14	2,009	(33)	1,976

2019 (CZK million)	Chapter	Amounts before offsetting	Offset values	Values in the balance sheet after offsetting
Classes of financial assets				
Trade receivables	9	1,490	(25)	1,465
Classes of financial liabilities				
Trade payables	14	2,228	(25)	2,203

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 percentage of net allowance creation in the amount of 0.4 % applied to trade receivables not overdue was determined based on historical data of receivables that were written off in the past and, at the same time, taking into account one-off items that occurred and the macroeconomic impact on the development of the customers payment discipline. This is a slight increase of 0.1 % compared to 2019.

Amount of receivables (CZK million)	**2020**	**2019**
Percentage of net allowance creation	0.4 %	0.3 %
Gross receivables – not overdue	1,539	1,351
Allowance – not overdue	**(6)**	**(5)**

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.

Short-term liabilities exceed short-term assets by approximately CZK 2,333 million, but the Company has contracted funding of up to CZK 3,600 million (bills of exchange and overdrafts), which is why the Company's operations are secured in the foreseeable future.

31.8. 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 31.9.2.).

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 of 31 December 2020, the Company issued bonds in the aggregate volume of CZK 4,770 million. In 2016, ČD Cargo, a.s., has drawn an in-house loan from the Parent Company České dráhy, a.s., in amount of EUR 19,975 million with the maturity of 7 years, provided for financing newly acquired interoperable traction vehicles. The Company still has a promissory notes 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 from the Parent Company České dráhy, a.s. During the years 2019 and 2020, the promissory notes programme was not used by the Company. At the same time, the overall limit of overdraft loans was increased during 2020 by arranging a new overdraft loan with a credit limit of CZK 300 million.

During 2020, three new investment loans with a total credit framework of CZK 3,000 million were implemented. As of 31 December 2020, CZK 2,800 million was drawn from this credit framework.

In December 2020, a loan agreement was signed with the European Central Bank. The total amount of the credit framework is set at EUR 130 million, according to the contractual conditions. This credit framework will be gradually used in the coming years to finance pre-selected investment projects of the Company. As of 31 December 2020, this loan had not been drawn down.

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 of 22 December 2020, CZK 200 million has been drawn as of 30 December 2020)
Interest rate: 1.79 %
Payments: quarterly, linear
1. payment: 31 March 2021
Maturity date: 31 December 2027

In addition, on 19 December 2019, a loan of CZK 250 million was drawn on the basis of the Agreement on Mutual Credit Frames in the form of drawdown beyond cash-pooling from the parent company České dráhy, a.s. The loan was repaid on 18 March 2020.

31.8.1. Liquidity and interest rate risk tables

The following tables detail 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. To the extent that instruments carry the floating rate, the undiscounted amount is derived from the yield curve valid at the end of the reporting period. It may vary if the interest rates differ from the estimates.

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 lia-bilities 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	-	-	-	-	-	-
Liabilities from leaseback	-	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
Total	**1,410**	**980**	**1,912**	**6,234**	**4,850**	**15,386**

31 Dec 2019 (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 lia-bilities not covered below	1,459	838	98	1	-	2,396
Liabilities from leaseback	28	56	252	914	332	1,582
Lease liabilities	-	-	661	2,257	73	2,991
Variable interest rate instruments – loan	2	264	59	208	-	533
Fixed interest rate instruments - bonds	-	-	1,093	1,273	2,850	5,216
Total	**1,489**	**1,158**	**2,163**	**4,653**	**3,255**	**12,718**

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 including the interest received from these assets.

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	1,688	465	128	40	-	2,321
Hedging derivatives	2	4	18	30	-	54
Total	**1,690**	**469**	**146**	**70**	**-**	**2,375**

31 Dec 2019 (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	1,478	346	206	-	-	2,030
Hedging derivatives	2	4	8	10	-	24
Total	**1,480**	**350**	**214**	**10**	**-**	**2,054**

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.

31.8.2. 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	Issued bonds – short-term	Issued bonds – long-term	Total
Liabilities from financing activities as at 1 Jan 2019	**74**	**281**	**990**	**2,818**	**15**	**2,995**	**7,173**
Cash flows from financing activities	176	-	(1,193)	527	-	1,770	1,280
Credit, loans and bonds drawings	*250*	*-*	*-*	*527*	*-*	*1,770*	*2,547*
Credit, loans and bonds repayments	*(74)*	*-*	*(1,193)*	*-*	*-*	*-*	*(1,267)*
Non-monetary flows							
Consequences of changes in exchange rates	-	(3)	(27)	-	-	-	(30)
Loans and credits classified as of 1 January 2018 as long-term, which became short-term during 2019	73	(73)	846	(846)	1,000	(1,000)	-
Other non-monetary movements	-	-	264*	828*	11	-	1,103
Liabilities from financing activities as at 31 Dec 2019	**323**	**205**	**880**	**3,327**	**1,026**	**3,765**	**9,526**
Cash flows from financing activities	(401)	2,800	(1,089)	48	(1,000)	987	1,345
Credit, loans and bonds drawings	*-*	*2,800*	*-*	*48*	*-*	*987*	*3,835*
Credit, loans and bonds repayments	*(401)*	*-*	*(1,089)*	*-*	*(1,000)*	*-*	*(2,490)*
Non-monetary flows							
Consequences of changes in exchange rates	1	9	78	-	-	-	88
Loans and credits classified as of 31 December 2019 as long-term, which became short-term during 2020	443	(443)	1,040	(1,040)	500	(500)	-
Other non-monetary movements	-	-	137*	1,212*	(2)	8	1,355
Liabilities from financing activities as at 31 Dec 2020	**366**	**2,571**	**1,046**	**3,547**	**524**	**4,260**	**12,314**

* 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 2020	31 Dec 2019
Cash pooling:		
– loan facility at	300	300
Overdraft loans:		
– loan facility at	1,800	1,500
Promissory note programme*:		
– loan facility at	1,500	1,500
Total	**3,600**	**3,300**

* The internal promissory note program 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 of 31 December 2020.

31.9. STRATEGY FOR THE COMPANY'S FINANCING IN SUBSEQUENT YEARS

31.9.1. Finance lease
In 2019, a lease contract was concluded with ČSOB Leasing, a.s. for the purpose of financing 4 Siemens Vectron traction vehicles (HV 383 series). The contractual lease term is 120 months and the fixed interest rate is 1.34% p.a. The lease was made in EUR. In the same year, a leasing contract was concluded with ČSOB Leasing, a.s. to finance 4 Effishunter traction vehicles (HV 744 series). The lease term is 120 months with the fixed interest rate of 1.91% p.a. The lease 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 (HV line 744).

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.

31.9.2. 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.

31.9.3. 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 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 2019 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.

31.9.4. 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). On 19 December 2019, a loan of CZK 250 million was drawn on the basis of the Agreement on Mutual Credit Frames, beyond the limits of the cash pooling agreement. The loan was repaid on 18 March 2020.

31.9.5. 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). On the basis of this programme, the first, second and third issues were gradually realised in 2011 with the aggregate nominal value of CZK 2 billion. 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.

As of 31 December 2020, the Company ČD Cargo, a.s., has issued bonds worth CZK 4,770 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.

31.9.6. Supplier loans
The Company plans to use supplier loans for individual investments where this form of financing will be effective.

31.9.7. Investment loans
Three investment loans were implemented with a total credit framework of CZK 3,000 million during 2020. As of 31 December 2020, CZK 2,800 million was drawn from this credit framework.

Due to the planned capital expenditures in the coming years, the Company plans to continue to use external financing through financial loans.

31.9.8. 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 EUR 130 million. This credit framework will be gradually used in the coming years to finance the Company's pre-determined investment projects.

31.9.9. Summary
The above mentioned current and planned structure of funding 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.).

31.10. FAIR VALUE OF FINANCIAL INSTRUMENTS

31.10.1. 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 and bonds.

As of 31 December 2020, the fair value of the lease liability amounted to CZK 5,257 million. The fair value of lease is determined by the recalculation according to the current rate. This up-to-date rate is determined based on interest rate of the most recent lease transactions, which is subsequently discounted on the remaining leases liability. As of 31 December 2019, the fair value of the lease amounted to CZK 3,964 million.

As of 31 December 2020, the fair value of bonds of the Company ČD Cargo, a.s., amounted to CZK 4,845 million, as of 31 December 2019 amounted to CZK 4,728 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 2020	Book value as at 31 Dec 2020	Fair value as at 31 Dec 2019	Book value as at 31 Dec 2019
Financial derivatives used in hedge accounting	Level 2	54	54	24	24
Loans, other financial assets	Level 2	-	-	-	-
Total		**54**	**54**	**24**	**24**

Financial liabilities (CZK million)	Level	Fair value as at 31 Dec 2020	Book value as at 31 Dec 2020	Fair value as at 31 Dec 2019	Book value as at 31 Dec 2019
Financial derivatives used in hedge accounting	Level 2	20	20	-	-
Trading financial derivatives	Level 2	-	-	-	-
Bonds issued	Level 2	4,845	4,784	4,728	4,791
Lease liabilities	Level 2	5,257	4,593	3,964	4,207
Total		**10,122**	**9,397**	**8,692**	**8,998**

Cash and cash equivalents, trade receivables and payables and other financial liabilities that were not presented in the table, were not presented 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.

31.10.2. 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.

31.10.3. Fair value measurements recognised in the statement of financial position
Financial instruments measured at fair value are grouped 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 of 31 December 2020 and 31 December 2019 were included in Level 2.

32. Post Balance Sheet Events

As at the date of preparation of the financial statements, no significant events were identified between the balance sheet date and the time of preparation of the financial statements.

33. Approval of the Financial Statements

These financial statements will be approved by the Board of Directors and authorised for issue on 6 April 2021.

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Consolidated Financial Statements for the Year 2020

Consolidated Financial Statements for the Year 2020

Prepared in accordance with IFRS as adopted by the EU

Cargo

Consolidated Financial Statements for the Year Ended 31 December 2020
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 6 April 2021

Ing. Robert Heděnec
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 2020

(CZK million)		31 Dec 2020	31 Dec 2019
Property, plant and equipment	5	20,315	18,882
Intangible assets	6	625	589
Right-of-use assets	19	3,114	2,553
Investments in joint-ventures and associates	7	59	55
Other financial assets	10	69	110
Other assets	11	3	1
Total non-current assets		**24,185**	**22,190**
Inventories	8	291	243
Trade receivables	9	1,700	1,602
Income tax prepayments		9	5
Cash and cash equivalents	12	686	471
Other financial assets	10	126	194
Other assets	11	175	311
Total current assets		**2,987**	**2,826**
TOTAL ASSETS		**27,172**	**25,016**
Share capital	13	8,494	8,494
Capital funds	13	413	445
Retained earnings/(Accumulated losses)		470	751
Equity attributable to owners of the Company		9,377	9,690
Non-controlling interest		42	36
Total equity		**9,419**	**9,726**
Loans, borrowings and bonds	15	10,614	7,674
Deferred tax liability	30	1,644	1,692
Provisions	16	96	101
Other financial liabilities	17	6	1
Other liabilities	18	155	204
Total non-current liabilities		**12,515**	**9,672**
Trade payables	14	1,988	2,230
Loans, borrowings and bonds	15	2,051	2,378
Income tax payable		30	71
Provisions	16	262	125
Other financial liabilities	17	182	194
Other liabilities and commitments	18	725	620
Total current liabilities		5,238	5,618
TOTAL LIABILITIES		**27,172**	**25,016**

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CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR THE YEAR ENDED 31 DECEMBER 2020

(CZK million)		Year ended 31 Dec 2020	Year ended 31 Dec 2019
Revenue	22	12,266	13,037
Other operating income	23	636	421
Services, leases, material and energy consumption	24	(5,558)	(5,711)
Employee benefit costs	25	(4,517)	(4,563)
Depreciation and amortization	26	(2,056)	(1,855)
Other operating expenses	27	(849)	(341)
Profit (loss) from operating activities		**(78)**	**988**
Financial expenses	28	(269)	(315)
Financial income	29	59	104
Share in the profit of associates and joint-ventures	7	12	14
Profit (loss) before tax		**(276)**	**791**
Income tax	30	28	(183)
Profit (loss) for the period		**(248)**	**608**
Attributable to equity holders of the parent company		(254)	604
Attributable to non-controlling interests		6	4

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2020

(CZK million)	Year ended 31 Dec 2020	Year ended 31 Dec 2019
Profit for the period	**-248**	**608**
Actuarial gains / losses on liabilities related to employee benefits	10	4
Other comprehensive income for the year (items that are not subsequently reclassified to profit or loss	**10**	**4**
Foreign currency translation reserve fund	(17)	(1)
Cash flow hedging	(65)	54
Relating deferred income tax	13	(10)
Other comprehensive income for the year before tax (items that may be reclassified to profit or loss)	**(69)**	**43**
Total comprehensive income for the year	**(307)**	**655**
Attributable to equity holders of the parent company	(313)	651
Attributable to non-controlling interests	6	4

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2020

(CZK million)	Share capital	Share premium**	Reserve fund**	Cash flow hedge fund**	Actuarial gains/ losses**	Other funds**	Accumulated (losses)/ earnings	Equity attributable to owners of the Company	Non-controlling interests	Total equity
Balance as at 1 January 2019	**8,494**	**197**	**220**	**(24)**	**(16)**	**(17)**	**185**	**9,039**	**32**	**9,071**
Profit for the period	-	-	-	-	-	-	604	604	4	608
Other comprehensive income for the period	-	-	-	44	4	(1)	-	47	-	47
Total comprehensive income for the period	**-**	**-**	**-**	**44**	**4**	**(1)**	**604**	**651**	**4**	**655**
Allocation to the reserve fund	-	-	38	-	-	-	(38)	-	-	-
Total transactions with owners for the period	-	-	38	-	-	-	(38)	-	-	-
Balance as at 31 December 2019	**8,494**	**197**	**258**	**20**	**(12)**	**(18)**	**751**	**9,690**	**36**	**9,726**
Profit for the period	-	-	-	-	-	-	(254)	(254)	6	(248)
Other comprehensive income for the period	-	-	-	(52)	10	(17)	-	(59)	-	(59)
Total comprehensive income for the period	**-**	**-**	**-**	**(52)**	**10**	**(17)**	**(254)**	**(313)**	**6**	**(307)**
Allocation to the reserve fund	-	-	27	-	-	-	(27)	-	-	-
Total transactions with owners for the period	-	-	27	-	-	-	(27)	-	-	-
Balance as at 31 December 2020	**8,494**	**197**	**285**	**(32)**	**(2)**	**(35)**	**470**	**9,377**	**42**	**9,419**

* adoption of new IFRS standards see Note 3.1.
** 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 2020

(CZK million)		Year ended 31 Dec 2020	Year ended 31 Dec 2019
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit for the year before tax		(276)	791
Revenue from dividends and profit sharing		(5)	(18)
Financial expenses	28	204	209
Profit from sale and disposal of non-current assets		(95)	(51)
Depreciation and amortisation of non-current assets	26	2,056	1,855
Changes in impairment of non-current assets		165	(31)
Changes in allowances for doubtful accounts		64	7
Change in provisions		142	(26)
Foreign exchange rate gains		17	2
Other		7	21
Cash flows from operating activities before changes in working capital		**2,279**	**2,759**
Change in trade receivables		(182)	74
Change in inventories		(54)	(64)
Change in other assets		292	130
Change in trade payables		(112)	73
Change in other payables		(27)	(106)
Total changes in working capital		**(83)**	**107**
Cash flows from operating activities		**2,196**	**2,866**
Interests paid	28	(198)	(199)
Income tax paid		(39)	(43)
Dividends received		5	18
Net cash flow from operating activities		**1,964**	**2,642**
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for property, plant and equipment		(3,081)	(3,907)
Income from property, plant and equipment sold		112	83
Payments for intangible assets		(75)	(169)
Received subsidies for acquisition of assets		71	-
Interest received		3	4
Net cash flows from investing activities		**(2,970)**	**(3,989)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issued bonds		987	1,770
Bonds repayments		(1,000)	-
Drawing of loans and borrowings		2,849	933
Repayments of loans and borrowings		(823)	(810)
Lease payments under IFRS 16		(791)	(800)
Net cash flows from financing activities		**1,222**	**1,093**
The effect of exchange rate changes on cash balances		(1)	-
Net decrease in cash and cash equivalents		215	(254)
Cash and cash equivalents at the beginning of the period	12	471	725
Cash and cash equivalents at the end of the period	**12**	**686**	**471**

1. General Information

1.1. GENERAL INFORMATION

ČD Cargo, a.s. (hereinafter „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.

As of 31 December 2019, the Parent Company's registered share capital was 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. and 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 of 31 December 2020. The reporting period is the calendar year from 1 January 2020 to 31 December 2020.

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 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.

Based on the division above, it is appropriate to structure principal activities by commodities, i.e. by the nature of transported goods with respect to capacity requirements, requirements for vehicles, demands for operating technologies or special care of consignments as follows:

- Transport of solid fuels,
- Transport of ores, metals and machinery products,
- Transport of chemical products and liquid fuels,
- Transport of building materials,
- Transport of wood and paper products,
- Transport of food and agricultural products
- Combined Transport,
- Logistics solutions for transport of consignments using intermodal transportation units, predominantly containers,
- Automotive
- Transport of other non-classified commodities.

Based on the volume of transported goods, ČD Cargo, a.s. is one of the top ten most significant railway companies in Europe and the European Union.

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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 31.

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 2020, České dráhy consolidation group consists of the following companies. During 2020, Autoterminál Nymburk, s.r.o. entered into liquidation, as the original intention of its establishment was not fulfilled and the company did not carry out business activities. On the other hand, new companies CD Cargo Hungary Kft., Tramex Rail s.r.o., Smart-Ticketing- s.r.o., ČD Reality a.s., and ČD Restaurant, a.s. were established within the České dráhy Group.

Name of the entity	Ownership of ČD, a. s. 2020 (%)	Ownership of ČD, a. s. 2019 (%)	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, 141 00 Prague 4	45272298
DPOV, a. s.	100.00	100.00	Control	Husova 635/1b, 751 52 Přerov	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. sr.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	Křižíkova 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 Slunčové 666/12a, 186 00 Prague 8 – Karlín	27244164
Žižkov Station Development, a.s.	51.00	51.00	Joint Control	U Slunčové 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	-	Control	Brněnská 1748/21b, 678 01 Blansko	26246422
Smart Ticketing s.r.o.	100.00	-	Control	Pernerova 2819/2a, 130 00 Prague 3	02033011
ČD Reality a.s.	100.00	-	Control	Prvního pluku 81/2a, 130 00 Prague 3	27195872
ČD Restaurant, a.s.	100.00	-	Control	Prvního pluku 81/2a, 130 11 Prague 3	27881415
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	-	Control	Keleti sor utca 26-4, 4150 Püspökladány, Hungary	09-09-031990
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, 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	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
Auto Terminal Nymburk, s.r.o. in liquidation**	100.00	100.00	Control	Jankovcova 1569/2c, 170 00 Prague 7 – Holešovice	24234656
České dráhy, a.s.	-	-	-	Nábřeží L.Svobody 1222, 110 15 Prague 1	70994226

* Ownership interest is exercised through ČD Cargo, a.s.
** Change in 2020

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 31.6 and 31.7.

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 and Repair Centres for Railway Wagons, Accounting of Carriage Revenues in Olomouc and the Operating Unit in Česká Třebová.

The internal organisation of the Parent Company (principles of the hierarchy, organisational structure, principal management system and authorities of organisational structure units including the responsibility and authority of managers) is determined in the Organisational Policy of ČD Cargo, a.s., and the Signing Authority Rules of ČD Cargo, a.s.

1.5. STATUTORY BODIES 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. Bodies as of 31 December 2020 was following:

Board of Directors

Chairman	Tomáš Tóth
Member	Zdeněk Škvařil
Member	Radek Dvořák

On 12 March 2020, České dráhy, a.s., as the sole shareholder of ČD Cargo, a.s. exercising the powers of the General Meeting decided to recall Mr. Bohumil Rampula from the position of a member of the Board of Directors of ČD Cargo, a.s. as of 31 March 2020.

On 12 March 2020, České dráhy, a.s., as the sole shareholder of ČD Cargo, a.s. exercising the powers of the General Meeting decided to appoint Mr. Radek Dvořák as a member of the Board of Directors of ČD Cargo, a.s., as of 1 April 2020.

On 4 December 2020, České dráhy, a.s., as the sole shareholder of ČD Cargo, a.s. exercising the powers of the General Meeting decided to recall Mr. Ivan Bednárik, from the position of a member of the Board of Directors of ČD Cargo, a.s., with immediate effect.

On 4 December 2020, České dráhy, a.s., as the sole shareholder of ČD Cargo, a.s. exercising the powers of the General Meeting decided to appoint Mr. Tomáš Tóth as a member of the Board of Directors of ČD Cargo, a.s., with immediate effect.

On 4 December 2020, the Board of Directors of ČD Cargo, a.s. at its meeting, appointed Mr. Tomáš Tóth as the Chairman of the Board of Directors of ČD Cargo, a.s.

Supervisory Body

Chairman	Václav Nebeský
Member	Lukáš Týfa
Member	Radek Nekola
Member	Marta Urbancová
Member	Jan Vrátník
Member	Pavel Kysilka

With effect from 3 October 2020, Mr. Roman Onderka resigned from the position of a member of the Supervisory Board of ČD Cargo, a.s.

On 18 September 2020, České dráhy, a.s., as the sole shareholder of ČD Cargo, a.s. exercising the powers of the General Meeting decided to appoint Mr. Jan Vrátník as a member of the Supervisory Board of ČD Cargo, a.s., with effect from 4 October 2020.

Audit Committee

Chairman	Oldřich Vojíř
Member	Miroslav Zámečník
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
Auto Terminal Nymburk, s.r.o. in liquidation	Freight forwarding and technical services in transportation	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

Mutual relations within the ČD Cargo Group are eliminated in the consolidated financial statements.

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.

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 accounting policies applicable for the reporting period are consistent with those used in prior periods.

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 recognized in the profit or loss when incurred.

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

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

Goodwill is measured as the excess of the 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 recognized 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 recognized 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 of 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 recognized 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 recognized in profit or loss. The amounts resulting from shares in the acquiree before the acquisition date that have previously been recognized in other comprehensive income are reclassified to profit or loss, if such 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 recognizes an outstanding item in the provisional value. That provisional amount is adjusted during the measurement period (see above) or additional assets 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 recognized 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 recognized in the amount that reflects the consideration to which the Group expects to be entitled in exchange for services. Revenue is recognized net of value added tax. Revenue is recognized when the services are transferred to the customer at the transaction price. Services and goods provided in a bundle together with railway transportation services are considered to be a standalone performance obligation.

Railway transportation services

The sale of railway transportation services is recognized 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 contractual 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 recognized 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 recognized when a legal entitlement to receive a payment occurs and when such payment is probable.

Interest income is recognized 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 recognized 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 recognizes 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 recognizes 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 of 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 a 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 of 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 recognized 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 recognized on a straight-line basis over the term of the lease. Initial direct costs incurred in negotiating and concluding an operating lease are included in the carrying amount of the leased asset and are 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 recognizes the collected funds as a financial liability (debt), which, together with interest is amortized by lease payments.

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

If a sale and leaseback transaction was recognized as a sale and finance lease under IAS 17 before 1 January 2019, the Group, as a seller-lessee, recognizes the leaseback in the same way as it accounted for any other finance lease that existed at the date of initial application and continues to amortize any gain from sale over the lease term.

If a sale and leaseback transaction was recognized as a sale and finance lease under IAS 17 before 1 January 2019, the Group, as a seller-lessee, recognizes the leaseback in the same way as it is accounted for any other finance lease that existed at the date of initial application. And adjusts the asset's right of use to which the leaseback relates, for any deferred gains or losses which relate to non-market conditions recognized in the statement of financial position immediately before the date of initial application.

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 recognized 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 recognized 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 of 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 recognized 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 recognized in profit or loss in the period in which they are incurred.

2.7. GRANTS

Government grants are not recognized 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 recognized as a reduced cost of those non-current assets in the statement of financial position.

Other government grants are systematically recognized 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 recognized 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 recognized in the statement of financial position represent their present value. Accruals for these liabilities and provisions are recognized 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 recognized 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 recognized for all taxable temporary differences. Deferred tax assets are generally recognized 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 realized, 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 recognized as an expense or income in profit or loss, except when they relate to items that are recognized outside of profit or loss (i.e. other comprehensive income or directly in equity). In such case the tax is also recognized 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 recognized impairment loss. 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 recognized 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 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 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 derecognized 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 recognized 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 amortization and impairment losses. Amortisation is recognized on a straight-line basis over their estimated useful lives. The estimated useful life and amortization 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 derecognized 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 recognized 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 recognized 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 recognized 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 recognized at cost, and the carrying amount is increased or decreased to recognize 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.

A provision that reduces the carrying amount of the investment to the recoverable amount is recognized 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 recognize 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 recognized 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 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.

2.15. PROVISIONS

Provisions are recognized 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 recognized 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 recognized 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 recognized as other operating income.

2.16. FINANCIAL INSTRUMENTS

Financial assets and financial liabilities are recognized 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 recognized immediately in profit or loss.

Financial assets are classified into three categories: financial assets at amortized 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 amortized cost.

2.16.1. Effective interest 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 recognized using the effective interest rate of debt instruments, except for financial assets and liabilities classified as of fair value through profit or loss.

2.16.2. 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 recognized in profit and loss account.

2.16.3. Financial assets at amortized 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 recognized by applying the effective interest rate, except for short-term receivables for which the recognition of interest would be immaterial.

2.16.4. 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 recognized 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 recognized 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 recognized 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,
- Payment discipline,
- Knowledge of customer (e.g. advance payments).

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.

2.16.5. 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 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 recognized in other comprehensive income and accumulated in equity is recognized in profit or loss.

2.16.6. 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.

Group designates derivatives within this category which are recognized under other financial liabilities.

2.16.7. 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 amortized cost using the effective interest method.

2.16.8. 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 derecognized and the consideration paid or payable is recognized in profit or loss.

2.16.9. 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 recognized 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 of FVTPL.

2.16.10. 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.

2.16.11. Cash flow hedges
The effective portion of changes in fair value of derivatives that are designated and qualify as cash flow hedges is recognized 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 recognized directly in profit or loss.

Amounts previously recognized in other comprehensive income and accumulated in equity are reclassified to profit or loss in the period in which the hedged item is recognized in profit or loss, within the same line item as the recognized 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 recognized 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 recognized 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.

2.16.12. 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 as held for trading.

The change in fair value of derivatives held for trading is recognized 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 2020

During the year ended 31 December 2020 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 3 - Amendments to IFRS 3 – Definition of a Business	1 January 2020
IAS 1, IAS 8 – Amendments to IAS 1 and IAS 8 – Definition of 'Material'	1 January 2020
IFRS 9, IFRS 7, IAS 39 – Amendments to IFRS 9, IFRS 7 and IAS 39 Interest Rate Benchmark Reform	1 January 2020
IFRS 16 – COVID-19 Related Rent Concessions	1 January 2020
Various IFRS - Amendments to References to the Conceptual Framework in IFRS Standards	1 January 2020

The adoption of the above standards, amendments and interpretations 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 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 of the date of the financial statements, the following standards and interpretations were published but were not yet effective or used by the Group before its effective date.

Amendments, new and revised standards and interpretations	Effective for annual periods beginning on or after
IFRS 3 - Amendments to IFRS 3 - Reference to the Conceptual Framework	1. January 2022*
IFRS 4 - Amendments to IFRS 4 - Extension of the Temporary Exemption from Applying IFRS 9	1. January 2021
IFRS 9, IFRS 7, IAS 39, IFRS 4 and IFRS 16 - Amendments to IFRS 9, IFRS 7, IAS 39, IFRS 4 and IFRS 16 - Interest Rate Benchmark Reform - Phase 2	1. January 2021
IFRS 10, IAS 28 - Amendment to IFRS 10 and IAS 28 - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Date will be determined *
IFRS 17 - Amendments to IFRS 17 Insurance Contracts	1. January 2023*
IAS 1 - Amendments to IAS1 - Classification of Liabilities as Current or Non-current	1. January 2023*
IAS 16 - Amendments to IAS 16 - Proceeds before Intended Use	1. January 2022*
IAS 37 - Amendments to IAS 37 - Onerous Contracts - Cost of Fulfilling a Contract	1. January 2022*
Various standards - Annual Improvements to IFRS Standards 2018-2020	1. January 2022*

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

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 recognized 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. USEFUL LIVES OF PROPERTY, PLANT AND EQUIPMENT

The Group reviews estimates of the useful lives of depreciated fixed assets at the end of each reporting period. Although in the current period the Group did not identify any changes in the useful life of fixed assets, in subsequent periods the situation may change.

4.2. 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.

4.3. 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).

4.4. 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 relation to contract provisions, the economic situation on the market to which the asset belongs, as well as past experience with the lessor, and the lease term is adjusted accordingly.

4.5. CHANGE IN ACCOUNTING POLICY

The Group has decided to apply hedge accounting to foreign currency lease liabilities in accordance with IFRS 16. This involves hedging currency risk with non-derivative instruments from 1 January 2020. The impact of the revaluation of foreign currency liabilities is newly recognized in equity. The impact for the accounting period 2020 amounted to CZK 60 million. Besides the statement of profit or loss, it is also classified in the statement of comprehensive income of the Company.

4.6. IMPACT OF COVID – 19 ON THE FINANCIAL STATEMENTS AS AT 31. 12. 2020

At the beginning of 2020, the existence of a new coronavirus causing covid-19, which had spread globally, was confirmed. Pandemics, and in particular restrictive measures taken to reduce health effects, have disrupted many business and economic activities and in 2020 affected the company's business.

The company faced not only a drop in demand, but also complications in international transport, including a number of safety and hygiene measures. The decline in performance in most of the company's transported commodities fully corresponded with the economic development of industries and the restriction of transport of goods to / from China and throughout Europe. The shortfall in freight traffic was approximately CZK 1,100 million and was partially eliminated by the continued expansion of the ČD Cargo, a.s. brand abroad through branches in Germany and Austria. At the same time, the negative impact of the loss of sales was reduced by a number of cost-saving measures aimed primarily at more efficient use of operating capacities and increased labour productivity. In order to complete the process of optimising human resources, a provision of CZK 72 million was recognised in the 2020 accounts.

5. Property, Plant And Equipment

Cost (CZK million)	**Balance as at 1 Jan 2019**	**Additions**	**Disposals**	**Transfers**	**Exchange rate differences**	**Balance as of 31 Dec 2019**	**Additions**	**Disposals**	**Transfers**	**Exchange rate differences**	**Balance as at 31 Dec 2020**
Land	153	1	-	-	-	154	-	-	-	-	154
Construction	1,677	43	(1)	41	-	1,760	23	(2)	14	-	1,795
Individual movable assets	39,350	3,607	(3,027)	139	53	40,122	2,626	(983)	269	(35)	41,999
- Machinery, equipment, and furniture and fixtures	509	56	(30)	(38)	-	497	10	(3)	5	-	509
*- Vehicles**	38,832	3,550	(2,996)	177	53	39,616	2,616	(980)	264	(35)	41,481
- Other	9	1	(1)	-	-	9	-	-	-	-	9
Asset under construction	364	195	(42)	(143)	-	374	451	(64)	(283)	(1)	477
Advances	214	152	(31)	-	-	335	375	(341)	-	-	369
Total	**41,758**	**3,998**	**(3,101)**	**37**	**53**	**42,745**	**3,475**	**(1,390)**	**-**	**(36)**	**44,794**

Accumulated depreciation and impairment (CZK million)	**Balance as at 1 Jan 2019**	**Additions**	**Disposals**	**Transfers**	**Impairment**	**Balance as of 31 Dec 2019**	**Additions**	**Disposals**	**Transfers**	**Impairment**	**Balance as at 31 Dec 2020**
Construction	939	33	(1)	-	-	971	35	(2)	-	-	1,004
Individual movable assets	24,784	1,202	(3,027)	(43)	(30)	22,886	1,401	(983)	-	165	23,469
- Machinery, equipment, and furniture and fixtures	357	12	(30)	(17)	-	322	16	(3)	4	-	339
*- Vehicles**	24,419	1,189	(2,996)	(26)	(30)	22,556	1,384	(980)	(4)	165	23,121
- Other	8	1	(1)	-	-	8	1	-	-	-	9
Asset under construction	6	-	-	-	-	6	-	-	-	-	6
Total	**25,729**	**1,235**	**(3,028)**	**(43)**	**(30)**	**23,863**	**1,436**	**(985)**	**-**	**165**	**24,479**

Net book value (CZK million)	**Balance as at 31 Dec 2020**	**Balance as at 31 Dec 2019**	**Balance as at 1 Jan 2019**
Land	154	154	153
Constructions	791	789	738
Individual movable assets	18,530	17,236	14,566
- Machinery, equipment, and furniture and fixtures	170	175	152
*- Vehicles**	18,360	17,060	14,413
- Other	-	1	1
Assets under construction	471	368	358
Advances	369	335	214
Total	**20,315**	**18,882**	**16,029**

* Vehicles acquired under leaseback and are presented in the financial statements under the item „Vehicles". Their net book value amounted to CZK 2,534 million as of 31 December 2020 and CZK 2,836 million as of 31 December 2019. Liabilities arising from these leasebacks transactions are part of Note 15.2 „Lease liabilities". The Group's liabilities from leaseback transactions are secured by the lessor against the leased assets. These assets are not classified as finance leases under IFRS, however their legal basis is a lease agreement and therefore, from a legal point of view, they classify as leased assets.

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Properties are represented mainly by buildings and land. Land and buildings do not include railway infrastructure, 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 of 31 December 2020, an allowance is created for these items in the amount of the difference between the carrying amount and the recoverable amount of CZK 412 million (as of 31 December 2019: CZK 247 million).

In 2020, the biggest increases of movable tangible assets relate to repairs of R and D type (components) of the railway traction vehicles in the amount of CZK 778 million, technical improvement of traction rail vehicles in the amount of CZK 407 million, revision repairs (components) of freight wagons in the amount of CZK 323 million.

In addition, during the accounting period the following assets were acquired:

- 247 new Eanos freight wagons worth CZK 447 million;
- 40 new Sgg(m)rrs - innowagon (Innofreight technology) freight wagons worth CZK 107 million;
- 3 railway traction vehicles 753.6 series worth CZK 127 million;
- wheelsets (components) for freight wagons worth CZK 198 million;
- new wagon body component worth CZK 94 million;
- technical inspection (components) to freight wagons worth CZK 73 million.

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 2020	Balance as at 31 Dec 2019
Cost	3,251	3,212
Depreciation	(1,637)	(1,732)
Net book value	**1,614**	**1,480**

During 2020, 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 100 million. Furthermore, the Group received a subsidy for LL brake blocks (so-called 'silent brake blocks') in the amount of CZK 8 million and a subsidy for the energy-saving building project of assembly plant in České Budějovice in the amount of CZK 4 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 performed an assessment 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. 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. 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. The model confirmed that the market value of these assets significantly exceeds their book value.

5.1. PLEDGED ASSETS

The Company's assets as of 31 December 2020 and 31 December 2019 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 2019	Additions	Disposals	Transfers	Balance at at 31 Dec 2019	Additions	Disposals	Transfers	Balance as at 31 Dec 2020
Software	938	99	(15)	28	1,050	86	-	31	1,167
Royalties	122	-	-	5	127	9	-	12	148
Assets under construction	33	66	-	(33)	66	33	(1)	(43)	55
Total	**1,093**	**165**	**(15)**	**-**	**1,243**	**128**	**(1)**	**-**	**1,370**

Accumulated amortisation (CZK million)	Balance as at 1 Jan 2019	Additions	Disposals	Balance as at 31 Dec 2019	Additions	Disposals	Balance as at 31 Dec 2020
Software	507	64	(15)	556	85	-	641
Royalties	94	4	-	98	6	-	104
Total	**601**	**68**	**(15)**	**654**	**91**	**-**	**745**

Net book value (CZK million)	Balance as at 31 Dec 2020	Balance as at 31 Dec 2019	Balance as at 1 Jan 2019
Software	526	494	431
Royalties	44	29	28
Assets under construction	55	66	33
Total	**625**	**589**	**492**

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 of 31 December 2020, intangible assets include royalties (licenses) in total net book value of CZK 44 million. The most significant items are Microsoft Infrastructure licenses in the amount of CZK 11 million, Modular System licenses in the amount of CZK 11 million, SAP licenses in the amount of CZK 8 million, Altworx licenses in the amount of CZK 4 million. In 2020, licenses in the total amount of CZK 21 million were activated.

The length of amortisation 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 2020	Balance as at 31 Dec 2019	Balance as at 1 Jan 2019
Operational and business tasks under the project PROBIS	300	315	262
SAP	78	83	43
IT Security Program	15	21	24
Other	133	75	102
Total	**526**	**494**	**431**

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 2020 consist mainly of modifications and upgrades of existing systems: SAP projects in the amount of CZK 14 million, Dispatching information system under the project of the calculation of complete trains in the amount of CZK 30 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 12 million, development of the Operational Information System PRIS in the amount of CZK 16 million.

7. Investments in Subsidiaries and Associates

7.1. INFORMATION ON JOINT VENTURES AND ASSOCIATES

Name of the entity	Registered office	Category
BOHEMIAKOMBI, spol. s r.o.	Opletalova 6, 110 00 Prague 1	Associate
Ostravská dopravní společnost, a.s.	U Tiskárny 616/9, 702 00 Ostrava - Přívoz	Joint venture
RAILLEX, a.s.	Americká 525/23, 120 00 Prague 2	Joint venture
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 2020	Ownership interests as at 31 December 2019
BOHEMIAKOMBI, spol. s r.o.	Brokerage of transportation services except for the transportation by own vehicles.	30%	30%
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%
Ostravská dopravní společnost – Cargo, a.s.	Railway transportation and lease of traction vehicles and railway wagons.	20%	20%

7.2. SUMMARY OF FINANCIAL INFORMATION ON JOINT VENTURES AND ASSOCIATES

31 December 2020 (CZK million)	RAILLEX, a.s.	BOHEMIAKOMBI, spol. s r.o.	Ostravská dopravní společnost, a.s.	Ostravská dopravní společnost - Cargo, a.s.
Total assets	**39**	**26**	**172**	**220**
Current assets	-	1	-	46
Non-current assets	39	25	172	174
Total liabilities	**22**	**16**	**147**	**31**
Current liabilities	-	-	-	-
Non-current liabilities	22	16	147	31
Net assets	17	10	25	189
Share of net assets	**8**	**0**	**13**	**38**

31 December 2019 (CZK million)	RAILLEX, a.s.	BOHEMIAKOMBI, spol. s r.o.	Ostravská dopravní společnost, a.s.	Ostravská dopravní společnost - Cargo, a.s.
Total assets	**48**	**24**	**101**	**199**
Current assets	48	23	101	148
Non-current assets	-	1	-	51
Total liabilities	**27**	**15**	**78**	**38**
Current liabilities	27	15	78	37
Non-current liabilities	-	-	-	1
Net assets	21	9	23	161
Share of net assets	**11**	**-**	**12**	**32**

(CZK million)	2020	2019
Total income	1,039	1,109
Profit for the period	43	47
Share of the profit for the period	**12**	**14**

8. Inventories

(CZK million)	31 Dec 2020	31 Dec 2019
Spare parts and other components for rail vehicles and traction vehicles	221	228
Spare parts for other machines, devices and equipment	9	9
Fuels, lubricants and other petroleum products	3	3
Work clothes, work shoes, protective devices	17	2
Other	47	7
Total costs	**297**	**249**
Write-down of inventories to their net realizable value	(6)	(6)
Total net book value	**291**	**243**

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 2020	Gross	1,630	72	49	5	10	88	224	1,854
	Allowances	(54)*	-	(2)	(3)	(8)	(87)	(100)	(154)
	Net	**1,576**	**72**	**47**	**2**	**2**	**1**	**124**	**1,700**
31 Dec 2019	Gross	1,441	142	30	5	23	61	261	1,702
	Allowances	(5)*	(2)	(6)	(4)	(23)	(60)	(95)	(100)
	Net	**1,436**	**140**	**24**	**1**	**-**	**1**	**166**	**1,602**
1 Jan 2019	Gross	1,629	147	30	2	7	89	275	1,904
	Allowances	(28)*	(13)	(14)	(1)	(4)	(88)	(120)	(148)
	Net	**1,601**	**134**	**16**	**1**	**3**	**1**	**155**	**1,756**

* it mainly includes allowances for overdue receivables for which the maturity has been postponed by the agreement on the repayment schedule, but the payment of which is very uncertain, as well as allowance for receivables before due date, as a result of the implementation of IFRS 9.

9.1. MOVEMENT OF ALLOWANCES FOR DOUBTFUL RECEIVABLES

Movement of allowances for doubtful receivables (CZK million)	2020	2019
Allowances at 1 January	**100**	**148**
Creation of allowances – trade receivables	69	77
Use of allowances – trade receivables	(14)	(67)
Write-offs – trade receivables	(1)	(58)
Allowances at 31 December	**154**	**100**

10. Other Financial Assets

(CZK million)	31 Dec 2020	31 Dec 2019
Lease receivables	40	52
Hedging derivatives	29	10
Restricted funds (see Note 5)	-	48
Other non-current financial assets	**69**	**110**
Lease receivables	12	11
Hedging derivatives	25	14
Group cash pooling	3	1
Receivables from damages and losses	6	9
Receivables from damages and losses - allowances	(4)	(4)
Restricted cash (see Note 5)	76	157
Other financial assets	20	19
Other financial assets - allowances	(12)	(13)
Other current financial assets	**126**	**194**
Total	**195**	**304**

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

Within the item restricted cash, advance payment of the subsidy from CEF received for the implementation of the European Train Control System for locomotives is recorded. This advance is gradually drawn for advances and partial payments for ETCS to suppliers (see Note 5) and will be exhausted during 2021.

There was no reason to create an allowance for any Other financial assets due to the expected credit loss, in relation to IFRS 9.

10.1. FINANCE LEASE RECEIVABLES

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

Disclosure required according to the IFRS 16:

Analysis of maturity of receivables from leasing payments:

(CZK million)	31 Dec 2020	31 Dec 2019
1 year	13	13
2 years	13	13
3 years	13	13
4 years	13	13
5 years	3	13
More than 5 years	-	3
Undiscounted lease payments	**55**	**68**
Minus: Unrealized financial income	(3)	(5)
Present value of lease payments receivable	**52**	**63**
Impairment allowance	-	-
Net investment in leasing	**52**	**63**
In the statement of financial position as:		
Short-term lease receivables	12	11
Long-term lease receivables	40	52
Total	**52**	**63**

The amounts recognized the statement of profit or loss:

(CZK million)	Balance as at 31 Dec 2020	Balance as at 31 Dec 2019
Net proceeds from financial investments	2	1

The Group uses a simplified approach in accordance with IFRS 9 to measure expected credit losses using a provision for expected life-cycle losses on 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 due days. 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 lessee's operations, 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 2020	31 Dec 2019
Advances	3	1
Total Non-current	**3**	**1**
Advances	52	69
Tax receivables – VAT	71	167
Tax receivables (except corporate tax)	4	2
Prepaid expenses	42	67
Other	6	6
Total Current	**175**	**311**
Total	**178**	**312**

The line "Advances" 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 2020	31 Dec 2019
Cash on hand and cash in transit	6	3
Cash at bank*	680	468
Total**	**686**	**471**

* 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 2020	Bank balances as at 31 Dec 2019
Komerční banka, a.s.	P-1	A1	109	28
Československá obchodní banka, a.s.	P-1	A1	365	328
Citibank Europe plc	P-1	Aa3	33	1
ING Bank, N.V.	P-1	Aa3	72	4
Česká spořitelna, a.s.	P-1	A1	1	1
UniCredit Bank Czech Republic and Slovakia, a.s.	P-2	Baa1	5	5
Raiffeisenbank a.s.	P-2	Baa1	3	1
Všeobecná úvěrová banka a.s.	P-1	A2	32	32
Millenium bank	P-2	Baa2	4	4
Deutsche Bank	P-2	A3	8	22
Frankfurter Sparkasse*	A+	F1+	5	5
Bank Austria	P-2	Baa1	6	15
Slovenská sporiteľňa*	P-1	A2	29	5
Tatra banka	P-2	A3	7	17
Fio banka**			1	-
Total			**680**	**468**

* Moody's bank rating is effective at the end of 2020
** rating not available

13. EQUITY

13.1. SHARE CAPITAL

As of 31 December 2020, the share capital of Parent Company amounted to CZK 8,494 million and consisted of 100 pieces of dematerialised registered shares. The share capital was fully paid.

13.2. CAPITAL FUNDS

(CZK million)	31 Dec 2020	31 Dec 2019
Share premium	197	197
Statutory reserve fund	285	258
Cash flow hedging reserve	(32)	20
Actuarial losses	(2)	(12)
Foreign currency translation fund	(19)	(1)
Other funds	(16)	(17)
Total	**413**	**445**

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 company was established in the amount of CZK 197 million as of December 1, 2007.

13.2.2. Reserve fund

(CZK million)	2020	2019
Balance as at 1 January	**258**	**220**
Profit allocation to the reserve fund	27	38
Balance as at 31 December	**285**	**258**

Allocation to the reserve fund represents, according to the company's articles of association, the accumulated allocations from the profits of previous years and is intended exclusively to cover any losses. In accordance with the company's internal rules, the allocation to the reserve fund amounts to CZK 27 million and CZK 38 million for 2019.

13.2.3. Cash flow hedging reserve

(CZK million)	2020	2019
Balance at the beginning of the year	**20**	**(24)**
Profit (loss) from revaluation	(51)	49
Reclassifications to profit or loss upon settlement	(14)	5
Total change in the cash flow hedging reserve	**(65)**	**54**
Relating income tax	13	(10)
Balance at the end of the year	**(32)**	**20**

The cash flow hedging reserve includes accumulated gains and losses from the effective hedging of cash flows. The accumulated accrued profit or loss from hedging derivatives is reclassified to the profit or loss only if the hedging transaction impacts the profit or loss or is included as an adjustment to the base in the hedged non-financial item in accordance with relevant accounting principle.

Reclassification from hedge reserve into profit or loss

Currency forwards and swaps – hedging future income in foreign currencies (CZK million)	2020	2019
1 January	**13**	**(18)**
Change in the fair value of the hedging derivatives	44	45
Reclassification to the income	(11)	(7)
Related corporate income tax – change	(6)	(7)
31 December	**40**	**13**

Interest swaps – hedging loans and lease contracts with variable rate (CZK million)	2020	2019
1 January	**(28)**	**(29)**
Change in the fair value of the hedging derivatives	-	-
Reclassification to the income	34	1
Related corporate income tax – change	(6)	-
31 December	**-**	**(28)**

Lease - foreign currency liabilities from IFRS 16 - hedging future income in foreign currencies * (CZK million)	2020	2019
Balance as of 1 January	**-**	**-**
Change in the fair value of lease liability	(75)	-
Reclassification to the expenses and income	-	-
Related corporate income tax – change	15	-
Balance as of 31 December	**(60)**	**-**

* change of method see Note 4.5.

Commodity forwards – hedging prices for the purchases of diesel and traction energy (CZK million)	2020	2019
1 January	**35**	**23**
Change in the fair value of the hedging derivatives	(20)	4
Reclassification to the income	(37)	11
Related corporate income tax – change	10	(3)
31 December	**(12)**	**35**

13.2.4. Actuarial losses

(CZK million)	2020	2019
Balance as at 1 January	**(12)**	**(16)**
Actuarial gains and losses	10	4
Balance as at 31 December	**(2)**	**(12)**

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.

13.2.5. Exchange rate difference fund

(CZK million)	2020	2019
Balance as at 1 January	**(1)**	**(1)**
Exchange differences arising on the translation of the net assets of foreign operations	(18)	-
Balance as at 31 December	**(19)**	**(1)**

13.2.6. Other funds

(CZK million)	2020	2019
Balance as at 1 January	**(17)**	**(18)**
Rounding difference	1	1
Balance as at 31 December	**(16)**	**(17)**

The impact of the change in the consolidation group resulting from the purchase of a non-controlling interest in the subsidiary ČD Logistics, a.s. was recorded in other funds in 2018.

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 2020	Short-term	1,856	30	7	3	-	92	132	1,988
31 Dec 2019	Short-term	2,071	47	53	9	50	-	159	2,230

The average maturity of supplier invoices is 90 days. The Group does not recognize 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 2020	31 Dec 2019
Long-term bank loans	2,446	-
Liabilities from leaseback	1,012	1,243
Liabilities from leasing°	2,759	2,349
Issued bonds	4,260	3,765
Loans from České dráhy, a.s.	137	205
Other received long-term loans and borrowings	-	112
Total long-term	**10,614**	**7,674**
Short-term bank loans	299	-
Liabilities from leaseback	314	324
Liabilities from leasing°	729	637
Overdraft accounts	110	61
Issued bonds	524	1,026
Borrowing from České dráhy, a.s.	75	323
Other received short-term loans and borrowings	-	7
Total short-term	**2,051**	**2,378**
Total	**12,665**	**10,052**

Loans are initially recognized at fair value less transaction costs. Subsequently, loans are measured at amortised cost using the effective interest method; all differences between the consideration (less transaction costs) and the value of the instalments are recognized in the consolidated income statement over the entire period of the loan.

As of 17 October 2016, the 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 383 series traction vehicles (Vectron). As of 31 December 2020, the remaining borrowing balance of the loan was divided into long-term part in amount of CZK 137 million and short-term part in amount of CZK 75 million.

On 19 December 2019 ČD Cargo, a.s., drew a loan in the amount of CZK 250 million based on Mutual Credit Facility Agreement in excess of cash-pooling from the Parent Company České dráhy, a.s. This loan was repaid on 18 March 2020.

CD Cargo Poland Sp. z o.o. has an overdraft facility of CZK 110 million, which is recognized as short-term as at 31 December 2020.

Three investment loans were implemented with a total credit framework of CZK 3,000 million during 2020. As of 31 December 2020, CZK 2,800 million was drawn from this credit framework. For detailed information on investment loans see Note 33.8.

Portions of long-term loans and borrowings, due within one year from the consolidated financial statements date are recognized 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.

Under the above-mentioned bond programme or under separate issuance conditions, the following bond issues exist as of 31 December 2020:

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
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

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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
Nominal value of the bond	CZK 500 million
Interest rate	CZK 5 million
Issue rate	fixed interest income 1.26 %
Payment of interest income	100 %
Date of interest payment	annually retrospectively
Date of the final maturity	29.12. each year
Nominal value of the bond	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
Nominal value of the bond	CZK 1,000 million
Interest rate	CZK 5 million
Issue rate	fixed interest income 2.55 %
Payment of interest income	100 %
Date of interest payment	annually retrospectively
Date of the final maturity	20.7. each year
Nominal value of the bond	20.7.2025

Administrator	Komerční banka, a.s.
Issue manager	ING Bank, N.V.
Date of issue	17.7.2019
Trading	CZK 1,000 million
Nominal value of the bond	CZK 5 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
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
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. LEASEBACK LIABILITIES

The Group concluded several leaseback contracts for the purchase of railway vehicles. The duration of the lease is a maximum of 10 years. The Group has the ability to buy these vehicles upon the expiration of the lease. The Group's payables arising from finance leases are collateralised by the lessor's ownership title to the leased assets.

The value of finance lease and leaseback liability is as follows:

CZK million	Minimum lease payments		Present value of minimum lease payments	
	31 Dec 2020	**31 Dec 2019**	**31 Dec 2020**	**31 Dec 2019**
Less than 1 year	1,126	1,091	1,043	961
From 1 to 5 years	2,907	3,033	2,759	2,764
5 years and more	1,031	883	1,012	828
Total	**5,064**	**5,007**	**4,814**	**4,553**
Less future financial costs	(250)	(454)		
Present value of min. leasing's repayments	**4,814**	**4,553**	**4,814**	**4,553**
In the statement of financial position as:				
– short-term loans			1,043	961
– long-term loans			3,771	3,592
Total			**4,814**	**4,553**
In the statement of financial position as:				
– lease liabilities			3,488	2,986
– leaseback liabilities			1,326	1,567
Total			**4,814**	**4,553**

Finance lease and leaseback liabilities are presented within financial instruments in Note 33.2.

Movements on financial liabilities are described in Note 33.8.2.

Fair value of the lease contracts is disclosed in the Note 33.10.1.

16. Provisions

(CZK million)	Balance as at 31 Dec 2019	Creation	Use	Cancellation	Balance as at 31 Dec 2020
Provision for litigation	23	45	(9)	-	59
Provisions for employee benefits	168	69	(65)	(1)	171
- of which long-term part	*101*				96
Restructuring provision	-	84	(12)	-	72
Other provisions	35	54	(24)	(9)	56
Total provisions	**226**	**252**	**(110)**	**(10)**	**358**
Long-term	*101*				96
Short-term	*125*				*262*

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 59 million at 31 December 2020 (as of 31 December 2019: CZK 23 million).

The provision for employee benefits includes the employees´ entitlement to a financial contribution on life jubilees, financial contribution upon retirement and reimbursement of medical expenses, including salary refunds in wellness and recovery stays. As of 31 December 2020, the provision was calculated in the amount of CZK 171 million. Compared to 2019, there were no significant changes in the reserve balance. In calculating the provision, the Group used an actuarial model which is based on up-to-date employee information (number of employees, date of the old-age pension claim, average salary, amount of the financial contribution) and anticipated parameters established on the basis of a reasonable estimate and publicly available statistical documents: anticipated fluctuation in the number of employees, anticipated increase in salaries, anticipated inflation level, likelihood of death or disablement according to the data of the Czech Statistical Office. Cash flows are discounted to the present value using the discount rate derived from the yield level of government bonds.

In the context of the measures taken in 2020 towards a more efficient use of human resources and increasing the productivity of both operational and administrative staff, and the approved, properly communicated completion of this process in 2021, the company has created a provision for expected costs in connection with this optimization, respectively, a provision for restructuring amounting to CZK 72 million.

As at 31 December 2020, other provisions primarily include provisions for damages.

17. Other Financial Liabilities

(CZK million)	31 Dec 2020	31 Dec 2019
Hedging derivatives	4	-
Liability arising from supplier loans	2	1
Other long-term financial liabilities	**6**	**1**
Hedging derivatives	16	-
Liability arising from supplier loans	16	3
Other	150	191
Other short-term financial liabilities	**182**	**194**
Total other financial liabilities	**188**	**195**

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 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 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 an action in the District Court for Prague 7 to determine the ownership of the 1,141 vehicles, and yet it has not been solved. 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.). In 2020, the resulting liability forms the most significant part of the item „Other" in the amount of CZK 121 million (excluding VAT), in 2019 this liability was also in the amount of CZK 121 million.

As at 31 December 2020, the item "Other" also included liabilities of the Parent Company concerning the judicial conciliation in the dispute over the price of traction energy collected from Správa železnic, s.o. and relating to the settlement of the damage due to Správa železnic, s.o. traffic closures pursuant to a court judgment. These commitments were paid in 2020. More detailed overview of mutual relations with Správa železnic, s.o. is presented in Note 31.6.

18. Other Liabilities and Commitments

Other liabilities and commitments consist of following items:

(CZK million)	31 Dec 2020	31 Dec 2019
Subsidy received	-	48
Other liabilities	155	156
Other long-term liabilities	**155**	**204**
Payables to employees	324	268
Liabilities for social security and health insurance	150	129
Tax liabilities - tax withheld employees	50	42
Tax liabilities – VAT	1	(1)
Subsidy received	174	157
Other	6	7
Other short-term liabilities	**705**	**602**
Refunds liabilities	20	18
Other short-term liabilities and commitments	**725**	**620**
Total Other liabilities and commitments	**880**	**824**

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 are currently expected to be used for the supply of prototypes of selected series of locomotives in 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. Operating Lease Contracts

19.1. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

The Group leases land, buildings (administrative and in locations near railway stations), equipment (innofreight technology) and vehicles (freight wagons, locomotives, 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, see Note 4.3.

From the 1 January 2019, leases are recognized 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 2019	Additions	Change of lease period	Disposals	Exchange rate differences	Balance as at 31 Dec 2019	Additions	Change of lease period	Disposals	Exchange rate differences	Balance as at 31 Dec 2020
Buildings	414	35	36	(114)	-	371	138	49	(79)	(1)	478
- out of which Lovosice logistics centre	149	-	-	(62)	-	87	-	-	-	-	87
Equipment	465	123	4	-	-	592	112	20	(126)	-	598
- out of which Innofreight technologies	463	123	4	-	-	590	112	20	(126)	-	596
Vehicles	1,577	1,455	242	(1,122)	(140)	2,012	1,177	321	(784)	(8)	2,718
- out of which freight wagons and locomotives	1,538	1,435	242	(1,099)	(140)	1,976	1,174	321	(781)	(8)	2,682
Total	**2,456**	**1,613**	**282**	**(1,236)**	**(140)**	**2,975**	**1,427**	**390**	**(989)**	**(9)**	**3,794**

Accumulated depreciation and impairment (CZK million)	Balance as at 1 Jan 2019	Depreciation	Disposals	Exchange rate differences	Balance as at 31 Dec 2019	Depreciation	Disposals	Exchange rate differences	Balance as at 31 Dec 2020
Buildings	-	76	(4)	-	72	69	(31)	-	110
- out of which Lovosice logistics centre	-	*20*	-	-	*20*	*13*	-	-	*33*
Equipment	-	75	-	-	75	110	(94)	-	91
- out of which Innofreight technologies	-	75	-	-	75	*110*	*(94)*	-	91
Vehicles	43	503	(226)	(45)	275	411	(205)	(2)	479
- out of which freight wagons and locomotives	41	495	*(221)*	(45)	270	401	*(203)*	(2)	466
Total	**43**	**654**	**(230)**	**(45)**	**422**	**590**	**(330)**	**(2)**	**680**

Net book value (CZK million)	Balance as at 31 Dec 2020	Balance as at 31 Dec 2019	Balance as at 1 Jan 2019
Buildings	368	299	414
- out of which Lovosice logistics centre	54	67	149
Equipment	507	517	465
- out of which Innofreight technologies	505	515	463
Vehicles	2,239	1,737	1,534
- out of which freight wagons and locomotives	*2,216*	*1,706*	1,497
Total	**3,114**	**2,553**	**2,413**

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

In 2020, a significant lease agreement was concluded for the lease of trucks. Based on the option contained in the contract, they will be repurchased upon termination of the lease. The value of the option is reflected in the value of the asset. The total amount of the increase from this contract in 2020 is 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 of 1 January 2019, the value of this right-of-use was calculated at CZK 558 million and impaired by CZK 409 million. As of 1 January 2019, the resulting amount of CZK 149 million was recorded in the above table "Cost". As of 31 December 2020, these right-of-use assets are recognized in the carrying amount of 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 recognized the lease liability as follows:

(CZK million)	Balance as at 31 Dec 2020	Balance as at 1 Jan 2019
Short - term lease liabilities	729	637
Long - term lease liabilities	2,759	2,349
Total lease liabilities (see Note 15)	**3,488**	**2,986**

The amounts recognized in statement of profit or loss:

(CZK million)	2020	2019
Depreciation of right-of-use assets	(590)	(654)
Interest expense on lease liabilities	(62)	(84)
Short-term lease expenses	(88)	(73)
Low-value assets lease expenses	(15)	(14)
Variable lease payments (not included in the measurement of the lease liability) expenditure	-	(20)
Proceeds from the sublease of right-of-use assets	-	3

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, material and energy consumption.

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).

In 2019, total monetary expenses related to leases amounted to CZK 991 million (of which lease payments of CZK 800 million, interest expenses of CZK 84 million, short-term lease payments of CZK 73 million, low-value assets lease payments of CZK 14 million and expenses related to variable lease payments of CZK 20 million).

19.2. COMMITMENTS

As of the balance sheet date, the Group concluded contracts for the purchase of property, plant and equipment and investment property in the amount of CZK 7,954 million, of which CZK 4,544 million relates to unpaid supplies (out of which CZK 3,451 million represents investments to be paid in 2021 and CZK 1,093 million to be paid in subsequent years). As of 31 December 2020, the remaining amount of CZK 3,410 million was paid. A significant part of commitments in the amount of CZK 4,477 million relates to investments in railway vehicles.

19.3. CONTINGENT ASSETS

ČD Cargo, a.s. records contingent assets resulting from a CZK 103 million penalty for Ostravské opravny a strojírny, s.r.o. Penalty refers to delayed deliveries of repaired freight wagons that have not been completed according to contractual terms. As the company in question disputes this penalty, ČD Cargo, a.s. in accordance with IAS 37, records these assets as contingent assets and they are not recognized in the financial statements as of 31 December 2020.

20. Received and Issued Bank Guarantees

20.1. BANK GUARANTEES ISSUED

Bank guarantees issued by ČD Cargo, a.s. in Komerční banka, a.s. as of 31 December 2020, from the contractual limit of CZK 50 million.

List of active bank guarantees issued by ČD Cargo, a.s. at of 31 December 2020

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	30.6.2021	Bank guarantee to fulfil all liabilities and obligations of the Lessee under the Lease Agreement with West Invest Waterfront Towers Ltd. - Lighthouse.
P3 Lovosice s.r.o., Na Florenci 2116/15, 110 00 Prague 1	Warranty for rent	17 million	CZK	13.6.2021	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	16.9.2021	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	16.9.2021	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.

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20.2. BANK GUARANTEES RECEIVED

List of active bank guarantees received by ČD Cargo, a.s. at of 31 December 2020

In behalf of	Guarantee provider	Amount	Currency	Termination date	Reason for bank guarantee
Siemens, s.r.o., Prague 13, Siemensova 1, PSČ 155 00	UniCredit Bank Czech Republik and Slovakia, a.s.	1 million	EUR	30.4.2021	Securing the delivery of interoperable locomotives for the needs of ČD Cargo, a.s., and operability under warranty.
Siemens, s.r.o., Prague 13, Siemensova 1, PSČ 155 00	UniCredit Bank Czech Republik and Slovakia, a.s.	1 million	EUR	31.12.2021	Securing the delivery of interoperable locomotives for the needs of ČD Cargo, a.s. for the installation of ETCS 3.6.0. version
Wagony Swidnica SP. O.Z.O., Strzelinska 35; 50-100 Swidnica, Poland	Citibank Europe plc, organizational unit	2 million	EUR	31.5.2021	Securing the delivery of 500 new railway freight wagons of EANOS line.
CZ LOKO, a.s.; Semanínská 580; 560 02 Česká Třebová	Komerční banka, a.s.	51 million	CZK	15.6.2021	Securing the delivery of new diesel locomotives 753.6 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.	43 million	CZK	24.4.2021	Securing the delivery 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	31.5.2021	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	31.5.2021	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	31.5.2021	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	31.5.2021	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	31.5.2021	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	Československá obchodní banka, a.s.	59 million	CZK	26.1.2022	Securing the obligation during modernisation of the selected locomotive (prototype) from the public contract „Implementation of the modernization of 50 locomotives 742 series".
CZ LOKO, a.s.; Semanínská 580; 560 02 Česká Třebová	Československá obchodní banka, a.s.	53 million	CZK	27.12.2021	Securing proper performance pursuant to Article 12.2. (prototype) from the public contract "Performing modernization of 50 locomotives 742 series".
CZ LOKO, a.s.; Semanínská 580; 560 02 Česká Třebová	Československá obchodní banka, a.s.	1 million	EUR	31.3.2021	Securing the obligation during the Switch-off of phase of selected locomotive (prototype) from the public contract „Modernization of 50 Locomotives 742 series". series".
CZ LOKO, a.s.; Semanínská 580; 560 02 Česká Třebová	Československá obchodní banka, a.s.	0.4 million	EUR	31.3.2021	Securing the obligation during the Switch-off of phase of selected locomotive (prototype) from the public contract „Modernization of 50 Locomotives 742 series".
CZ LOKO, a.s.; Semanínská 580; 560 02 Česká Třebová	Komerční banka, a.s.	1 million	EUR	10.12.2021	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"
CZ LOKO, a.s.; Semanínská 580; 560 02 Česká Třebová	Komerční banka, a.s.	1 million	EUR	10.12.2021	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"
ČD - Telematika a.s., Pernerova 2819/2a, 130 00 Praha 3 and **AŽD Praha s.r.o.,** Žirovnická 3146/2, 106 00 Praha 10	Komerční banka, a.s.	5 million	EUR	17.3.2022	Securing the realization 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.
TATRAVAGÓNKA, a.s., Štefánikova 887/53; 05801 Poprad, Slovakia	COMMERZBANK Aktiengesellschaft, branch 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 trucks.
Bombardier Transportation Gmbh, Eichhomstrasse 3, 10785 Berlin, Germany	COMMERZBANK Aktiengesellschaft, branch Praha	11 million	EUR	31.12.2021	In accordance with the purchase contract No. 6926-2018-O01 dated 20 August 2018, ensuring the delivery of up to 50 Traxx MS3 locomotives (BZ for reserve for the first 10 locomotives).
Metrostav a.s., Koželužská 2450/4, 180 00 Praha 8	Raiffeisenbank a.s.	3 million	CZK	14.6.2024	In accordance with the contract for work no. 06695-2018-SOKV UNL from 28 April 2018, securing the construction of a new steel hall for cleaning railway vehicles in the Repair centres of the railway wagons (SOKV Ustí nad Labem).
Bombardier Transportation Gmbh, Eichhomstras-se 3, 10785 Berlin, Germany	COMMERZBANK Aktiengesellchaft, branch Praha	75 thousand	EUR	30.6.2021	Bank guarantee for tender offer provided for „Deliveries of new locomotives for the needs of ČD Cargo, a.s.".
Bombardier Transportation Gmbh, Eichhomstrasse 3, 10785 Berlin, Germany	COMMERZBANK Aktiengesellschaft, branch Praha	75 thousand	EUR	30.6.2021	Bank guarantee for tender offer provided for „Deliveries of new locomotives for the needs of ČD Cargo, a.s.".
Bombardier Transportation Gmbh, Eichhomstrasse 3, 10785 Berlin, Germany	COMMERZBANK Aktiengesellschaft, branch Praha	115 thousand	EUR	30.6.2021	Bank guarantee for tender offer provided for „Deliveries of new locomotives for the needs of ČD Cargo, a.s.".
Siemens, s.r.o., Prague 13, Siemensova 1, PSČ 155 00	UniCredit Bank Czech Republik and Slovakia, a.s	0.3 million	EUR	18.5.2021	Bank guarantee for tender offer provided for „Deliveries of new locomotives for the needs of ČD Cargo, a.s.".
Stadler Rail Valencia S.A.U., Mitxera, 46550, Valencia, Spain	Komerční banka, a.s.	75 thousand	EUR	30.9.2021	Bank guarantee for tender offer provided for "Deliveries of new locomotives for the needs of ČD Cargo, a.s.".

21. 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 Group's reportable segments under IFRS 8 are therefore as follows:

- ČD Cargo offers its customers transportation of a broad variety of commodities within the transportation segment, they are: 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 loads and complete trains. Complete 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 loads within the entire railway network, because it is technologically more demanding in comparison to complete trains. Individual wagon loads 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 rail vehicles repair centres.

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. The Group does not monitor the other information.

2020 (CZK million)	Transportation	Additional services	Elimination	Total
Revenue from the principal operations	**10,845**	**3,585**	**(2,164)**	**12,266**
- within the Group	*1,627*	*537*	*(2,164)*	*-*
- outside the Group	*9,218*	*3,048*	*-*	*12,266*
Purchased consumables and services	**(5,071)**	**(2,642)**	**2,155**	**(5,558)**
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)
Personnel costs	**(3,828)**	**(694)**	**5**	**(4,517)**
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 revenues	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
Profit before tax	**(173)**	**12**	**(115)**	**(276)**
Income tax	27	2	(1)	28
Profit for the period	**(146)**	**14**	**(116)**	**(248)**

2019 (CZK million)	Transportation	Additional services	Elimination	Total
Revenue from the principal operations	**11,606**	**3,591**	**(2,160)**	**13,037**
- within the Group	*1,650*	*510*	*(2,160)*	*-*
- outside the Group	*9,956*	*3,081*	*-*	*13,037*
Purchased consumables and services	**(5,331)**	**(2,655)**	**2,275**	**(5,711)**
Traction costs	(1,249)	-	-	(1,249)
Payment for the use of the railway route	(954)	(2)	-	(956)
Other purchased consumables and services	(3,128)	(2,653)	2,275	(3,506)
Personnel costs	**(4,135)**	**(427)**	**(1)**	**(4,563)**
Payroll costs including insurance	(3,933)	(410)	(1)	(4,344)
Other social costs	(33)	(20)	-	(53)
Benefits arising from the collective agreement	(169)	3	-	(166)
Other operating revenues	71	492	(142)	421
Other operating expenses	(151)	(196)	6	(341)
Depreciation	(1,454)	(339)	(62)	(1,855)
Interest expense	(175)	(23)	-	(198)
Other financial expenses	(79)	(13)	(25)	(117)
Other financial income	87	18	13	118
Profit before tax	**439**	**448**	**(96)**	**791**
Income tax	(92)	(89)	(2)	(183)
Profit for the period	**347**	**359**	**(98)**	**608**

22. Revenue

(CZK million)	2020	2019
Revenue from freight transportation:	**11,008**	**11,787**
– Revenue from freight transportation - local	3,964	4,217
– Revenue from freight transportation - foreign	7,044	7,570
– Revenue from freight transportation - Germany	2,338	2,385
– Revenue from freight transportation – Austria	1,018	886
– Revenue from freight transportation - Slovakia	858	1,048
– Revenue from freight transportation – Poland	724	1,095
– Revenue from freight transportation – Italy	255	210
– Revenue from freight transportation – Slovenia	219	-
– Revenue from freight transportation – Hungary	198	-
– Revenue from freight transportation – Romania	262	220
– Revenue from freight transportation – Ukraine	331	365
– Revenue from freight transportation – Russia	142	230
– Revenue from freight transportation – other countries	699	1,131
Other revenue from freight transportation:		
– Other revenue from freight transportation- local	425	363
– Other revenue from freight transportation- foreign	130	175
Other freight revenue recognized over time	**555**	**538**
Other revenue related to transportation	228	233
Total revenue from customer contracts	**11,791**	**12,558**
Revenue from lease	475	479
Total revenue	**12,266**	**13,037**

Revenue from lease includes revenues from short-term and occasional leases of freight wagons and railway traction vehicles, see Note 19.1.

Other revenue from freight transportation include mainly revenues from services performed at railway stations, supplementary services and rail siding agenda.

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

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

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 spoločnost´ Cargo Slovakia, a.s.
- Rail Cargo Austria AG

Other companies

- Maersk Line A/S
- STVA S.A.
- DB Cargo Logistics GmbH
- LKW WALTER INTERNATIONAL
- BLG AutoRail GmbH

22.1. 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 2020	31 Dec 2019
Refunds liabilities	20	18
Total refunds liabilities	**20**	**18**

22.2. REMAINING PERFORMANCE OBLIGATIONS

Remaining liabilities (CZK million)	31 Dec 2020	31 Dec 2019
Revenue from freight transport	14	15
Other revenue from freight transport	3	1
Other revenue from principal activity	1	1
Other revenue from operating activity	2	1
Total	**20**	**18**

23. Other Operating Income

(CZK million)	2020	2019
Gain from sale of property, plant and equipment	60	51
Gain from disposal of unnecessary assets	38	51
Compensations for deficits and damage	46	52
Contractual penalties and default interest	2	10
Foreign exchange gains – operational	412	134
Change in provisions for receivables - income	-	51
Change in provisions for tangible fixed assets - income	-	30
Other	78	42
Total other operating income	**636**	**421**

24. Services, Rental, Material and Energy Consumption

(CZK million)	2020	2019
Traction costs	**(1,169)**	**(1,276)**
– Traction fuel (diesel)	*(365)*	*(408)*
– Traction electricity	*(804)*	*(868)*
Payment for the use of railway route	**(883)**	**(1,006)**
Other purchased consumables and services	**(3,506)**	**(3,429)**
– Consumed material	*(239)*	*(279)*
– Consumed other energy	*(96)*	*(92)*
– Consumed fuel	*(12)*	*(13)*
– Repairs and maintenance	*(231)*	*(260)*
– Travel costs	*(54)*	*(64)*
– Telecommunication, data and postal services	*(58)*	*(58)*
– Other rental	*(54)*	*(85)*
– Rental for rail vehicles	*(310)*	*(175)*
– Transportation charges	*(1,847)*	*(1,818)*
– Services associated with the use of buildings	*(46)*	*(46)*
– Operational cleaning of rail vehicles	*(3)*	*(4)*
– Border area services	*(183)*	*(187)*
– Advertising and promotion costs	*(9)*	*(15)*
– Leasing	*-*	*(1)*
– Infrastructure capacity allocation	*(31)*	*(26)*
– IT	*(152)*	*(146)*
– Performances of fire brigade service	*(1)*	*(1)*
– Services in the field of ecology	*(9)*	*(9)*
– Other services	*(171)*	*(150)*
Total services, material and energy consumption	**(5,558)**	**(5,711)**

Traction electricity for the period from 1 January 2020 to 31 December 2020 includes mainly traction electricity purchased from Správa železnic, s.o, in the amount of CZK 722 million (in 2019: CZK 788 million and the supplier was České dráhy, a.s.).

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 network are presented in following table:

(CZK million)	2020	2019
Statutory audit of annual financial statements (including subsidiaries)	(2)	(2)
Other services (including subsidiaries)*	(3)	(11)
Total	**(5)**	**(13)**

* warehouse optimisation projects in the parent company

25. Employee Benefit Costs

(CZK million)	2020	2019
Payroll costs	(3,107)	(3,205)
Severance pay	(91)	(28)
Pension benefits	(845)	(863)
Other social security and health insurance	(347)	(356)
Emoluments to key management	(67)	(58)
Other employee benefit costs	(60)	(53)
Total employee benefit costs	**(4,517)**	**(4,563)**

Other employee benefit costs mainly include employee training costs.

Average recalculated total number of employees within the Group:

	2020	2019
Employees	6,877	7,158
Key management	32	30
Average recalculated total number of employees	**6,909**	**7,188**

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)	2020	2019
Short-term benefits	(50)	(43)
Pension benefits	(11)	(10)
Other social and health contributions	(6)	(5)
Total key management compensation	**(67)**	**(58)**

26. Depreciation and Amortisation

(CZK million)	2020	2019
Depreciation of plant and equipment and vehicles (Note 5)	(1,375)*	(1,133)*
Depreciation of leasing – IFRS 16	(590)	(654)
Amortisation of intangible assets (Note 6)	(91)	(68)
Total depreciation and amortisation	**(2,056)**	**(1,855)**

* in Note 5 the net book value of disposed assets amounting to CZK 61 million in 2020 (in 2019: CZK 102 million) is reported in addition to depreciation.

27. Other Operating Expenses

(CZK million)	2020	2019
Impairment losses on receivables	(64)	-
Change in provisions for property, plant and equipment	(165)	-
Change in inventory allowances	-	(6)
Costs of contractual penalties and default interest	(4)	(14)
Taxes and fees	(8)	(10)
Foreign exchange losses - operating	(390)	(125)
Premium	(90)	(84)
Recurrent losses	(38)	(24)
Other	(90)	(78)
Total other operating expenses	**(849)**	**(341)**

28. Financial Expenses

(CZK million)	2020	2019
Interest on bank overdraft accounts and loans	(26)	(14)
Interest on finance lease payables and leasebacks	(49)	(68)
Interest on lease obligations – IFRS 16	(62)	(84)
Interest expense – bonds	(63)	(39)
Other interest expense	(4)	(6)
Unwinding of the discount of provisions	(2)	(2)
Exchange rate losses – financial	(55)	(96)
Bank expenditures	(2)	(3)
Other financial expenses	(6)	(3)
Total financial expenses	**(269)**	**(315)**

29. Financial Income

(CZK million)	2020	2019
Exchange rate gains - financial	56	101
Securities sale income	1	-
Other financial income	2	3
Total financial income	**59**	**104**

30. Income Tax

30.1. INCOME TAX RECOGNISED IN PROFIT OR LOSS

(CZK million)	2020	2019
Current income tax for the period recognised in the Statement of profit or loss	(7)	(118)
Deferred tax recognised in the Statement of profit or loss	35	(65)
Total income tax	**28**	**(183)**

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

(CZK million)	2020	2019
Profit before tax	(276)	791
Statutory tax rate on corporate income in the Czech Republic	19 %	19 %
Expected income tax expense	52	(150)
Adjustments:		
Effect of the different income tax rate in other countries	(6)	13
Other non-deductible expenses	(19)	(47)
Non-taxable income	10	8
Income tax related to prior periods	(76)	(7)
Impact on deferred tax from the previous period	67	-
Income tax recognised in profit or loss	**28**	**(183)**

30.2. INCOME TAX RECOGNISED IN OTHER COMPREHENSIVE INCOME

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

30.3. DEFERRED TAX

(CZK million)	Non-current assets	Provisions	Leases	Receivables	Derivatives	Other	Total
Balance 1 January 2019	**1,217**	**(148)**	**572**	**(21)**	**(5)**	**2**	**1,617**
Deferred tax recognised in statement of profit or loss	(3)	4	47	13	-	4	65
Deferred tax recognised in other comprehensive income	-	-	-	-	10	-	10
Balance 31 December 2019	**1,214**	**(144)**	**619**	**(8)**	**5**	**6**	**1,692**
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)
Balance 31 December 2020	**1,169**	**(164)**	**656**	**(18)**	**6**	**(5)**	**1,644**

31. Related Party Transactions

31.1. TRADE RECEIVABLES AND PAYABLES AT THE END OF REPORTING PERIOD

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
Joint ventures and associated companies	**28**	**16**
ČD - Telematika a.s.	-	27
ČD - Informační Systémy, a.s.	-	88
DPOV, a.s.	1	45
Výzkumný Ústav Železniční, a.s.	9	-
Other companies in the České dráhy Group	**10**	**160**
Total	**41**	**288**

31 December 2019 (CZK million)	Receivables	Payables
České dráhy, a.s.	6	117
RAILLEX, a.s.	3	-
BOHEMIAKOMBI, spol. s r.o.	1	-
Ostravská dopravní společnost, a.s.	15	-
Ostravská dopravní společnost - Cargo, a.s.	3	11
Joint ventures and associated companies	**22**	**11**
ČD - Telematika a.s.	-	9
ČD - Informační Systémy, a.s.	-	109
DPOV, a.s.	1	20
ČD Relax s.r.o.	-	2
Dopravní vzdělávací institut, a.s.	-	1
Výzkumný Ústav Železniční, a.s.	9	-
Other companies in the České dráhy Group	**10**	**141**
Total	**38**	**269**

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 collateralised and will be paid by non-cash payment or by netting. No guarantees were received or provided.

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31.2. INCOME FROM RELATED PARTIES TRANSACTIONS

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
Total	**1**	**175**	**1**	**177**

2019 (CZK million)	Sale of assets	Sale of services	Other income	Total
České dráhy, a.s.	1	21	1	23
DPOV, a.s.	-	4	-	4
Výzkumný Ústav Železniční, a.s.	-	44	-	44
RAILLEX, a.s.	-	27	-	27
BOHEMIAKOMBI, spol. s r.o.	-	13	-	13
Ostravská dopravní společnost, a.s.	-	53	-	53
Ostravská dopravní společnost - Cargo, a.s.	-	24	2	26
Total	**1**	**186**	**3**	**190**

31.3. PURCHASE FROM RELATED PARTIES

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
Total	**291**	**435**	**356**	**8**	**7**	**1,097**

In 2020, purchases from České dráhy, a.s., represented mainly purchased motor diesel worth CZK 328 million and purchased spare parts or other supplies.

2019 (CZK million)	Assets	Material and energy	Services	Other expenses	Financial expenses	Total
České dráhy a.s.	50	531	124	7	7	719
ČD - Telematika a.s.	2	2	18	-	-	22
ČD - Informační Systémy, a.s.	71	5	113	-	-	189
DPOV, a.s.	54	15	2	-	-	71
ČD relax s.r.o.	-	-	18	-	-	18
Dopravní vzdělávací institut, a.s.	-	-	21	-	-	21
JLV, a.s.	-	-	2	-	-	2
RAILLEX, a.s.	-	-	4	-	-	4
Ostravská dopravní společnost - Cargo, a.s.	-	-	55	-	-	55
Total	**177**	**553**	**357**	**7**	**7**	**1,101**

In 2019, purchases from České dráhy, a.s. represented mainly purchased motor diesel worth CZK 406 million and purchased spare parts or other supplies.

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

31.4.1. Sales
In 2020 and 2019, no significant sales of assets to related parties were made.

31.4.2. Purchases

Purchases (CZK million)	Intangible assets	Property, plant and equipment	Intangible assets	Property, plant and equipment
	2020	2020	2019	2019
České dráhy, a.s.	-	48	-	50
ČD - Telematika, a.s.	-	111	-	2
ČD - Informační Systémy, a.s.	60	5	60	11
DPOV, a.s.	-	67	-	54
Total	**60**	**231**	**60**	**117**

31.5. LOANS FROM RELATED PARTIES
On 17 October 2016, the Company drew a loan from České dráhy, a.s., in the amount of CZK 540 million to finance the purchase of series 383 locomotives (Vectron). As of 31 December 2019, the loan balance is divided into a long-term portion of CZK 205 million and a short-term portion of CZK 73 million. As of 31 December 2020, the remaining balance of the loan balance is divided into a long-term portion of CZK 137 million and a short-term portion of CZK 75 million. The loan is disclosed in Note 15 "Loans, borrowings and bonds".

As of 19 December 2019, ČD Cargo, a.s. drew a loan in the amount CZK 250 million based on a Mutual Credit Facility Agreement in excess of cash-pooling from the parent company České dráhy, a.s. The loan was fully paid on 18 March 2020.

31.6. RELATIONS WITH SPRÁVA ŽELEZNIC
In the accounting period 2020 and 2019, 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 in the years 2020 and 2019. Furthermore, the Group also purchased electricity traction energy from Správa železnic, s.o. The costs for accounting periods 2020 and 2019 are disclosed in Note 24.

In 2020, the income of the Group includes sales from intrastate wagonload transport in the amount of CZK 13 million in particular. In 2019: CZK 16 million.

Expenses and income of the Group resulting from the transactions conducted with Správa železnic, s.o. in 2020 and 2019 were as follows:

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
Total	**1,573**	**20**

31 December 2019 (CZK million)	Expenses	Income
Operation of railway route	1	-
Use of the railway route and allocated route capacity	909	-
Property rental	11	-
Electric traction energy	778	-
Revenue from freight transportation	-	16
Performance of firefighter emergency services	1	-
Telecommunication services	41	-
Contractual fines and default interest	17	-
Compensation of damages	8	12
Extraordinary events investigation	3	-
Repairs and maintenance	1	-
Other	12	4
Total	**1,782**	**32**

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

Receivables (CZK million)	31 Dec 2020	31 Dec 2019
Revenues from freight transportation	2	2
Estimated receivables	8	11
Other	51	69
Total	**61**	**82**

Payables (CZK million)	31 Dec 2020	31 Dec 2019
Use of the transport route and allocated railway capacity - freight transport	94	182
Property rental – expenses and income	-	-
Uncollected capacity ŽDC*	4	-
Electric traction energy	31	17
Court settlement – traction energy	-	26
Settlement Agreement – exclusions	-	5
Radio communication technology	5	9
Other	4	4
Estimated payables	148	85
Use of the transport route and allocated railway capacity - freight transport	68	1
Compensation of damaged caused by extraordinary events	4	4
*Uncollected capacity ŽDC**	-	10
Electric traction energy	65	60
Radio communication technology	4	-
Heat supply	5	6
Other estimated payables	2	4
Total	**286**	**328**

* untaken capacity of railway infrastructure

The amount of CZK 5 million as of 31 December 2019 is the short-term part of the liability relating to the compensation for damage caused by the exclusions of the Správy železnic, s.o. based on a judicial decision dated 15 January 2014. In 2020, this liability was fully paid.

The amount of CZK 26 million as of 31 December 2019 is the short-term part of the liability relating to the settlement of the out-of-court agreement on the dispute over the price of traction energy consumed during the 2009 accounting period. In 2020, this liability was fully paid.

31.7. RELATIONS WITH 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 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	-
Total	**23**	**107**

31 December 2019 (CZK million)	Expenses	Income
Use of railway route and allocated capacity of the railway	1	-
Revenue from freight transportation	-	256
Heat energy	9	-
Other	1	2
Total	**11**	**258**

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

Receivables (CZK million)	31 Dec 2020	31 Dec 2019
Revenue from freight transportation	19	18
Total	**19**	**18**

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

Payables (CZK million)	31 Dec 2020	31 Dec 2019
Purchased railway services	7	-
Other	1	1
Estimated payables	1	1
Heat supply	1	1
Total	**9**	**2**

31.8. 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.).

32. Non-Controlling Interests

32.1. EQUITY – NON-CONTROLLING INTERESTS

31 December 2020 (CZK million)	Terminal Brno, a.s.	ČD-DUSS Terminál, a.s.	Total
Non-controlling interests of	**33,07 %**	**49 %**	
Share capital	**24**	**2**	**26**
Retained earnings – current period	2	4	6
Retained earnings	3	7	10
Total	**29**	**13**	**42**

31 December 2019 (CZK million)	Terminal Brno, a.s.	ČD-DUSS Terminál, a.s.	Total
Non-controlling interests of	**33,07 %**	**49 %**	
Share capital	**24**	**2**	**26**
Retained earnings – current period	2	3	5
Retained earnings	2	3	5
Total	**28**	**8**	**36**

32.2. SUMMARY OF FINANCIAL INFORMATION – COMPANIES WITH NON-CONTROLLING INTERESTS

31 December 2020 (CZK million)	Terminal Brno, a.s.	ČD-DUSS Terminál, a.s.
Total assets	**93**	**32**
Non-current assets	67	11
Current assets	26	21
Total liabilities	**5**	**5**
Current liabilities	5	5
Net assets	88	27
Share of net assets – non-controlling interests	**29**	**13**
Share of net assets – the Group	**59**	**14**

31 December 2019 (CZK million)	Terminal Brno, a.s.	ČD-DUSS Terminál, a.s.
Total assets	**86**	**21**
Non-current assets	69	6
Current assets	17	15
Total liabilities	**4**	**3**
Current liabilities	4	3
Net assets	82	18
Share of net assets – non-controlling interests	**28**	**8**
Share of net assets – the Group	**54**	**10**

(CZK million)	2020	2019
Total income	91	80
Profit for the period	15	11
Share of net assets – non-controlling interests	**6**	**4**
Share of net assets – the Group	**9**	**7**

33. Financial Instruments

33.1. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that it is able to continue as a going concern while optimizing the ratio between external and own resources. According to bank requirements, the maximum target ratio between foreign and own funds is 75 %.

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).

(CZK million)		31 Dec 2020	31 Dec 2019
Loans, borrowings and bonds	15	12,665	10,052
Cash and cash equivalents	12	(686)	(471)
Total net debt		**11,979**	**9,581**

(CZK million)		31 Dec 2020	31 Dec 2019
Share capital	13	8,494	8,494
Capital funds	13	413	444
Retained earnings/accumulated losses		470	752
Total equity		**9,377**	**9,690**

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.

33.2. CATEGORIES OF FINANCIAL INSTRUMENTS

Categories of financial assets under IFRS 9 (CZK million)	Categories of financial assets under IAS 39	Classes of financial assets	Chapter	31 Dec 2020	31 Dec 2019
Financial assets at amortised cost	Loans and receivables	Cash and cash equivalents	12	686	471
		Trade receivables	9	1,700	1,602
		Other financial assets	10	141	280
Financial assets at fair value presented in statement of profit or loss	Financial assets at fair value presented in statement of profit or loss	Other financial assets - derivatives used in hedge accounting	10	54	24
Total				**2,581**	**2,377**

Categories of financial assets under IFRS 9 (CZK million)	Categories of financial assets under IAS 39	Classes of financial assets	Chapter	31 Dec 2020	31 Dec 2019
Financial liabilities at fair value presented in statement of profit or loss	Financial liabilities at fair value presented in statement of profit or loss	Other financial liabilities - derivatives used in hedge accounting	17	20	-
Financial liabilities at amortised cost	Financial liabilities at amortised cost	Finance lease and leaseback liabilities	15	4,814	4,553
		Issued bonds	15	4,784	4,791
		Loans	15	3,067	708
		Trade payables	14	1,988	2,230
		Liabilities arising from supplier loans	17	18	4
		Liabilities from settlement agreements	17	-	31
		Other financial liabilities	17	150	160
Total				**14,841**	**12,477**

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 33.10.3.

Income from individual classes of financial assets is as follows:

Class of financial asset (CZK million)	2020	2019	Presented in statement of profit or loss
Interest on cash and cash equivalents	2	1	Financial income
Total	**2**	**1**	

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 Group. Financial risks include market risks (currency, interest rate and commodity risk), credit risk and liquidity risk.

33.4. 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 2020 (CZK million)	EUR	USD	Other	Total
Financial assets	1,351	4	64	1,419
Financial liabilities	(1,002)	(11)	(45)	(1,058)
Total	**349**	**(7)**	**19**	**361**

31 Dec 2019 (CZK million)	EUR	USD	Other	Total
Financial assets	1,422	4	36	1,462
Financial liabilities	(1,175)	(11)	(38)	(1,224)
Total	**247**	**(7)**	**(2)**	**238**

33.4.1. 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)	2020	2019
Translation of items denominated in foreign currencies at the end of the period	(15)	(9)
Change in the fair value of derivatives at the end of the period	(7)	-
Total impact on the profit for the period	**(22)**	**(9)**
Change in the fair value of derivatives at the end of the period	84	71
Total impact on the other comprehensive income	**84**	**71**

If the Czech currency weakened by CZK 1, the values would be the same with the opposite sign only.

33.4.2. Currency forwards and options

The Group in accordance with the risk management strategy concludes currency 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 positive EUR balance generated by the Group. The hedge ratio is regularly monitored in relation to the risk management objectives.

At the same time, the Group does not separate the hedging cost, and assumes that it is currently insignificant. Possible changes are regularly monitored.

Due to 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.

The hedging nominal value is lower than the future expected balance in EUR, i.e. hedging never exceed 80% of the expected balance in EUR. A CZK/EUR exchange rate is hedged, then converted into foreign currency earnings (EUR) in the Group's currency (CZK). The maximum hedging volumes are set in the Financial Risk Management Strategy of ČD Cargo, a.s. as follows:

- for 2021, a maximum 80% of the underlying asset (expected balance in EUR);
- for 2022, a maximum 65% of the underlying asset (expected balance in EUR);
- for 2023, a maximum 50% of the underlying asset (expected balance in EUR).

Monetary hedging was contracted under regular market conditions (without premium payment), the fair value of derivatives was nil as of 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 used to sell the positive balance of EUR.

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 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 Group does not hedge specific business cases, but only the volume of the planned balance, as well as for a possible significant decline in the creditworthiness of the counterparty. The above points are considered by the Group 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 of:

Foreign currency forwards

Sale (CZK million)	Average currency exchange rate	Foreign currency	Nominal value	Fair value
31.12.2020	27,048	EUR	2 272	54
31.12.2019	26,162	EUR	1 884	21

Open foreign currency forwards and options to purchase foreign currency were not closed in 2020. No foreign currency forwards and options to purchase foreign currency were concluded in 2019.

At the same time, on 29 December 2020 a currency swap carried out with a sale of EUR 6.5 million and a purchase of CZK 170.755 million (exchange rate CZK 26.270/EUR).

Expected realization of hedged items by foreign currency forwards and options

Expected cash flows of hedged future sales in EUR have the following structure:

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

31 December 2019 (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	102	203	915	610	-	1,830

33.5. INTEREST RATE RISK MANAGEMENT

The Group is exposed to the risk of changes in interest rates as it borrows part of its funds with variable interest rates. The Group manages interest rate risk by maintaining an appropriate combination of fixed and variable rate financing.

If necessary, the Group concludes interest rate swap contracts in order to hedge future cash flows resulting from loans and borrowings with variable rates. The hedging is regularly assessed to align the opinions on the development of interest rates with the defined level of acceptable risk. This treatment provides for the application of the economically most effective hedging strategies.

33.5.1. Interest rate sensitivity analysis

The exposure to changes in interest rates is measured by the sensitivity analysis. The group is exposed to the interest rate risk due to:

- changes in interest expenses from loans and lease with a variable rate;
- change in the fair value of concluded financial derivatives.

The following table shows the impact that an increase in interest rates of 200 basis points 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 the decrease in the profit and other comprehensive income:

(CZK million)	2020	2019
Interest from loans and lease with variable rate for the period	(5)	(11)
Change in the present value of long-term provisions at the end of the period	-	-
Total impact on the profit for the period	**(5)**	**(11)**
Change in the fair value of derivatives at the end of the period	-	-
Total impact on other comprehensive income	**-**	**-**

If interest rates were reduced by 200 basis points, the values would be the same with the opposite sign only.

33.5.2. Interest rate swaps

Based on interest rate swap contracts, ČD Cargo, a.s. agrees to exchange the difference between fixed and floating rate interest amounts calculated on agreed notional principal amounts. Such contracts enable the Group to eliminate the risk of changing cash flows on the issued variable rate debt. The fair value of interest rate swaps at the end of the reporting period is determined by discounting the future cash flows.

For the Group, the interest rate risk represents the fluctuation of overdraft interest rates and sources of funding at a floating interest rate. The parent company has decided to reduce the risk by hedging interest rates on the part of its floating-rate funding sources.

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 an interest rate swap agreement maturing in 2020, that compensates the interest rate risk from interest rate payments arising from the lease with variable interest rate and the same parameters (nominal value, date of individual repayments) as individual interest rate swap. The hedge ratio is regularly monitored in relation to the risk management objectives.

Due 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.

Swaps nominal values are the same as the nominal values of the respective volume of individual leases. The floating part of the lease payments (12M Pribor) is hedged by 12M Pribor. Maturity of lease payments and interest rate hedging is the same. Interest rate swaps were negotiated at market price (without premium payment), the fair value of derivatives was nil as of the trade date. There are no agreements on limiting the agreed interest rate (interest rate options) included in the swaps. The Group expects no early termination or repayment of lease payments. The individual effectiveness is regularly monitored and measured.

Based on the above, the Group expects that the hedging relationship will be effective over its entire life and changes in cash flows from lease payments will be compensated by changes in cash flows arising from interest rate swaps. The result of the transaction (after including interest rate swaps) should be the predictable (fixed) interest cost of the leasing.

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 as interest rate swap counterparties. The credit risk associated with both, the bank and the Group, is considered as a minimal and will be reassessed when a significant change in circumstances occurs in one of the parties.

Potential reasons of possible inefficiencies are considered by the Group as significant decline in creditworthiness of ČD Cargo, a.s. or counterparty. Also, in case of early termination or modification of the lease agreement caused by violation of resolutions specified in the contract, whether by ČD Cargo, a.s. or counterparty.

The following table details the terms of interest rate swap contracts outstanding at the end of the reporting period.

IRS

31 December 2019	Average contracted fixed interest rate	Principal CZK million	Fair value of assets (liabilities) CZK million.
Less than 1 year	3.250 %	13	-
1 to 5 years	3.250 %	-	-
Total			**-**

This is related to interest payments insurance on leases of series 753 locomotives.

The Group will settle the difference between the fixed and variable interest rate on a net basis. Exchanges of payments under interest rate swaps and payments of the interest on loans are concurrent and the amount accumulated in equity is reclassified to the profit or loss in the period in which variable interest rates from the loan impact the profit or loss.

The above-mentioned interest rate hedging was terminated in June 2020. As of 31 December 2020, the Company has not entered into any interest rate hedging.

33.6. 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.

33.6.1. 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)	2020	2019
Change in the fair value of derivatives at the end of the period	-	-
Total impact on the profit for the period	**-**	**-**
Change in the fair value of derivatives at the end of the period	11	12
Total impact on other comprehensive income	**11**	**12**

If the diesel price was reduced by 10%, the values would be the same with the opposite sign only.

33.6.2. Commodity derivatives

In line with the requirements for managing interest rate risk, the parent 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 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.

At the same time, the Group does not separate the cost of hedging, as it assumes that they are currently insignificant. Possible changes are regularly monitored.

The economic relationship between the hedging instrument and the hedged item is described using the following parameters.

The effectiveness of hedging will be measured by comparing changes in the hedging instrument's internal value and changes in the fair value of the hedged cash flows. 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 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 are set in the Financial Risk Management Strategy of ČD Cargo, a.s. then:

- for 2021, a maximum of 80% of the underlying asset (expected volume of diesel purchased);
- ffor 2022, a maximum of 65% of the underlying asset (expected volume of diesel purchased);
- ffor 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 of 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 Group 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 price of diesel. 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 price of diesel 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 of the end of the accounting period:

Purchase of diesel	Hedged average price (CZK/mt*)	Volume of contract (mt*)	Fair value (CZK million)
31 December 2020	10,964	12,000	(20)
31 December 2019	12,912	9,600	4

* mt = metric ton

Expected realization of hedged items by commodity derivatives

The following table shows the expected cash flows of the hedged future purchases of diesel:

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

31 December 2019 (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	7	14	63	50	-	134

33.7. CREDIT RISK MANAGEMENT

The Group 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 Group'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 Group. For the analysis of counterparties, the Group 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 Group'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 Group to possible credit risk consist of cash and cash equivalents, trade receivables and derivative financial instruments. The Group's cash is deposited at domestic reputable financial institutions. In terms of the business, the Group 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 Group. 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.

For the purposes of determining expected credit losses through simplified access, short-term receivables are classified according to common characteristics in terms of credit risk and appropriate maturities. On that basis, the Group evaluates the expected credit losses rates determined for trade receivables.

Expected credit loss rates are determined under the payment profile and sales for the 6-year prior period until 1 December 2020, respectively 31 December 2020 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 Group 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 Group focuses on an individual assessment of customer credibility and, above all, their future ability and willingness to meet its obligations to the Group. The analyses were conducted on the basis of conditions and expectations as of 31 December 2020. They do not take into account the possible impacts of the expected economic downturn due to the spread of COVID-19 since February 2020.

Overview of impairment for short-term receivables

31 December 2020	Before due date	Past due date (days)					Total
(CZK million)		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
Expected credit loss	**(53)**	**-**	**(2)**	**(3)**	**(8)**	**(87)**	**(153)**
Individual expected credit loss	(1)	-	-	-	-	-	(1)
Expected credit loss total	**(54)**	**-**	**(2)**	**(3)**	**(8)**	**(87)**	**(154)**

*impairment matrix = % of allowance from historical developments + % of considered future development = % of total allowance

31 December 2019	Before due date	Past due date (days)					Total
(CZK million)		1 - 30	31 – 90	91- 180	181 -365	over 365 days	
Expected credit loss rate *	0.3%	1%	1%	80%	100%	98%	6%
Short-term trade receivables - Gross residual value	1,441	142	30	5	23	61	1,702
Expected credit loss	**(5)**	**(2)**	**(6)**	**(4)**	**(23)**	**(60)**	**(100)**
Individual expected credit loss	-	-	-	-	-	-	-
Expected credit loss total	**(5)**	**(2)**	**(6)**	**(4)**	**(23)**	**(60)**	**(100)**

* impairment matrix = % of allowance from historical developments + % of considered future development = % of total allowance

Movement of provision for doubtful debts (CZK million)	2020	2019
Allowances as of 1 January	**100**	**148**
Creation of allowances – trade receivables	69	77
Use of allowances – trade receivables	(14)	(67)
Write-offs – trade receivables	(1)	(58)
Adjustments as of 31 December	**154**	**100**

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 Receivables Commission are continuously engaged in past due receivables development.

The following table identifies the categories of financial assets and financial liabilities that have been offset at the balance sheet date. The company did not identify contractual offsets that were not realized as of the balance sheet date. The values of collateral that would affect the amount of a financial liability or financial asset are set out in Note 20 Guarantees received and issued.

2020 (CZK million)	Chapter	Amounts before offsetting	Offset values	Values in the balance sheet after offsetting
Classes of financial assets				
Trade receivables	9	1,703	(3)	1,700
Classes of financial liabilities				
Trade payables	14	1,991	(3)	1,998

2019 (CZK million)	Chapter	Amounts before offsetting	Offset values	Values in the balance sheet after offsetting
Classes of financial assets				
Trade receivables	9	1,604	(2)	1,602
Classes of financial liabilities				
Trade payables	14	2,232	(2)	2,230

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 percentage of net allowance creation in the amount of 0.4 % applied to trade receivables not overdue was determined based on historical data of receivables that were written off in the past and, at the same time, taking into account one-off items that occurred and the macroeconomic impact on the development of the customers´ payment discipline. This is a slight increase of 0.1 % compared to 2019.

Amount of receivables (CZK million)	2020	2019
Percentage of net allowance creation	0.4 %	0.3 %
Gross receivables – not overdue	1,630	1,441
Allowance – not overdue 0.3%	(6)	(5)

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).

Short-term liabilities exceed short-term assets by approximately CZK 2,251 million, but the Group has contracted funding of up to CZK 3,785 million (bills of exchange and overdrafts), which is why the Group's operations are secured in the foreseeable future.

33.8. 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 33.8.2).

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-pool limit. In order to strengthen its financial stability, the Group secures long-term financial sources on a continuous basis. As of 31 December 2020, the Parent Company issued bonds in the aggregate volume of CZK 4,770 million. In 2016, ČD Cargo, a.s. has drawn an in-house loan from the Parent Company České dráhy, a.s. in amount of EUR 19,975 million with the maturity of 7 years, provided for financing newly acquired interoperable traction vehicles. The Group still has a promissory notes 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 from České dráhy, a.s. During the years 2019 and 2020, the promissory notes programme was not used by the Group.

At the same time, the overall limit of overdraft loans was increased during 2020 by arranging a new overdraft loan with a credit limit of CZK 300 million.

In December 2020, a loan agreement was signed with the European Central Bank. The total amount of the credit framework is set at EUR 130 million according to the contractual conditions. This credit framework will be gradually used in the coming years to finance pre-selected investment projects of the Company. As of 31 December 2020, this loan had not been drawn down.

During 2020, three new investment loans with a total credit framework of CZK 3,000 million were implemented. As of 31 December 2020, CZK 2,800 million was drawn from this credit framework.

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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 of 22 December 2020, CZK 200 million has been drawn as of 30 December 2020)
Interest rate: 1.79 %
Payments: quarterly, linear
1. payment: 31 March 2021
Maturity date: 31 December 2027

In addition, on 19 December 2019, a loan of CZK 250 million was drawn on the basis of the Agreement on Mutual Credit Frames in the form of drawdown beyond cash-pooling from the parent company České dráhy, a.s. The loan was repaid on 18 March 2020.

33.8.1. Liquidity and interest rate risk tables
The following tables detail 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. To the extent that instruments carry the floating rate, the undiscounted amount is derived from the yield curve valid at the end of the reporting period. It may vary if the interest rates differ from the estimates.

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	-	-	-	-	-	-
Liabilities from leaseback	-	78	233	724	274	1,309
Lease liabilities*	4	228	583	2,183	757	3,755
Variable interest rate instruments – loan	5	76	443	1,751	991	3,266
Fixed interest rate instruments – bonds	-	-	616	1,821	2,826	5,263
Total	**1,280**	**1,036**	**2,119**	**6,485**	**4,848**	**15,768**

*implementation of IFRS 16

31 Dec 2019 (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	1,452	874	99	1	-	2,426
Liabilities from finance and leaseback	32	63	283	1,021	332	1,731
Lease liabilities*	-	1	708	2,430	73	3,212
Variable interest rate instruments – loan	3	266	-	289	-	558
Fixed interest rate instruments - bonds	156	-	1,094	1,273	2,850	5,373
Total	**1,643**	**1,204**	**2,184**	**5,014**	**3,255**	**13,300**

*implementation of IFRS 16

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 including the interest received from these assets.

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	1,810	535	140	40	-	2,525
Hedging derivatives	2	4	18	29	-	53
Total	**1,812**	**539**	**158**	**69**	**-**	**2,578**

31 Dec 2019 (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	1,701	408	142	100	-	2,351
Hedging derivatives	2	4	8	10	-	24
Total	**1,703**	**412**	**150**	**110**	**-**	**2,375**

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	Financial lease liabilities – short-term	Financial lease liabilities – long-term	Issued bonds – short-term	Issued bonds – long-term	Total
Liabilities from financing activities as at 1 Jan 2019	**91**	**306**	**1,308**	**3,509**	**15**	**2,995**	**8,224**
Cash flows from financing activities	214	96	(1,514)	527	-	1,770	1,093
Credit, loans and bonds drawings	*310*	*96*	*-*	*527*	*-*	*1,770*	*2,703*
Credit, loans and bonds repayments	*(96)*	*-*	*(1,514)*	*-*	*-*	*-*	*(1,610)*
Non-monetary flows:							
Consequences of changes in exchange	4	(3)	(27)	12	-	-	(14)
Loans and credits classified as of 1 January 2018 as long-term, which became short-term during 2019	82	(82)	1,078	(1,078)	1,000	(1,000)	-
Other non-monetary movements	-	-	116*	622*	11	-	749
Liabilities from financing activities as of 31 Dec 2019	**391**	**317**	**961**	**3,592**	**1,026**	**3,765**	**10,052**
Cash flows from financing activities	(445)	2,800	(1,169)	49	(1,000)	987	1,222
Credit, loans and bonds drawings	*-*	*2,800*	*-*	*49*	*-*	*987*	*3,836*
Credit, loans and bonds repayments	*(445)*	*-*	*(1,169)*	*-*	*(1,000)*	*-*	*(2,614)*
Non-monetary flows:							
Consequences of changes in exchange rates	(7)	8	86	-	-	-	87
Loans and credits classified as of 31 December 2019 as long-term, which became short-term during 2020	543	(543)	1,108	(1,108)	500	(500)	-
Other non-monetary movements	2	1	57*	1,238*	(2)	8	1,304
Liabilities from financing activities as of 31 Dec 2020	**484**	**2,583**	**1,043**	**3,771**	**524**	**4,260**	**12,665**

* 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 Group uses the following financing facilities:

(CZK million)	31 Dec 2020	31 Dec 2019
Cash pooling:		
– loan facility at	300	300
Overdraft loans:		
– loan facility at	1,985	1,713
Promissory note programme*:		
– loan facility at	1,500	1,500
Total	**3,785**	**3,513**

* The internal promissory note program is approved for a maximum of CZK 1,500 million, with framework agreements in amount of CZK 2,000 million approved for individual banks

The overdrafts were drawn in amount of CZK 110 million at 31 December 2020. Other credit lines were not drawn.

33.9. STRATEGY FOR THE GROUP'S FINANCING IN SUBSEQUENT YEARS

33.9.1. Finance lease

In 2019, a lease contract was concluded with ČSOB Leasing, a.s. for the purpose of financing 4 Siemens Vectron traction vehicles (HV 383 series). The contractual lease term is 120 months and the fixed interest rate is 1.34% p.a. The lease was made in EUR. In the same year, a leasing contract was concluded with ČSOB Leasing, a.s. to finance 4 Effishunter traction vehicles (HV 744 series). The lease term is 120 months with the fixed interest rate of 1.91% p.a. The lease 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 (HV line 744).

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 Group has overdraft limits on loans in the maximum amount of CZK 1,985 million provided by six banks. The stratification of the lending to several financing entities sufficiently diversifies related risks.

33.9.3. 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 2020 and 2019, 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. 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). On 19 December 2019, a loan of CZK 250 million was drawn on the basis of the Agreement on Mutual Credit Frames, beyond the limits of the cash-pooling agreement. The loan was repaid on 18 March 2020.

33.9.5. Bonds

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 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). On the basis of this programme, the first, second and third issues were gradually realised in 2011 with the aggregate nominal value of CZK 2 billion. 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.

As of 31 December 2020, ČD Cargo, a.s. has issued bonds worth CZK 4,770 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.

33.9.6. Supplier loans

The Group plans to use supplier loans for individual investments where this form of financing will be effective.

33.9.7. Investment loan

Three investment loans were implemented with a total credit framework of CZK 3,000 million during 2020. As of 31 December 2020, CZK 2,800 million was drawn from this credit framework.

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 EUR 130 million. This credit framework will be gradually used in the coming years to finance the Company's pre-determined investment projects.

33.9.9. Summary

The above-mentioned current and planned structure of funding 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.).

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 leases and bonds.

As of 31 December 2020, the fair value of the lease liability amounted to CZK 5,376 million. The fair value of lease liability calculated with the fixed rate is determined by the recalculation according to the current rate. This up-to-date rate is determined based on the margin of the most recent lease transactions and market interest rate applicable as of the year-end, which is subsequently used to recalculate the remaining payable of fixed leases. As of 31 December 2019, the fair value of the lease amounted to CZK 4,289 million.

As of 31 December 2020, the fair value of bonds of ČD Cargo, a.s. amounted to CZK 4,845 million, as of 31 December 2019 amounted to CZK 4,728 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 2020	Book value as at 31 Dec 2020	Fair value as at 31 Dec 2019	Book value as at 31 Dec 2019
Financial derivatives used in hedge accounting	Level 2	54	54	24	24
Loans, other financial assets	Level 2	-	-	-	-
Total		**54**	**54**	**24**	**24**

Financial liabilities (CZK million)	Level	Fair value as at 31 Dec 2020	Book value as at 31 Dec 2020	Fair value as at 31 Dec 2019	Book value as at 31 Dec 2019
Financial derivatives used in hedge accounting	Level 2	20	20	-	-
Trading financial derivatives	Level 2	-	-	-	-
Bonds issued	Level 2	4,845	4,784	4,728	4,791
Liabilities from finance lease and leaseback	Level 2	5,376	4,814	4,289	4,553
Total		**10,241**	**9,618**	**9,017**	**9,344**

Cash and cash equivalents, trade receivables and payables and other financial liabilities that were not presented in the table, were not presented 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 grouped 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 of 31 December 2020 and 31 December 2019 were included in Level 2.

34. Post Balance Sheet Events

As at the date of preparation of the financial statements, no significant events were identified between the balance sheet date and the time of preparation of the financial statements.

35. Approval of the Consolidated Financial Statements

These financial statements will be approved by the Board of Directors and authorised for issue on 6 April 2021.

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Events after the Balance Sheet Date

As at the date of preparation of the financial statements, no significant events were identified between the balance sheet date and the time of preparation of the financial statements.

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Report on Relations

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 2020 to 31 December 2020 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.

Václav Nebeský, Chairman of the Board of Directors from 1 January 2020 to 3 December 2020 (commencement of membership on 1 October 2019, office established on 1 October 2019),
Ivan Bednárik, Chairman of the Board of Directors from 4 December 2020 to 31 December 2020 (commencement of membership on 4 December 2020, office established on 4 December 2020,
Radek Dvořák, Vice-chairman of the Board of Directors from 1 January 2020 to 31 March 2020 (commencement of membership on 11 September 2018, office established on 10 June 2019),
Michal Kraus, member of the Board of Directors from 1 January 2020 to 3 December 2020 (commencement of membership on 14 October 2019),
Michal Kraus, Vice-chairman of the Board of Directors from 21 May 2020 to 3 December 2020 (commencement of membership on 14 October 2019),
Patrik Horný, member of the Board of Directors from 1 January 2020 to 3 December.2020 (commencement of membership on 1 June 2019),
Václav Nebeský, member of the Board of Directors from 4 December 2020 to 31 December 2020 (commencement of membership on 4 December 2020),
Petr Pavelec, member of the Board of Directors from 4 December 2020 to 31 December 2020 (commencement of membership on 4 December 2020),
Michal Kraus, member of the Board of Directors from 4 December 2020 to 31 December 2020 (commencement of membership on 4 December 2020),
Jiří Ješeta, member of the Board of Directors from 21 May 2020 to 31 December 2020 (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.

Ivan Bednárik, Chairman of the Board of Directors from 1 January 2020 to 4 December 2020 (commencement of membership on 1 November 2014, re-election on 2 November 2019, commencement of membership on 3 November 2014, re-election on 4 November 2019),
Tomáš Tóth, member of the Board of Directors from 4 December 2020 to 31 December 2020 (commencement of membership on 4 December 2020, office established on 4 December 2020),
Bohumil Rampula, member of the Board of Directors from 1 January 2020 to 31 March 2020 (commencement of membership on 1 November 2014, re-election on 2 November 2019),
Zdeněk Škvařil, member of the Board of Directors from 1 January 2020 to 31 December 2020 (commencement of membership on 1 November 2014, re-election on 2 November 2019),
Radek Dvořák, member of the Board of Directors from 1 April 2020 to 31 December 2020 (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 Pernerova 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 Pernerova 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
- **ČSAD SVT Praha, s.r.o.,** Corporate ID: 458 05 202, with its registered office at Křižíkova 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 Bráfova 1617/21, Žabovřesky, 616 00 Brno, recorded at the Regional Court in Brno, File C, Insert 17631
- **INPROP, 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 Pernerova 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
- **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

(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. Subsidiaries have its relationships with the ČD Group disclosed in either their own Report 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 2020 and 31 December 2020 are not recorded.

Article III.

Contracts and Agreements Effective between Related Entities

During the relevant reporting period (i.e. from 1 January 2020 to 31 December 2020), the following trade agreements were concluded between the Controlled Entity and the Controlling Entity and other related entities:

Name of the partner entity	Number of contracts effective during the reporting period				
	Contract for work	Purchase	Lease	Other	Total
ČD-Informační Systémy, a.s.	68	5	-	14	**87**
České dráhy a.s.	4	-	45	139	**187**
ČD – Telematika, a.s.	2	1	1	5	**9**
ČD Reality, a.s.		-	-	-	**-**
ČD relax s.r.o.	-	-	-	1	**1**
ČD Restaurant, a.s.	-	-	-	-	**-**
ČD travel, s.r.o.	-	-	-	1	**1**
Dopravní vzdělávací institut, a.s.	-	-	-	2	**2**
DPOV, a.s.	5	-	2	15	**22**
ODP-software, spol. s r.o..	-	-	-	-	**-**
Smíchov Station Development, a.s.	-	-	-	-	**-**
Výzkumný Ústav Železniční, a.s.	-	-	2	5	**7**
JLV, a.s.	-	-	-	-	**-**
Žižkov Station Development, a.s.	-	-	-	-	**-**
TOTAL	79	6	50	181	317

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.

In the reporting period, mutual sales and purchases between related parties of ČD Group included business transactions arising from both contracts concluded in the reporting period (i.e. from 1 January 2020 to 31 December 2020) and from contracts not concluded in the reporting period (i.e. contracts concluded in previous periods that were applicable and effective in the reporting period) as follows:

Name of the entity	Sales of ČD Cargo, a.s. (in CZK thousand)	Purchases of ČD Cargo, a.s. (in CZK thousand)
České dráhy a.s.	27 587	590 318
ČD Telematika, a.s.	65	132 464
ČD - Informační Systémy, a. s.	-	183 876
DPOV, a.s.	4 170	83 402
ČD travel, s.r.o.	-	5 409
ČD Relax, s.r.o.	-	9 017
Dopravní vzdělávací institut, a.s.	-	14 673
Výzkumný Ústav Železniční, a.s.	39 928	3 840
ODP-software, spol. s r.o.	-	-
JLV, a.s.	-	1 886
Smíchov Station Development, a.s.	-	-
Žižkov Station Development, a.s.	-	-
Masaryk Station Development, a.s.	-	-
CHAPS spol. s r.o.	10	-
ČSAD SVT Praha s.r.o.	-	-
SVT Slovakia s.r.o.	-	-
Inprop, s.r.o.	-	-
TOTAL	**71 760**	**1 024 885**

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 2020 to 31 December 2020:

- in connection with the contracts and agreements concluded in the reporting period between the Controlled Entity and the Controlling Entity or other related parties, based on which consideration was provided or received, or
- in 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 other related parties before 1 January 2020,
- in the reporting period from 1 January 2020 to 31 December 2020, no legal acts were realised between the Controlled Entity and the Controlling Entity or other related parties in the interest or at the initiative of the Controlling Entity or another related party,
- No measures were taken or implemented by the Controlled Entity in the interest or at the initiative of the Controlling or other related party causing detriment, benefit, advantage or disadvantage.

During the reporting period from 1 January 2020 to 31 December 2020, no legal acts were realised by the Controlled Entity in the interest of other related entities other than common legal acts.

Article V.

Measures between Related Entities of ČD Group

During the reporting period from 1 January 2020 to 31 December 2020, 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 ontrolled 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, 23 March 2021

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

Radek Dvořák
Member of the Board
of Directors

Zdeněk Škvařil
Member of the Board
of Directors

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List of Used Abbreviations

AEO	Authorised Economic Operator
BCC	Bureau Central de Clearing
OHS	Occupational Health and Safety
CER	Community of European Railway and Infrastructure Companies
CIM	Uniform Rules concerning the Contract of International Carriage of Goods by Rail
CNP	Central cash register
ČD	České dráhy, a.s.
ČDC	ČD Cargo, a.s.
Eas, Zaes, Falls, Eanos, Zacns, Sggrrs, Laaps, Faccs	Business series of freight wagons
EMS	Environmental Management System
ETCS	European Train Control System
HKV	Railway traction vehicle
HV	Traction vehicle
HZS	Fire brigade
ICT	Information and Communication Technologies
IFRS	International Financial Reporting Standards
ISR	European Central System for Wagon and Shipment Tracking
ISO	International Organization for Standardization
JPO	Fire protection unit
JVZ	Individual wagon consignment
CCTT	Coordinating Council for Trans-Siberian Transportation
Mn	Handling train
EE	Extraordinary event
NL	Bill of lading
NV	Freight wagons
OHSAS	Occupational Health and Safety Assessment Series
OKV	Railway wagons repair shop
OSŽ	Union of Railway Workers
OSŽD	Railway Cooperation Organization
PJ	Operating Unit
PPS	Border crossing station
PRIS	Operational Information System (Station)
SOKV	Repair Centre for the Railway Wagons
SQAS	Safety and Quality Assessment System
SŽ	Správa železnic, státní organizace (Railway Administration)
TJŘ	Timetable Sheet
TTP	Route Book
UIC	International Union of Railways
ÚDIV	Central information system for operating control of railway wagons
ŽKV	Railway vehicles

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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

Phone: +420 972 242 100

Data box: 8tscdpq

http: www.cdcargo.cz

Infoline:

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e-mail: info@cdcargo.cz

Customer Service:

Phone: +420 725 957 735

e-mail: ZakaznickeCentrum@cdcargo.cz

Cargo