Annual Report 2014

Cargo

Member of the ČD Group

Cargo

Member of the ČD Group


Cargo
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Mission, Vision and Goals

ČD Cargo, a.s. (hereinafter also referred to as the "Company") is one of the largest railway transporters in Europe, transporting almost 69 million tonnes of goods each year. ČD Cargo, a.s. transports a wide range of goods, the principal commodities being solid fuels and other mineral resources. Furthermore, ČD Cargo, a.s. is active in promising segments such as car transport and combined transport. This currently includes transporting naval containers between ports in northern Germany and the Czech Republic as well as developing the transport of swap bodies, road semitrailers and bulk cargo using Innofreight technology.

ČD Cargo, a.s. is the only Czech transporter to provide services throughout the entire territory of the Czech Republic with the use of complete trains and individual vehicle shipments. Services are provided to customers in approximately one thousand locations in the Czech Republic and through subsidiaries across Europe. In addition to the railway freight transportation of goods, the Company provides its customers with an extensive portfolio of complementary services.

CD Cargo a.s., continues in the over 160-year old tradition of railway transportation in the regions of Bohemia, Moravia and Silesia.


DUSS Terminal
Cargo
BERTSCHI AG
DURRENASCH
European Containers
European Containers
BERTSCHI AG

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Company Profile

ČD Cargo, a.s. was formed on 1 December 2007 following the investment of part of the business of České dráhy, a.s. The sole founder and owner is the joint stock company, České dráhy. ČD Cargo, a.s., is a subsidiary of České dráhy, a.s., specialising in providing freight transport.

Name, Address and Identification of the Company

Business entity: ČD Cargo, a.s.
Registered office: Prague 7, Holešovice, Jankovcova 1569/2c, 170 00
Corporate ID: 28196678
Recorded 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 comprehensive 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 principal business activity – the rail transportation of goods – is structured into two principal segments:

- Transportation of complete trains; and
- Transportation of individual wagon loads.

The above segments are structured according to the type of transportation as follows:

- Local;
- Export;
- Import; and
- Transit.

The Company transports almost all types of goods which are split 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; and
- Other.

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

- Customs services;
- Logistics services (loading, unloading, storage);
- Services of security advisors;
- Lease of railway vehicles;
- Repairs and maintenance of railway vehicles; and
- Other.

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Basic Economic Indicators

Indicator	2014	2013	2012	2011	2010	2009	2008 *)	Index 14/13
Structure of assets and liabilities (CZK million)								
Total assets	14 331	14 693	14 932	15 664	15 652	15 672	15 987	0,98
Fixed assets	11 254	11 547	12 253	12 957	13 045	12 424	12 282	0,97
Equity	6 983	6 444	6 049	8 009	7 967	8 230	8 282	1,08
Structure of profit/loss (CZK million)								
Operating profit or loss	893	563	-1 408	314	-125	8	593	1,59
Profit or loss before tax	725	601	-2 047	11	-418	-378	474	1,21
Structure of revenues (CZK million)								
Total revenues	13 389	15 199	15 405	15 042	14 984	15 003	17 800	0,88
Sales of own products and services	11 973	12 559	13 928	14 404	14 121	13 272	17 109	0,95
Financial indicators								
Turnover of assets (total revenues/total assets)	0,93	1,03	1,03	0,96	0,96	0,96	1,11	0,90
Indebtedness (liabilities/total assets)	0,51	0,56	0,59	0,49	0,49	0,47	0,48	0,91
Liquidity (current financial assets/current liabilities)	0,18	0,12	0,05	0,03	0,07	0,05	0,05	1,53
Employees								
Average headcount recalculated to FTE (number of employees)	7 396	7 998	8 910	9 207	9 573	10 378	11 394	0,92
Total revenue per employee (CZK/employee)	1 810 251	1 900 405	1 728 954	1 633 736	1 565 198	1 445 675	1 562 209	0,95
Added value per employee (CZK/employee)	724 054	681 197	612 600	678 452	598 224	542 148	561 505	1,06

**) Figures relate to the 2008 calendar year; they do not correspond with the accounting values reported for the reporting period ended 31 December 2008.*

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Major Events in 2014

January

- Change in the licence for operations of freight transport by ČD Cargo, a.s. – ČD Cargo no longer provides public railway transportation with the purpose of transporting items;
- 7 January – launch of the new ČD Cargo, a.s. website;

February

- ČD Cargo, a.s., together with its subsidiary ČD Logistics, a.s., won the tender for the transport of 150 trolley buses to Bulgaria;
- Start of the transport of Tatra 810 military trucks for a customer based in the United Arab Emirates;

March

- 1 March – ČD Cargo, a.s. took over the complete operation of the railway siding at the Mělník port;

April

- 22-25 April – ČD Cargo, a.s. participated at the international Transrussia 2014 trade fair;
- 25 April – transport of the PKP Intercity pendolino train from Chalupky to the railway testing circuit in Velim;

May

- 5-10 May – unloading of sand at the Negrelli viaduct for the beach volleyball tournament held at Štvanice, Prague. ČD Cargo, a.s. was responsible for the transport of sand and its unloading;
- 17 May – arrival of the first train transporting cement for repairs to the D1 highway at Zruč nad Sázavou station;

June

- 20 June – change in the position of ČD Cargo, a.s. in the organisation of tenders (it no longer holds the position of a sector contracting authority);

July

- 1 July – start of coal transports to ArcelorMittal Ostrava and Škoda cars to Poland;
- 3 July – ČD Cargo, a.s. received a diploma for its contribution to and development of the organisation for the cooperation of railway transporters (OSŽD);
- 14 July – a new version of the Articles of Association of ČD Cargo, a.s. was approved, by which the Company complied with the requirements of a new legal regulation effective since 1 January 2014.

August

- 29 August – meeting of representatives of ČD Cargo, a.s., and SŽDC, s.o. with representatives of the Chinese company Zhengzhou International Hub Development and Construction Co., Ltd;

September

- During September, ČD Cargo, a.s. extended the highest level of AEO (Authorised Economic Operator);
- 27 September – ČD Cargo, a.s. participated in the National Railway Day at Břeclav;

October

- In early October, ČD Cargo, a.s. initiated the process of pulling out of international (union) tariffs;
- 1 October – the Supervisory Board preliminarily agreed to the plan to align seven 753.7 locomotives to Polish requirements;
- 4-5 October – transfer of Legiovlak from Plzeň to Prague as part of a commemorative event held to remember the activities of Czechoslovak legions;

December

- The beginning of December saw a glaze ice incident that paralysed operations on a number of SŽDC, s.o. routes. ČD Cargo, a.s. lent some of its locomotives primarily for the transport of fast trains.

CHAIRMAN OF THE BOARD
OF DIRECTORS

Ivan Bednárik

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Opening Statement of the Chairman of the Board of Directors

Dear Shareholders, Ladies and Gentlemen, Business Partners,

The 2014 Annual Report of ČD Cargo, a.s. is not only an important document that provides comprehensive information on the development of our Company's economic activities, but it also provides a symbolic conclusion to the year and a chance to reflect on the previous 12 months.

It is not surprising that 2014 was a challenging year for our Company. The fully liberalised freight railway transportation market and the strengthening position of our competitors inspired us to look for alternative approaches to cost-saving and rationalisation, with the aim of increasing the efficiency of our work. Our priorities included preventing further losses of transports and, primarily, gaining access to new transports, thus eliminating the impacts of the losses.

The Company's management also underwent significant personnel changes, and a new Board of Directors was appointed – since 1 November 2014, I have been entrusted with holding the position of Chairman. Despite being relatively new to the position, I would say, upon reflection, that 2014 was a relatively successful year. You can read about the significant events that impacted our Company's operations in the relevant chapter of this Annual Report. Nevertheless, I would like to highlight some of the most important points. First and foremost, we succeeded in maintaining lower prices for the railway route for vehicle deliveries, and, since January 2014, ČD Cargo, a.s. is no longer an operator of public railway transport with the purpose of transporting cargo; therefore, it is no longer obliged to fulfil all the orders it receives. The termination of the Company's position as a sector contracting authority in line with the Public Procurement Act was an event of equally high importance for ČD Cargo, a.s. – in the long term this was complicating the maintenance and modernisation of the rolling stock and decreasing our competitive ability. We should thank the former management of the Company in this regard.

The new management's priorities and our principal aims for the upcoming period are for ČD Cargo, a.s. to behave as an effective company, i.e. an entity engaging in business and generating profit. The previous management succeeded in establishing the basic principles; now it is time to focus on transferring the correct corporate philosophy to our subsidiaries as well. In general, we aim to maintain the existing volumes of transport. We also intend to develop the sector of individual railway car deliveries and make use of this competitive advantage as we are the only railway carrier able to provide such service to its customers wherever desired.

To conclude, allow me to thank our employees for their work and our business partners for their trust and cooperation.

I believe ČD Cargo, a.s. will manage not only to maintain but also to strengthen its position in the transport market. Furthermore, we will continue to be a reliable partner to our customers, to whom we offer high-quality and comprehensive services in the field of freight railway transportation.

Ivan Bednárik
Chairman of the Board of Directors

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Statutory Bodies and Management of the Company

ČD Cargo, a.s., is wholly owned by České dráhy, a.s., which acts in the capacity 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 seven members (two positions were vacant as of 31 December 2014). 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. Ivan Bednárik

Chairman of the Board of Directors (member since 1 November 2014, Chairman since 3 November 2014), age: 39

Ivan Bednárik graduated from grammar school at Zlaté Moravce. Following this, he studied at NSW Business College, Sydney, Australia. Since 1995, he held management positions in several companies engaged in trade and transport, most recently as a member of the Board of Directors and a Sales Director of Express Group, a.s. In November 2014, he was appointed a member of the Board of Directors in ČD Cargo, a.s. He was appointed Chairman at the meeting held on 3 November 2014.

2. Bohumil Rampula

Member of the Board of Directors (since 1 November 2014); age: 58

Bohumil Rampula graduated from an engineering high school in Brno. From 1978 to 1992, he worked in ČSD in operational positions. Since 1992, he held management positions at various companies engaged in trade and transport, most recently as the statutory executive and sales director of Rail Cargo Logistics Czech Republic s.r.o.

Since 1 November 2014, he has been a member of the Board of Directors of ČD Cargo, a.s. and has concurrently managed the Sales Division.

3. Zdeněk Škvařil

Member of the Board of Directors (since 1 November 2014); age: 57

Zdeněk Škvařil graduated from the Transport University at Žilina. Throughout his 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

On 27 January 2014, České dráhy, a.s., as the sole shareholder of the Company, acting in the capacity of the general meeting, decided to change the Articles of Association of ČD Cargo, a.s. which defined that the Board of Directors shall have three members. The change took effect on 17 February 2014.

On 4 February 2014, České dráhy, a.s., as the sole shareholder of the Company, acting in the capacity of the general meeting, recalled Václav Andrýsek as a member of the Board of Directors with effect from 4 February 2014.

On 4 February 2014, České dráhy, a.s., as the sole shareholder of the Company, acting in the capacity of the general meeting, recalled Pavel Lamacz as a member of the Board of Directors with effect from 16 February 2014.

On 4 February 2014, České dráhy, a.s., as the sole shareholder of the Company, acting in the capacity of the general meeting, appointed Karel Adam a member of the Board of Directors with effect from 17 February 2014.

On 30 October 2014, České dráhy, a.s., as the sole shareholder of the Company, acting in the capacity of the general meeting, recalled Oldřich Mazánek, Zdeněk Meidl and Karel Adam as members of the Board of Directors with effect from 31 October 2014.

On 30 October 2014, České dráhy, a.s., as the sole shareholder of the Company, acting in the capacity of the general meeting, appointed Ivan Bednárik, Bohumil Rampula and Zdeněk Škvařil as members of the Board of Directors with effect from 1 November 2014.

At its meeting held on 3 November 2014, the Board of Directors elected Ivan Bednárik Chairman of the Board of Directors.

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Ivan Bednárik
Chairman of the Board of Directors

Bohumil Rampula
Member of the Board of Directors

Zdeněk Škvařil
Member of the Board of Directors

Supervisory Board

1. Pavel Krtek

Chairman of the Supervisory Board (since 19 December 2014), age: 44

Pavel Krtek studied at the French state technical university Ecole Centrale Paris. He began his career working for the multinational company Lafarge Cement. He then worked for the petrochemical oil refinery group Unipetrol as a member of the company's board of directors. Following this he worked as financial director of Unipetrol Doprava and later as financial director of the Paramo refinery in Pardubice. In February 2014, he was appointed a member of the Board of Directors of ČD, a.s. with the responsibility for economics and finance. In November 2014, he was appointed Chairman of the Board of Directors of ČD, a.s.

2. Ludvík Urban

Member of the Supervisory Board (since 12 March 2014), age: 44

Ludvík Urban graduated from the University of Transport and Communications in Žilina. He has worked in the railway sector throughout his career and has held numerous operational and management positions. In May 2014, he was appointed deputy CEO of ČD, a.s. for regional integration. Since November 2014, he has been Vice-Chairman of the Board of Directors of ČD, a.s.

3. Jan Kasal

Member of the Supervisory Board (since 12 March 2014), age: 63

Jan Kasal graduated from the Technical University in Prague. Since 1975, he worked at Žďárské strojírny as a developer. From 1990 to 2010 he was a deputy of the Czech National Assembly, afterwards the Chamber of Deputies of the Czech Parliament. He has worked for ČD Cargo, a.s. since 2011.

4. Radek Nekola

Member of the Supervisory Board (from 1 December 2007 to 30 November 2008 and since 1 December 2008), age: 50

On 1 December 2013, 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. Since 1 December 2007, he has worked in ČD Cargo, a.s., and is released in the long-term for the position of Chairman of the corporate committees of the association of railway workers of ČD Cargo, a.s. Concurrently, he is the deputy Chairman of the Railway Workers Union (OSŽ).

5. Jindřich Nohal

Member of the Supervisory Board (since 1 December 2008, elected by the Company's employees), age: 61

On 1 December 2013, re-elected by the Company's employees for another term.

Jindřich Nohal graduated from the Railway high school in Česká Třebová, specialising in transportation. In 1972 he started work for the then Československé státní dráhy, where he was train dispatcher in the Nymburk-město and Třinec stations. Between 1980 and 2001, he first worked as train controller and then as operations controller. In 2001, he became head controller. Since 1 December 2007, he has worked in the ČD Cargo, a.s., Operations division, where he is the head controller – head of shift in ČD Cargo, a.s. He is the chairman of the OSŽ basic organisation.

Changes in the Composition of the Supervisory Board

On 21 February 2014, České dráhy, a.s., as the sole shareholder of the Company, acting in the capacity of the general meeting, recalled Dalibor Zelený as a member and Chairman of the Company's Supervisory Board and Zdeněk Žemlička as a member of the Company's Supervisory Board with immediate effect.

On 21 February 2014, České dráhy, a.s., as the sole shareholder of the Company, acting in the capacity of the general meeting, appointed Daniel Kurucz and Michal Zděnek members of the Company's Supervisory Board with effect from 22 February 2014.

On 11 March 2014, České dráhy, a.s., as the sole shareholder of the Company, acting in the capacity of the general meeting, decided to change the Articles of Association of ČD Cargo, a.s. which defined that the Supervisory Board will have seven members, of which five members will be elected by the general meeting and two members will be elected by the employees of the Company in line with the election rules approved by the Board of Directors after discussion with labour unions. The change took effect on 15 March 2014.

On 11 March 2014, České dráhy, a.s., as the sole shareholder of the Company, acting in the capacity of the general meeting, recalled Miroslav Zámečník and Dušan Svoboda as members of the Supervisory Board with immediate effect.

On 11 March 2014, České dráhy, a.s., as the sole shareholder of the Company, acting in the capacity of the general meeting, appointed Ludvík Urban and Jan Kasal as members of the Supervisory Board with immediate effect.

On 11 March 2014, České dráhy, a.s., as the sole shareholder of the Company, acting in the capacity of the general meeting, appointed Pavel Krtek a member of the Supervisory Board with effect from 16 March 2014.

At its meeting held on 19 March 2014, the Supervisory Board appointed Daniel Kurucz Chairman of the Supervisory Board.

On 25 November 2014, České dráhy, a.s., as the sole shareholder of the Company, acting in the capacity of the general meeting, recalled Daniel Kurucz and Michal Zděnek as members of the Company's Supervisory Board with immediate effect.

At its meeting held on 19 December 2014, the Supervisory Board appointed Pavel Krtek Chairman of the Supervisory Board.

Audit Committee

1. Oldřich Vojíř

Chairman of the Audit Committee (member since 15 December 2009, Chairman since 18 February 2010), age: 53

On 16 December 2014, he was re-appointed for another term. Oldřich Vojíř graduated from the Faculty of Education of Jan Evangelista Purkyně University in Ústí nad Labem and completed doctoral studies at the Transport Faculty of the University of Pardubice. He was a deputy of Parliament and has 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, electrotechnology and transportation technology in Prague, with branches in Ostrava and Most.

2. Libor Joukl

Member of the Audit Committee (since 15 December 2009), age: 48
On 16 December 2014, 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 spol. 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. He is a member of the Vysočina Regional Council Board.

3. Miroslav Zámečník

Member of the Audit Committee (since 15 December 2009), age: 52
On 16 December 2014, 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. 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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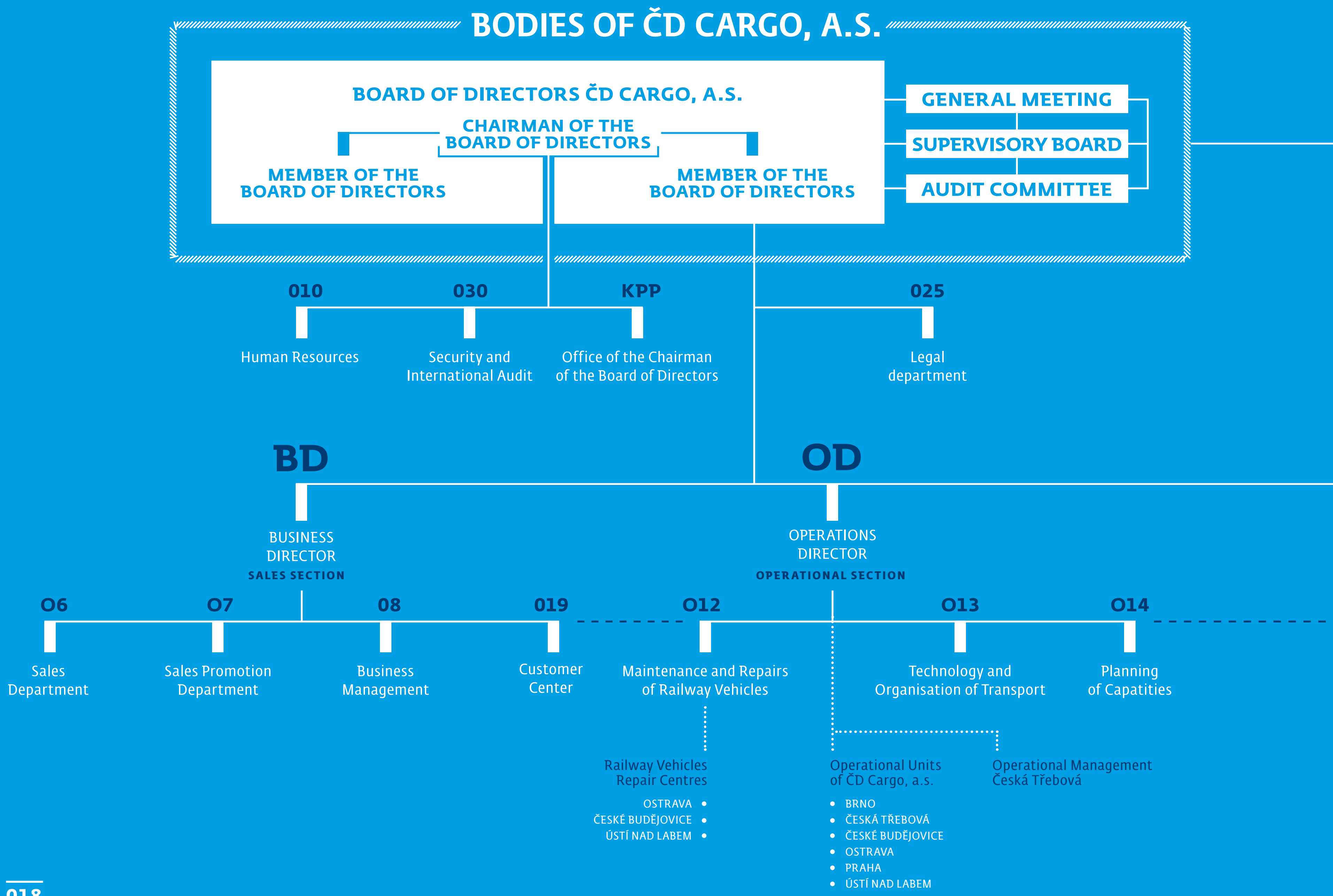
Organisational Structure of ČD Cargo, a.s. as of 31 December 2014



Subsidiaries

CD Generalvertretung GmbH (based in Frankfurt am Main)
KOLEJE CZESKIE SPÓŁKA Z OGRANICZONĄ ODPOWIEDZIALNOŚCIĄ (based in Warsaw)
Terminal Brno, a.s.
ČD Logistics, a.s. (based in Brno)
ČD-DUSS Terminál, a.s. (based in Lovosice)
Auto Terminal Nymburk, s.r.o.

MANAGEMENT OF SUBSIDIARIES AND JOINT VENTURES

Joint Ventures, Equity Investments

RAILLEX, a.s.
BOHEMIAKOMBI, spol. s r.o.
Ostravská dopravní společnost, a.s.
Xrail S.A.
BCC s.c.r.l.
Generálne zastúpenie ČD Cargo, s.r.o.

FD

FINANCE DIRECTOR
FINANCE SECTION

CENTRAL LEVEL (CEO)

EXECUTIVE LEVEL

O1 Economy and Financial Management
O2 Bookkeeping
03 Controlling and Capital Interests
020 Process Ingeneering

Clearing Centre of Transport Sales Olomouc

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Report of the Board of Directors on the Business Activities of ČD Cargo, a. s. and the Balance of its Assets

Freight Transport Operations

FREIGHT TRANSPORTATION

In 2014, ČD Cargo, a.s. transported 68.6 million tonnes of goods, which exceeded the expected amount by 3.2%. Although the Company transported approximately 1.6 million tonnes less than in 2013, this is a clear success given the current situation in the transport market, primarily in relation to transports of solid fuel. This trend of decline is a result of the growing competition in the Czech transportation market as well as the continuing restructuring process in ČD Cargo, a.s. which has left us unable to provide certain loss-making transports. In addition, the volume of transports was negatively impacted by changes in the international economic situation, primarily the sanctions imposed on the Russian Federation. On the other hand, the situation was positively impacted by a slight revival of the economy in the Czech Republic and Europe.

The sales of own transport services indicator remained at a similar level, with sales amounting to CZK 9.76 billion, which is in compliance with the plan at 100.3%.

While the expectations for brown coal were exceeded by almost 10%, transports of black coal and coke were almost 20% below the planned amount. The main reason was the almost complete takeover of transports of black coal mined in OKD by AWT transporter at the beginning of the previous year, without a due tender. However, the Company managed to compensate for this significant loss thanks to the activities of the Sales Division. On 1 July 2014, the Company started transports of coal between Louky nad Olší and Ostrava-Bartovice for AMO, transports of black coal from KWK Silesia to the Opatovice nad Labem power station and transports of black coal from Polish ports to AMO in cooperation with subsidiary Koleje Czeskie. We positively assess the increase in transports of coal slurry from Wałbrzych to the power station at Poříčí. Regarding brown coal, the Company managed to meet the plan thanks primarily to ČEZ's flexible coverage of the increased requirements during the slow start of operations at the Ledvice power stations. Another success that will impact the results of 2015 was the won tender for transports of brown coal to the Chvaletice power station.

Another significant commodity in terms of volume is iron and engineering products. The results were 2% below the plan, the main reason again being the increased pressure of competing transporters. The Company lost transports of metal plates in transit from Germany, through the Czech Republic, to Senice in Slovakia, and parts of complete trains with metallurgical products in transit from Poland to Austria and Italy. This is a clear sign that ČD Cargo, a.s. takes a good view when planning expansion to foreign markets. Somewhat negative effects resulted from uneven supplies of iron ore to the Ostrava ironworks, where sufficient vehicles for the reloading of this bulk cargo to broad gauge railway vehicles were unavailable at Čierna nad Tisou during certain periods. Again, the Company can boast the win of a number of new transports, for example the transport of manganese ore to Medzibrodia, metal sheet coils from Krakow to Ostrava, and iron ore from Polish ports to US Steel Košice. These three transports alone equal an extra 240 thousand tonnes of transported goods. The Company commenced a project to use its own Ea vehicles following the unloading of scrap in Poland for the return of loaded vehicles to destinations in Slovakia and Hungary.

The plan in other commodities was met or exceeded. For construction materials, the plan was exceeded by almost 15%. The situation remained stable throughout the year, and thanks to an effective business strategy the Company has so far managed to resist the pressure of other railway transporters. The only negative effect resulted from the decline in transports of glass sand from Jestřebí to glassworks in the Balkans. In contrast, other flows of goods increased. One such success was the transport of cement for the renovation of the D1 highway. At the end of the year, the Company managed to commence transports of debris from Karlovy Vary to a dump site in Mydlovary. The Company used Innofreight containers for these transports. Transports of wood and paper products were maintained at the planned level. Transports provided in the first half of the year significantly exceeded transports in the second half of the year. The reasons for this primarily included the pre-supply of goods at the beginning of the year when the conditions for wood logging were extremely favourable, and the reduction in exports of wood from the Czech Republic replaced by wood assembled after the natural calamity in Slovakia. The results of this commodity were also negatively impacted by the loss of import transports of wood from Poland and Lithuania to Hněvice due to a change in transport flows, and the loss of transports of chipboard from Jihlava to the Balkans, which are currently transported by camions to Germany. 2014 saw the delivery of wood to stations in the West of Bohemia, from where wood is delivered to Germany by trucks for processing. Transports of wood chips remained at a stable level.

Regarding chemical goods, transports in the second half of the year contributed to results that were 9% above the planned level. Transports

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of fuel from Slovnaft Bratislava increased thanks to the Company's recent involvement with imports from Poland. The Company provided new transports which succeeded due to the offer of comprehensive services to customers, for example the import of ammonia from Romania. The development in this commodity was negatively impacted by the competition with other transporters in imports of fertilisers from DUSLO Šaľa. Regarding agricultural products, the plan was almost met. In addition to grains, the Company currently offers the standard transport of malts and mineral waters. For example, transports of Toma water from Teplice nad Metují successfully produce logistics services – distribution by ČD Cargo trucks in Prague or Central Bohemia. Pressure from competitors that transport a significant volume of grains persists, even in transit across the Czech Republic. For this reason, the transport of 10 thousand tonnes of sugar from various dispatch stations in the Czech Republic to Switzerland, and 10 thousand tonnes of millers' offals from Předměřice nad Labem, where the Company coped well amid strong competition with from LTE, can be considered great successes for ČD Cargo, a.s.

Development in the combined and automotive commodities was very positive, where results exceeded the planned level. The results in the first commodity reflected the situation in the market, where increases were noted in most operators with which ČD Cargo, a.s. cooperates. We also saw success in transports of road semitrailers. Transports of containers from China to the Czech Republic were tested, both via the Trans-Siberian Railway and via a rather unusual transport route across the Piresu port to Pardubice. Transports of yellow phosphorus commenced at the end of the year when the Company succeeded in a competition with AWT. A significant feat in 2014 was the Company's takeover of transports of Škoda cars from Mladá Boleslav to Swarzedz, which contributed to maintaining the ČD Cargo, a.s. market share in this area and increased transports from Czech car manufacturers to the West. The Company managed to renew transports with the car manufacturer TPCA in Kolín following a planned interruption to production relating to the production of new models. In general, we can say that the record volume of production of Czech and Slovak car manufacturers and the demand in foreign markets resulted in an increase in the volume of the ČD Cargo, a.s. transports in this area, which is estimated at over 1 million cars (approximately 90,000 railway vehicles).

The Company exceeded its plan in the transport of other goods by approximately 15%, thanks to the flexibility of the Company in being able to respond to even the most demanding requirements of customers. Transports for Česká pošta increased – the Company holds a significant position in the logistics chain of this lucrative customer. Furthermore, the Company successfully completed a number of army transports, which could lead to excellent opportunities in the future. Transports of transformers and other extraordinary shipments are usually difficult. The Company's cooperation with SŽDC, s. o., for whom the Company provided transports of measurement trains, was carried out in an excellent manner.

OPERATIONAL MANAGEMENT

In 2014, the Company dispatched an average of 689 trains a day. The trend of transferring planned transports to ad-hoc services continued. Customers increasingly prefer flexibility in their transport requirements. For these sudden transport requirements, it is necessary to plan routes and other train technicalities at short notice.

The focus on customers and their requirements brought about an organisational change that aims to strengthen relations between operations and significant customers. This related to improved communication regarding developments in the operational situation, primarily in respect of traffic closures or other extraordinary situations and the resulting impacts on the quality of trips over a 24-hour period.

Under the PROBIS project, the Company continued to further integrate operational information systems. In the ÚDIV information system, work continued on its interconnection with TSM (Transport Management System) and E-ROZA (customer electronic interface), the completion of which is anticipated for 2015. All information necessary for ordering, or the railway vehicles for loading, will be available to customers in one spot.

OPERATIONAL SAFETY

To assure operational safety in line with legal provisions, each railway operator and railway transporter has to introduce a system of safe operations regarding the railway route and railway transport. One of the key parts of the system is the recording of extraordinary events, for which the system must include the causes, analysis and the necessary preventive measures that must be adopted.

Extraordinary events (EE), as a term, are defined in Section 49 of Act No. 266/1994 Coll., on Railways, as amended.

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In 2014, 246 EEs were recorded with the Company participating as the operator of railway transports or the operator of the railway, of which 114 EEs were the Company's responsibility or co-responsibility. Given the origination of several complicated extraordinary events at the end of 2014, the investigation of which has not yet finished, the number of EEs that are the Company's responsibility or co-responsibility will probably be higher.

The aggregate damage arising from all the EEs amounted to CZK 96,396,093, of which the damage caused by the Company amounted to CZK 33,448,274. The Company suffered property detriment worth CZK 27,624,133.

During the EEs, a total of 23 people were killed and 17 people were injured. People were killed due to being in restricted areas of the railway track and in collisions at railway crossings. Six employees of the Company were injured during work. A total of 10 traction vehicles and 71 wagons derailed (of which 48 are owned by the Company).

The results of the investigations into the 2014 EEs are as follows:

- The total number of EEs decreased by 7% compared with 2013.
- Compared with 2013, the total amount of damage caused more than doubled. In 2013, the total damage from EEs amounted to CZK 44,152,008. The damage to the assets of ČD Cargo, a.s. in 2014 was 19% higher than in 2013. The damage caused under the responsibility of ČD cargo, a.s. increased by 42% in the compared periods.
- None of the railway crossing collisions were the Company's fault; and
- None of the EEs were caused by system failure.

Pursuant to a contract concluded in accordance with Section 9 of Regulation No. 376/2006 Coll. on the safety system of railway operations and transportation and procedures in extraordinary events on railways, as amended, EEs were investigated for the Company by the railway operator, Správa železniční dopravní cesty, a state organisation, for a relevant fee.

The total amount of the damage was primarily impacted by three EEs for which the damage exceeded CZK 10 million for each individual event. For another EE, the damage has so far been calculated at CZK 8.3 million, and for another four EEs the damage exceeds CZK 3 million.

The most significant EE in terms of consequences and causes is a category A1 which occurred on 12 April 2014 in the Praha-Libeň railway station when the engine driver of an entering Lv 73431 train continued, without permission, beyond the Lc10 signalling device stating "shunting allowed" and subsequently crashed into another stationed traction vehicle on rail no. 54. The damage from this EE amounted to CZK 10,820,000.

During 2014, several serious accidents occurred when railway freight vehicles derailed or the infrastructure and railway vehicles were damaged. Of the most serious events, we should mention the derailing of 15 railway vehicles during the journey of the Pn 66399 train on 14 September 2014 between Choťovice and Převýšov railway stations. The estimated damage from this EE currently amounts to CZK 8.3 million. Another EE with a significant impact on the total damage occurred on 4 July 2014 when the rolling Nex 148334 train hit slack traction wiring between the Velké Březno station and Boletice nad Labem station. When the train hit the wiring, it tore down fixed parts of the traction wiring, damaging some of the railway vehicles and resulting in significant damage to the transported cargo of cars. The damage from this EE has so far been calculated at CZK 10,642,264.

Many EEs are caused by failure of or disruption to the technical condition of either the railway vehicles or infrastructure facilities. EEs caused by employees of ČD Cargo a.s. are due to human error. All cases are consistently investigated under the supervision of state bodies and adequate preventive measures are adopted with respect to all findings.

Information on the Balance of the Company's Assets

THE COMPANY'S REAL ESTATE

In addition to the elementary means of production, such as rail vehicles, the Company also owns real estate. Without real estate, the business activities of the Company would be limited; hence it can be treated as strategically significant. A total of 224 buildings and 234 plots of land owned by the Company are registered at the Czech Cadastral Office. Regular maintenance of the real estate is carried out by the Rail Vehicle Repair Centres in line with the financial plan; the investment activities are carried out in line and in cooperation with the General Directorate of ČD Cargo, a.s.

LEASE OF RAIL VEHICLES

One of the Company's significant business activities includes the lease of rail vehicles, i.e. freight wagons and locomotives. Regarding locomotives, these are primarily long-term leases to our partners. These are redundant vehicles solely for use outside the Czech Republic. Regarding the lease of 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, the Company has sufficient vehicle capacity available and offers the leasing of all wagon series, including cisterns. The Company additionally cooperates in projects for the use of non-operating vehicles that are put into operation at the cost of the future lessee and are subsequently operated.

ROLLING STOCK, MANAGEMENT OF VEHICLES

In 2014, the Company continued to adjust the rolling stock to the needs of the transportation market to the maximum extent possible with the aim of increasing the operability of vehicles used in international operations. The Company primarily focused on the capacities of its own vehicles and their adjustment to the changing requirements of customers. These primarily included adjustments to high-side Eas vehicles that consist of the complete replacement of the vehicle case and the exchange of the combined floor for a full-metal floor. The rolling stock was additionally extended through the lease of Ealos vehicles, which are modified for the transport of round timber and provide customers with better use of the available cargo space and simple fastening of goods with straps.

In the management of vehicles, the Company focused on the planning and use of vehicle capacity in 2014 and will continue to do so in the coming years. The objective of all these efforts is to minimise the numbers of vehicles used for the provision of contracted work, and consequently to reduce the funds invested in their maintenance. The Company regularly assesses the use of vehicle capacity as part of the Company's reporting, including the identification of key problems according to individual business groups of wagons. The redundant vehicle capacity will be used in other business activities for lease so that the management of vehicles is as effective as possible and provides additional operability. The Company has started to prepare projects that closely relate to this issue and which should bring effective solutions for rolling stock management and vehicle capacity planning in the future.

Cross-Functional Activities

MARKETING AND COMMUNICATION ACTIVITIES

The Company's marketing and communication activities are predominantly based on our need to support the sale of our own products and services, create a new corporate identity, and increase brand awareness. For 2014, the Company set the priorities of business activities for the following period and thus set the objectives of individual marketing campaigns and activities. Promotion of the Company focused on existing and potential customers and the public in order to strengthen awareness of the Company. The principal means of these objectives included a marketing campaign, support for cultural and sports projects, and participation at international professional trade fairs and conferences.

WEB PRESENTATION

At present, the internet is one of the most significant means of communication. For this reason, the Company proceeded to improve and modernise its website. It is now designed to meet the needs of customers as much as possible and to be well organised. For this reason, the arrangement of bookmarks was selected in a manner so that each visitor could find the required information as fast as possible. This was additionally facilitated by a new platform on which the website was created – the LIFERAY system, which allows quick and easy adjustments to be made without the necessity for further programming.

The new website was put into operation in January 2014. Part of the customer portal, E-ROZA, which is intended for registered users only, was launched in December 2014. This part will be intensively developed in 2015.

PRINT AND MEDIA COMMUNICATION WITH CUSTOMERS

In 2014, ČD Cargo, a.s. issued a number of documents focusing on the promotion of individual products of ČD Cargo, a.s. in various language versions. The publication of the CARGO Motion and Bulletin ČD Cargo quarterlies was discontinued at the end of 2012 – they are no longer published. An important part of intracompany communication is the Cargovák internal newspaper, which was available for all employees both in electronic and printed form at the ČD Cargo portal in 2014. This monthly is intended solely for employees of ČD Cargo, a.s. who are informed about up-to-date topics and Company issues.

Communication with journalists, the public and professionals via the media was the task of the press department of České dráhy, which provides these services to the Company. In operational communication with customers, we used the services of ČTK. Targeted long-term media communication with customers primarily took the form of professional articles and presentations in professional press, primarily Dopravní noviny or LogisticNEWS magazine.

TRADE FAIRS AND CONFERENCES

Trade fair presentations are an irreplaceable part of the marketing communication of ČD Cargo and are important in supporting active business policies. In recent years, the trade fair display of ČD Cargo has been present at most of the significant transportation and logistics trade fairs and always attracts attention primarily due to its original design.

In 2014, this method was used for the presentation of a comprehensive offer of ČD Cargo, a.s. services at the TransRussia trade fair in Moscow. We should also mention our participation at the Czech stand at the Transport Logistic trade fair in Shanghai. In the Czech Republic, the Company traditionally participates at the common stand of the ČD group at the international Czech Raildays Ostrava trade fair.

Significant conferences include "Business Conference of ČD Cargo", which is intended for business partners and customers and focuses on the business strategy and pricing policy of the Company for the following year. ČD Cargo, a.s. also participated at the SpeedChain international logistics conference which was held in Prague at the end of 2013.

RESEARCH, DEVELOPMENT AND COOPERATION WITH UNIVERSITIES

During 2014, the Company continued its cooperation with certain Czech universities, predominantly technical and economic universities – the University of Economics in Prague, the Jan Perner Transportation Faculty in Pardubice, the Faculty of Transportation at the Czech Technical University, the Technical University in Ostrava etc. This cooperation includes consultations with and supervision of students during the preparation of their annual, semester, bachelor's and master's diploma works.

The topics of the diploma works are submitted and selected according to their potential contribution to the Company and they concern a whole range of current and potential problems and issues regarding railway freight transport, including topics of new business opportunities, the inclusion of railway transport in consumer goods transport and logistics chains, economics, and current topics in HR management.

ČD Cargo sees the cooperation with universities as highly significant, both with regard to seeking and finding new solutions and as a means of recruiting future employees. In 2014, several graduates from the above schools were hired.

INFORMATICS

In 2014, the Company continued the development of the operational and business information system PROBIS with support from the Transport programme (2007-2013) Priority axe 1 – Modernisation of the TEN-T railway network, Support 1.2 – Interoperability on existing railway routes, compliance with Technical specifications for interoperability (TSI) and development of telematics systems. This development is a result of changes in TSI – TAF to which the transporter is obliged to respond. Thanks to these adjustments, the Company has successfully implemented this standard into its systems and common operational practice. This solution involved the completion of a new www.cdcargo.cz customer portal which allows a number of new functions in on-line contact with customers due to new development and implementation platforms.

In addition, the Company initiated the ICT security project programme which will include the full verification of the ICT security situation according to Act No. 181/2014 Coll., on Cyber Security, and concurrently partial projects for the removal of identified deficiencies will be activated.

The principal architecture of ČD Cargo, a.s.'s information systems is based on the information image of the Company's organisational structure and is structured into three principal areas:

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- Operational and business activities covered by the PROBIS information system
- Economic management of the Company covered by the SAP information system
- Internal operations of the Company and ICT security supported by applications on the SharePoint platform

These areas are amended by certain special applications or software tools, of which the support of HR activities using the EGJE programme is the most extensive.

INVESTMENTS

In 2014, the Company made investments in the amount of CZK 1.01 billion (including the component accounting for inspection repairs of wagons). The Company's investment activities are predominantly focused on rail vehicles; these investments amounted to 77.5% of the acquired fixed assets in 2014 (including the component accounting).

Investments in Freight Vehicles

In 2014, the Company purchased freight vehicles – completed leases. In addition, the Company made technical improvements on freight vehicles, primarily Eas 52. sk. vehicles (replacement of wooden floors with metal floors).

Investments in Traction Vehicles

Regarding traction vehicles, the Company made improvements on 753.7 series traction vehicles – modifications for operations on the Polish railway network (7 pieces), and continued the modernisation of traction vehicles from the 210 series to 218 series. Investments in traction vehicles additionally include improvements to traction vehicles of various tractions and series (changes in the approved condition carried out during higher-level workshop repairs, replacement of rings to a more resistant B6 material, modifications of charging from external power supplies, etc.). Central OHS investments include modifications to the engine driver spot (refurbishment and soundproofing, installation of safety glass, air-conditioning units or supplementary heating, etc.).

Investments in Construction and Machinery

Another significant part of the Company's investment activities is in the area of construction and machinery. The investments in construction and machinery were focused on modernising machinery premises and technological equipment for the needs of organisational structure units, and on renovating administrative and repair centres within these units.

During 2014, the Company made 20 investments in machinery and 57 investments in construction projects, of which 21 were OHS investments. A part of the investments that were initiated in 2014 and earlier will be finalised in 2015. The plan of OHS investments in 2014 pursuant to the requirement of professional centres dated 28 January 2014 continued with projects of CZK 2.63 million within the granted limit of CZK 7 million. The most significant OHS projects in 2014 included the replacement of section plate gates at the repair shop of freight vehicles in Ústí nad Labem in the amount of CZK 1.76 million and the renovation of sanitary facilities at the Railway Vehicle Repair Shop in Ostrava – Mariánské Hory with the cost of CZK 1.52 million.

Other Investments

Other significant investments were made in information systems and technologies, the replacement of machinery, and the purchase of immovable assets.

The principal IT investments included the Upgrade IS in relation to TSI-TAF, KNV-WIMO at a cost of CZK 104.43 million. Another significant investment in IT was the ICT security of the adjustment to the SAP information system at CZK 10.62 million.

Yet another significant investment is the installation of GSM-R radio stations to traction vehicles. In 2014, the Company received a subsidy of CZK 23.92 million, i.e. 50% of the acquisition cost, for this investment.

As part of the purchase of immovable assets, the Company purchased the access road to the Railway Vehicle Repair Shop in Břeclav from ČD, a.s. in the amount of CZK 1.56 million.

Component Accounting for Significant Repairs of Railway Vehicles

Pursuant to the method of component accounting for significant repairs of railway vehicles that has been applied since 1 January 2010, this fact is reflected in standalone items in the list of investments. With respect to the acquisition of fixed assets, these specifically include completed inspection repairs of railway vehicles and major and general repairs.

STAFF POLICY AND SOCIAL PROGRAMME

At the end of 2013, the Company completed the implementation of restructuring measures in order to improve the economic situation with the aim of achieving a higher level of productivity and effectiveness. This took the form of adjustments to technology, resulting in cost savings.


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In 2014, the Company continued the process leading to the strengthening of the Company's business role as a provider of quality services to its customers. The HR work primarily focused on the preparation of changes in HR administration (adjustments to the catalogue of employment and remuneration) according to the strategy of the Company.

The Company continued the contractual cooperation with selected grammar schools in the preparation of graduates – future employees of ČD Cargo, a.s. The cooperation with schools involves the theoretical and practical preparation of students, use of the most recent scientific and technological findings and their introduction into operational practice, participation in the creation of study programmes, and others. Students of contractual grammar schools receiving a contribution for studies as part of the motivational programme with the obligation to enter into employment with ČD Cargo, a.s. complete their studies after graduation and may start work at ČD Cargo, a.s., for example as a trainee engine driver.

In cooperation with trade unions and in compliance with applicable legal regulations, the Company covered issues relating to health and safety protection at work. This resulted in an improvement in the working and social conditions of employees, including the protection of their health, for example, through the provision of occupational medical services and attendance at wellness centres.

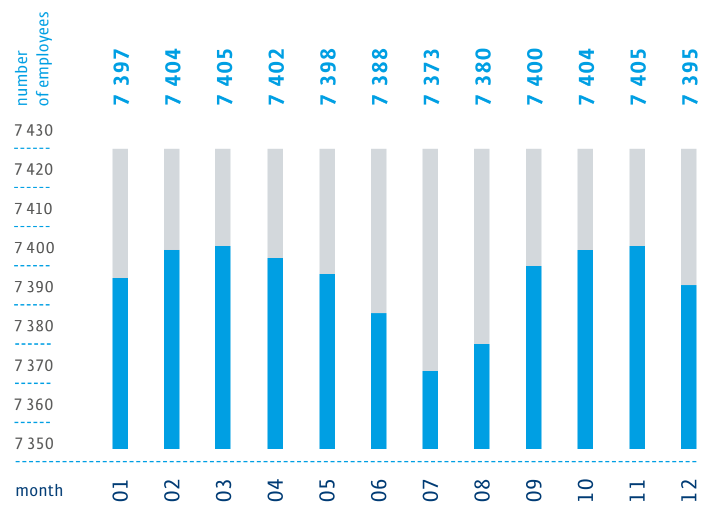
The principles of remuneration and the scope of the provision of employee benefits were agreed in the Company Collective Agreement of ČD Cargo, a.s. The Company met all its obligations to employees in the remuneration and provision of employee benefits in 2014.

The set of provided employee benefits is primarily used to strengthen and stabilise the employee base and includes, among other things, benefits relating to working hours and vacation days; the employer continued to contribute to the employees' pension savings plan and life insurance.

According to the defined rules, the employer made additional contributions from the social fund of the Company to the employees, primarily for holidays, summer camps for children and young people, sports and cultural events, social subsidies, etc.

In 2014, the average number of employees recalculated to FTE was 7,395.91 and did not significantly change in individual months of the year (see chart). The number of employees as of 31 December 2014 was 7,394.

Chart: Average number of employees recalculated to FTE in individual months of 2014



01 | JANUARY 7 397	02 | FEBRUARY 7 404	03 | MARCH 7 405	04 | APRIL 7 402
05 | MAY 7 398	06 | JUNE 7 388	07 | JULY 7 373	08 | AUGUST 7 380
09 | SEPTEMBER 7 400	10 | OCTOBER 7 404	11 | NOVEMBER 7 405	12 | DECEMBER 7 395

In 2014, the average salary in ČD Cargo, a.s., i.e. the payroll costs, excluding other staff costs, amounted to CZK 29,281.

Nine trade unions operate within ČD Cargo, a.s., including multi-professional unions as well as unions solely representing specific professional groups of employees. The Company's collective agreement, which regulates individual and collective relationships between the employer and the employees, as well as mutual relationships between trade unions and the employer, was concluded with effect from 1 January 2014 until the end of 2014.

CODE OF ETHICS

One of the key instruments for the development and management of the Company's corporate identity is the Code of Ethics for the employees of ČD Cargo, a.s., which stipulates the rules of ethical conduct for employees both externally and internally.

In its activities, the Company promotes an open, customer- and enterprise-focused style, respecting the values of the people that help create them.

It can be stated that the Code of Ethics was accepted by the employees in 2014 as a moral commitment and standard for behaviour in relation to colleagues, business partners and the public.

QUALITY MANAGEMENT – ISO

The introduction of ISO management systems adheres to the principal objective of ČD Cargo, a.s. – to be a reliable and sought-after transporter with a stable share in the railway freight transportation market. The satisfaction of customers with the quality of provided services, the safety of transportations, long-term financial stability, increase in the volume of transported goods and strengthening of the position in the intrastate and international transportation market is a necessary precondition for meeting the objective.

The control of management systems, including ISO internal audits, was delegated by the Board of Directors of Cargo ČD, a.s. to the Office of the Chairman of the Board of Directors (before 30 April 2014) and subsequently to the O30 Security and Internal Audit department (since 1 May 2014).

The principal event in ISO management systems in 2014 was the annual extension of quality, environment, and OHS management system certificates that were previously granted to the Company. In May 2014 the Company underwent an external supervision audit for all three certified systems – ISO 9001, ISO 14001 and OHSAS 18001. The team of auditors performed a process-oriented audit focusing on significant aspects, risks and objectives required by certification standards. The audit did not identify any inconsistencies. The external audit identified several findings – these audit findings are in the category of observations and recommendations. The Company adopted a suitable attitude to the findings and they were naturally dealt with.

The result of the audit was the inspection of the Company's compliance with the above standards, the extension of the existing certificates' effect and the following opinion of the leading external auditor:

- Pursuant to the findings from the first supervision audit under ISO 9001 and ISO 14001, and the second supervision audit under OHSAS 18001, it can be stated that ČD Cargo, a.s. complies with the conditions of quality, environment and OHS management according to the above standards;
- The ISO integrated system of management systems has been established and is functional; and
- The Company proved the process of continuous improvement.

The conclusion of the auditor was the recommendation of continued registration under ISO 9001:2008, ISO 14001:2004 and OHSAS 18001:2007 under the accreditation of SGS CZ s.r.o.

Throughout the year, audits of ISO management systems were performed; their purpose was to verify the setting of these systems. Internal and external audits are always announced as combined (integrated), i.e. these audits are performed in the organisational structure units and workplaces of ČD Cargo, a.s. together. The objective of all the preceding quality, environment, and health and safety at work audits, both external and internal, is confirmation that the system of ISO management systems:

- Complies with the requirements of international standards;
- Is developed in order for ČD Cargo, a.s. to achieve its objectives; and
- Complies with the legislation, applicable regulations and contractual requirements.

For quality and work safety management systems, the following issues are subject to certification:

- Business activities in railway freight transport;
- Provision of railway freight transportation services;

- Operation of railway and railway siding transport;
- Maintenance and repairs of rail vehicles and their components; and
- Lease and sub-lease of rail vehicles.

For the environmental system of management, the certification includes:

- Maintenance and repairs of rail vehicles and parts.

Certified organisational structure units in the QMS (ISO 9001) system include almost all sections at the central level of the Company and all units of the organisational structure at the executive level: Clearing centre of transport sales in Olomouc, Česká Třebová Operations Management, all Operational Units (including subordinate Operational Plants) and Rail Vehicle Repair Centres (including subordinate Repair Plants of Railway Vehicles). The EMS system includes only the maintenance and repair of rail vehicles division O12 of the General Directorate of ČD Cargo, a.s. and all Rail Vehicle Repair Centres (including Rail Vehicles Repair Plants). The entire ČD Cargo, a.s. is included in the OHS (OHSAS 180001) management system.

For 2015, the Company plans to implement the SQAS (Rail) system under the methodology of CEFIC SQAS 2011 – this is a system assessing the quality, safety, environmental impact and compliance with the requirements of the chemical industry during transport services provided in a single form by a single standard assessment performed by an independent accredited evaluator. It is a European evaluation system used in road and railway transportation, combined transport, naval transport of both bulk cargo and packaged goods, in the tank cleaning stations, in distribution, storage terminals, cargo ships and towboats in cooperation with companies regarding the treatment of dangerous chemical substances.

AEO CERTIFICATE

As in previous years, the Company did well in 2014 in the post-certification examination by the Customs Authority for the South Bohemian region, in the monitoring of the compliance with and reassessment of conditions and criteria that the economic operator has to meet even after the issuance of the AEO certificate.

The Company proved the quality of provided services and met all legislative requirements and criteria for holders of the AEO certificate required by the Customs Authority for the South Bohemian region. After assessing all criteria and the provision of all required supporting documents, the post-certification examination was successfully completed in September 2014.

The AEO certificate is recognised and reflected in all EU member countries, primarily in assessing the risks relating to security issues.

Pursuant to agreements concluded between the EU and third countries on the mutual recognition of programmes for authorised economic operators, the certificate is recognised in Switzerland, Norway, Japan and Andorra, and negotiations are ongoing with other countries.

Obtaining the certificate and its extension provides guarantees to the customs administration, namely that the Company is a reliable operator and is aware of customs issues. The AEO certificate can be used in the application and advancing of new business activities of the Company.

The Company and the Community

INTERNATIONAL ACTIVITIES AND RELATIONSHIPS

The international activities of the Company include a wide range of activities involving active membership in international organisations, coordination of international projects, organisation of conferences with the aim of increasing mutual awareness, the exchange of experience and development of contacts. The activities in international organisations are coordinated with the parent company ČD. Among other things, this is based on principles set out in the contract for international cooperation concluded between the Company and ČD, a.s. With its parent company, the Company jointly promotes the principle of a uniform concept, i.e. uniform membership of the ČD Group, coordination and information sharing. Under this contract, České dráhy, a.s., is a guarantor of its membership in the International Union of Railways (UIC), the Community of European Railways (CER), the Organisation for Railway Cooperation (OSŽD), Forum Train Europe (FTE), and the International Rail Transport Committee (CIT). The Company has become a standalone member in the Bureau Central de Clearing (BCC).

ČD Cargo, a.s. is actively involved in a number of projects, bodies and work groups, primarily within UIC. This primarily involves the Freight Transportation Forum and its study groups. In information technology, the Company organises the IT group and participates in the activities of the work sub-group GRU for application in freight transport. As the first transporter to implement the required connections with the infrastructure administrator according to the technical specifications for the

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interoperability of telematic applications for freight transport (TSI TAF), the Company is involved in an international project for the implementation of these specifications in the European Union.

In addition, ČD Cargo, a.s. is a member of the RAILDATA organisation, which operates key central European systems for data exchange. The Company is fully engaged in the ISR system, which allows the monitoring of the current location and condition of vehicles in 18 countries of Western, Central and Southern Europe. The system is being improved to include, for example, a new function for interconnecting the movements of the train with individual wagons. In 2014, ČD Cargo, a.s. initiated preparatory work on the connection to the ORFEUS system for the central exchange of data from freight and wagon sheets. Together with ČD, the Company is connected to the European railway data IP through the VPN Hermes network and is involved in the activities of HIT Rail.

In 2014, after careful consideration, the Company decided to discontinue its membership in the international X Rail Alliance and increase the intensity of bilateral relations with partner transporters.

In the long-term, ČD Cargo, a.s. focuses on cooperation with Eastern European states. To this end, it generally supports and promotes, among other things, the unified CIM/SMGS cargo document, which reduces the costs of transporters, and increases the speed and quality of the transportation process. The new cargo list has become popular, as shown by the statistics of ČD Cargo and other railways, e.g. RŽD or UZ. In 2014, 25,101 shipments were transported with the CIM/SMGS cargo document (12,637 export, 12,464 import). In transports with the Russian federation, the CIM/SMGS cargo document was used as follows: export – 86%, import – 89%, with Belarus (import – 67%), Ukraine (export – 1%, import – 12%) and Kazakhstan (export – 96%).

ECOLOGY AND ENVIRONMENTAL PROTECTION

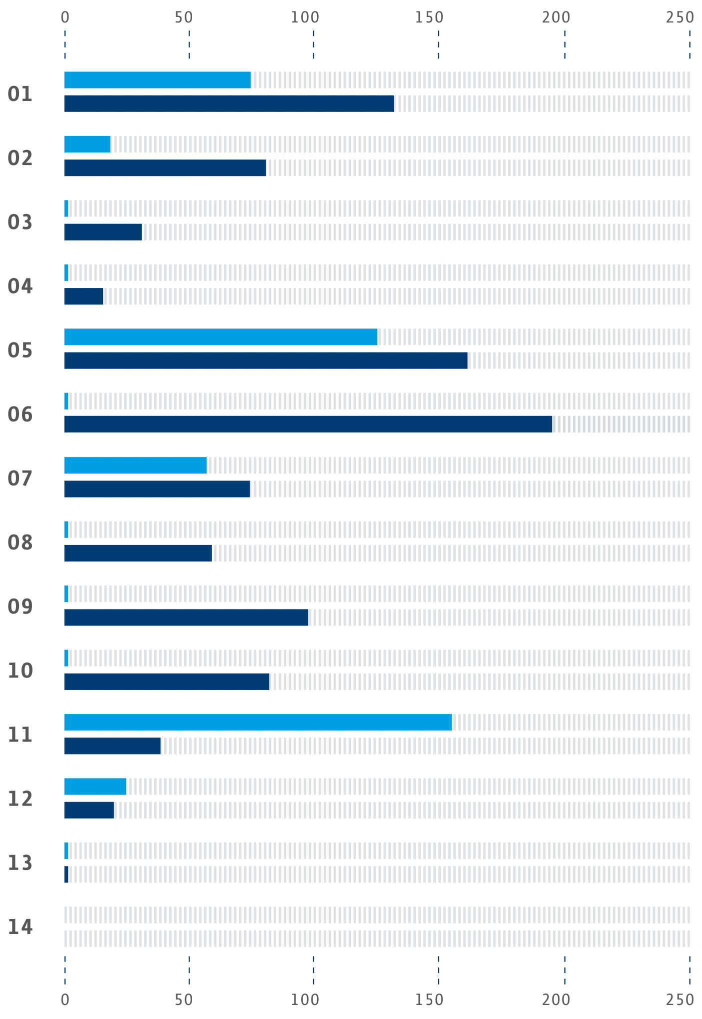
The ČD Group, which includes ČD Cargo, a.s., actively promotes environmental protection. The cooperation of ČD Cargo, a.s. and ČD, a.s. is based on the Mandate Contract concluded on 27 May 2008. Given the concluded contract, a hierarchy has been created focusing primarily on Rail Vehicle Repair Services Centres with direct relation to environmental issues. Such a process includes, for example, the reduction of produced waste, the renovation or replacement of waste water treatment plants and sewerage systems, protection of the track bed against pollution by drops of crude oil substances from mothballed railway vehicles, prevention and reduction of the risk of environmental disasters and damage etc. In operational units of ČD Cargo, a.s., this is ensured by contact persons for environmental issues who work together with ecologists at the Rail Vehicle Repair Services Centres. Together they follow the methodological guidance of the central ecologist from O12 of the General Directorate of ČD Cargo, a.s.

By adopting the environmental policy, all employees of ČD Cargo, a.s. are bound to the environmental management, which primarily aims to describe, review, assess and improve the management system at O12 and in Rail Vehicle Repair Services Centres 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 [see the chart below]).

NO (t) OO (t)

01 | OKV UNL
02 | OKV MO
03 | OKV Nbk
04 | OKV Cheb
05 | OHV OVA
06 | ONV OVA
07 | OKV Břeclav
08 | OKV Brno
09 | OKV Přerov
10 | OKV Třinec
11 | OKV CBE
12 | OKV Jihlava
13 | PrP Strakonice
14 | PrP Horní Dvořiště

Chart: Production of waste in ČD Cargo, a.s., 2014 by type



As the EMS system focuses on providing the best conditions for environmental protection, the Company realised investments in 2014 for improving certain environmental activities. For example, technology was modified in the industrial waste water treatment plant, a filtration air-conditioning system at the ONV hall was installed in order to reduce levels of dust, and the HATO hall (major repairs hall) gate was replaced in order to reduce heat loss in the Rail Vehicle Repair Services Centre in Ústí nad Labem. A general clearing of the separator and the cleaning of examining channels was carried out in the Rail Vehicle Repair Services Plant in Jihlava.

Throughout the year, the Company organised regular internal audits focusing on compliance with the defined criteria and obligations resulting from the applicable environmental protection legislation. The Company aimed to assess the success rate and functioning of the introduced EMS system and the readiness of specific departments for an external audit of EMS. The identified results were discussed at the meetings of the management and were assessed by the senior management of ČD Cargo, a.s. in April 2014.

In May 2014, an external audit (performed by SGS) was carried out at the Rail Vehicle Repair Services Centre in Ústí nad Labem, including Rail Vehicle Repair Services Plants, by which ČD Cargo, a.s. extended the ČSN EN ISO 14001 : 2005 certification.

The external audit identified no inconsistencies and only several minor recommendations, which were dealt with immediately after the external audit.

The fact that maintaining the introduced EMS at O12 of the General Directorate of ČD Cargo, a.s. and all Rail Vehicle Repair Services Centres (including Rail Vehicle Repair Services Plants) is a good decision is proven by zero financial sanctions against the Company in 2014, despite extraordinary events (railway vehicle accidents) with an impact on the environment and inspection by state administration bodies, primarily the Czech Environmental Inspectorate.

All documentation to the introduced ISO systems (EMS/QMS/OHSAS) is internally available to all employees of ČD Cargo, a.s. at the ČDC portal and the website of ISO O12. The public has access to the information through the website of ČD Cargo, a.s.


META

Fire Protection:
In 2014, ČD Cargo, a.s. recorded 95 fire responses, of which 10 were fires in traction vehicles due to technical failures and 3 were fires in trucks due to human error. Other responses include minor removals of vehicle defects.

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 potential inspections, performed by the Czech Fire Service, identified no failures in 2014.

CORPORATE SOCIAL RESPONSIBILITY

As part of its activities, the Company participates in several corporate social responsibility projects.

Together with its parent company ČD, a.s., ČD Cargo, a.s. participates in the traditional Preventive Train project, which is intended for older children and young adults and focuses on safety in railway transportation, and the Cinema Train project, which ensures free-of-charge movies projected for children in selected railway stations.

The Company supports children from foster homes or foster families, provides help to disabled sportsmen, and has decided to promote children's athletics in order to engage children in sport.

The Company traditionally cooperates with Diakonie Broumov. The Company has provided the transport of collected clothing and other humanitarian aid for the Diakonie Broumov civic association for a number of years. From approximately 50 stations in the Czech Republic, the goods are transported by rail to the sorting centre in Broumov. The stations with the most significant loaded volumes include Praha-Vršovice, Brno hlavní nádraží and Ostrava hlavní nádraží. Other textile materials are sent to Broumov from Slovakia. In total, the Company transported more than 500 wagons for Diakonie Broumov in 2014, which is approximately 5 thousand tonnes of goods.

In addition, the Company participated in a number of public events for which it lent railway vehicles or provided railway transport under better conditions. To name but a few, these include the lending of passenger cars for the "Child train to Lhotka u Mělníka" event, the transport of the Cinema Train, and Legiovlak.

Companies in which ČD Cargo has an Equity Interest

TERMINAL BRNO, A. S.

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

ČD LOGISTICS, A. S.

Date of entry in the Register of Companies: 16 June 2007
Share capital: CZK 10,000,000
Equity interest: 78 % (CZK 7.8 million)
On 22 December 2014, EXIMTRA a.s. transferred 22 shares of ČD Logistics, a.s. to ČD Cargo, a.s.
Principal business activities: shipping.

ČD-DUSS TERMINÁL, A. S.

Date of entry in the Register of Companies: 1 March 2007
Share capital: CZK 4,000,000
Equity interest: 51 % (CZK 2.04 million)
Principal business activities: operations of the container terminal in Lovosice.

CD GENERALVERTRETUNG GMBH

Date of entry in the Register of Companies: Germany 11 October 2004
Share capital: EUR 50,000
Equity interest: 100 %
Principal business activities: mediation of services in freight transportation on behalf of and for ČD Cargo, a.s., shipping.

KOLEJE CZESKIE SP. Z O.O.

Date of entry in the Register of Companies: Poland, 18 December 2006
Share capital: PLN 41,966,000
Equity interest: 100 %
The company is engaged in the mediation of services in freight transportation on behalf of and for ČD Cargo, a.s., shipping, lease of freight railway vehicles and traction vehicles.

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GENERÁLNE ZASTÚPENIE ČD CARGO, S.R.O.
Date of entry in the Register of Companies: Slovakia, 24 September 2008
Share capital: EUR 46,639
Equity interest: 1.61 % (EUR 750)
Principal business activities: mediation of services in freight transport on behalf of and for ČD Cargo, a.s., shipping.

AUTO TERMINAL NYMBURK, S.R.O.
Date of entry in the Register of Companies: 24 October 2012
Share capital: CZK 200,000
Equity interest: 100 %
Principal business activities: shipping and technical activities in transportation. The company has been dormant.

ČD INTERPORT. S.R.O.
Date of entry in the Register of Companies: 11 March 2013
Share capital: CZK 200,000
Equity interest of ČD Cargo, a.s.: 51 % (CZK 102 thousand)
ČD Cargo, a.s. sold its equity investment in ČD Interport, s.r.o. in January 2014 to INTERPORT PARTNERS GROUP, a.s. The change in ownership was recorded in the Register of Companies as of 31 January 2014 and the name was changed to INTERPORT spedition, s.r.o. as of the same date.
Principal business activities: shipping.

RAILLEX, A. S.
Date of entry in the Register of Companies: 17 June 2006
Share capital: CZK 2,000,000
Equity interest: 50 % (CZK 1 million)
Principal business activities: cargo handling and technical transportation services.

BOHEMIAKOMBI, SPOL. S R.O.
Date of entry in the Register of Companies: 17 April 1992
Share capital: CZK 6,000,000
Equity interest: 30 % (CZK 1.8 million)
Principal business activities: mediation of services in the field of transportation except for transportation by own means.

OSTRAVSKÁ DOPRAVNÍ SPOLEČNOST, A. S.
Date of entry in the Register of Companies: 30 May 1995
Share capital: CZK 15,000,000
Equity interest: 20 % (CZK 3 million)
Principal business activities: operation of railway transport and lease of locomotives.

XRAIL S.A.
Date of entry in the Register of Companies: Belgium 24 June 2010
Share capital: EUR 68,975.10
Equity interest: 13 % (EUR 8,966.76)
On 17 October 2014, ČD Cargo, a.s. filed an official notice to leave this alliance.
Principal business activities: supporting the management of the international transport of wagon shipments among the operators of the railway transport.

BUREAU CENTRAL DE CLEARING SOCIÉTÉ COOPÉRATIVE Á RESPONSABILITÉ LIMITÉE (BCC S.C.R.L.)
Date of entry in the Register of Companies: Belgium 17 December 1996
Share capital (fixed part): EUR 18,750
Equity interest: 3.36 % (EUR 3,750)
Principal business activities: non-cash settlement of mutual payments in railway transport.

ČD Cargo, a.s. has no organisational branches abroad.


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Financial Position

INVESTMENT ACTIVITIES OF ČD CARGO, A.S. (CZK MIL.)	2014	2013	2012	2011	2010
Acquisition of freight cars	19	200	10	0	0
Renovation and modernisation of freight cars	311	52	241	214	584
Acquisition of traction vehicles	0	0	0	0	0
Renovation and modernisation of traction vehicles	42	389	1 448**)	63	390
Machinery investments	11	2	100	23	11
Construction investments	48	45*)	108	53	104
Other investments	168,38***)	143*)	109	72	109
Component accounting of inspection repairs of railway vehicles	414	330	558	748	507
Total investments	**1 014**	**1 161**	**2 574**	**1 173**	**1 705**
Prepayments for investments provided (as of 31 December)	0	0	105	239	239

**) investments of CZK 58 million and CZK 59 million in 2012 and 2013, respectively, were acquired from subsidies.*

***) including the modernisation of traction vehicles from series 163 to series 363.5*

****) In addition to this amount, the Company made investments of CZK 23.92 million from subsidies. Other investments including these assets would amount to CZK 192 million.*

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Investment Activities of ČD Cargo, a.s.

The Annual Report of ČD Cargo, a.s. includes three sets of financial statements:

- Individual financial statements (CAS);
- Individual financial statements (IFRS); and
- Consolidated financial statements (IFRS).

The information provided in the Annual Report is based on the financial statements prepared according to Czech Accounting Standards (Individual financial statements [CAS]).

Balance Sheet

In the period from 31 December 2013 to 31 December 2014, the value of the Company's total assets and liabilities decreased by CZK 362.4 million. The value of fixed assets decreased by CZK 293.0 million and amounted to CZK 11,253.5 million, i.e. 78.5% of the total assets. The current assets, which include inventory, receivables and current financial assets, decreased by CZK 108.0 million to CZK 2,565.1 million, i.e. 17.9% of the total assets. Deferred expenses and accrued income increased by CZK 38.7 million to CZK 512.0 million and accounts for 3.6% of the total assets.

The value of the Company's equity in the reporting period increased by CZK 538.3 million to CZK 6,982.7 million, i.e. 48.7% of its total liabilities. External funding decreased by CZK 920.3 million to CZK 7,305.1 million in the reporting period, which represents 51.0% of the total liabilities. Accrued expenses and deferred income decreased by CZK 19.6 million to CZK 42.9 million and represent 0.3% of the total liabilities.

Profit and Loss Account

The Company's profit before tax for 2014 in the amount of CZK 724.5 million was achieved with the aggregate income of CZK 13,388.6 million and the total costs (excluding income tax) of CZK 12,664.1 million, including accounting amortisation and depreciation charges of CZK 927.8 million. The value of EBITDA (earnings before interest, taxes, depreciation and amortisation) amounted to CZK 1,734.9 million.

Funding of Cargo, a.s.

The Company's investment and operational activities are financed via a combination of the Company's own internal cash flow and external funding which comprises short-term bank loans, supplier loans, leases and bonds.

OPERATING BANK LOANS

In financing operating activities, the Company has overdraft loans of up to CZK 1.2 billion provided by four banks. Since 2013, the Company has been additionally included in the physical cash-pooling of ČD a.s. As part of the cash-pooling, the Company can use funds of up to CZK 0.6 billion and the contractual limit above the drawing limit of CZK 0.4 billion.

PROMISSORY NOTES PROGRAMME

The Promissory Notes Programme was approved in the amount of CZK 1.5 billion. The Company's Supervisory Board must be informed about any intention to draw more than CZK 1 billion in advance. The Promissory Notes Programme was not drawn as of 31 December 2014; however, the promissory notes facility is kept as a reserve for short-term financing independent of bank sources.

LEASES

During 2014, the Company realised the third tranche of the leaseback of modernised 363.5 series traction vehicles. The realisation significantly increased the financial stability of the Company's cash flow.

BONDS

This funding source significantly increases the financial stability of the Company's cash flow due to its long-term nature. The bond issue between 2011 and 2012 was realised in connection with the introduction of the strategy for the gradual replacement of short-term funding sources with long-term ones. In 2014, investors of ČD Cargo, a.s. used the possibility of a premature repayment of the first tranche of bonds (as part of the utilisation of the put option at the end of the third period from the issue date of bonds) of CZK 0.342 million. New bonds were not issued in 2014. The total issued bonds as of 31 December 2014 amounted to CZK 2.158 billion.

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Risk Management of ČD Cargo, a.s.

On an ongoing and long-term basis, ČD Cargo, a.s. monitors and assesses all material business risks, specifically business, operating, financial and compliance risks.

In 2014, the Company further developed the integrated risk management system, which is based on the best practice and set framework of Corporate Governance rules. The activities of organisational units in the Company within the risk management system are governed by the ČD Group Manual for risk management, which determines specific procedures for the identification, analysis, measurement, strategy, and processes for dealing with, monitoring, reporting, and communicating risks.

The standardisation of procedures is supported by a single "eRisk" software risk management throughout the entire ČD Group. The introduced single method of risk management created preconditions for further developments and increased the quality of the monitoring, assessing and reporting of all significant risks.

The principal objective of the implemented system for active risk management is to achieve the maximum reduction in the negative impact of individual risks on the results of the Company, i.e. to minimise the impacts of unused opportunities for generating income and reduce the negative impacts of costs. 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 in 2014.

The deliverables from the risk monitoring systems are discussed on a regular basis by the Risk Management Committee, delivered to the Board of Directors of the Company and subsequently to the Audit Committee.

INSURANCE OF OPERATIONAL RISKS

The Company hedges a range of operational risks via insurance coverage. The major risks identified include a transporting company's liability for damage caused to other parties in relation to railway transport operations on nationwide and regional tracks and the liability for damage by the owners of wagons.

FINANCIAL RISKS

The goals and methods of the Company's financial risk management are based on the Financial Risk Management Strategy of ČD Cargo, a.s. This defines the goals for individual risks and the permitted derivative operations used to hedge against the risks.

PRICE RISK

In relation to the development on the transportation market, ČD Cargo, a.s. faced considerable pressure to reduce prices in 2014. The ever-growing competition from other railway transporters significantly influenced the price and business policy, primarily in the segment of complete trains – vehicle shipments that are grouped into short complete trains and subsequently assumed by another transporter. These trends impact all commodities and on numerous transportation routes – it is no longer true that competing transporters operate only in several profitable directions (east-west transit and similar) and ignore other routes.

The price policy for the transport of individual shipments focused on the maximum increase in the effectiveness of these activities and on maintaining competitiveness with regard to road transportation.

Business negotiations were conducted with the objective of stabilising transportation volumes and sales in the form of multi-year contracts. Another instrument used to eliminate business risks was the offer of comprehensive services, including the transportation of goods abroad, among other things by certain subsidiaries of ČD Cargo, a.s.

LIQUIDITY RISK

The Company's liquidity risk is managed so as to ensure that the volume of funding necessary to settle the financial liabilities is sufficient and diversified.

On a day-to-day basis, liquidity development, the balance of available funds and the Company's cash flow are assessed.

CREDIT RISK

The Company has a system in place to continuously monitor receivables per individual company and default periods with a particular focus on receivables past due by more than 15 days. The development of past due receivables is dealt with by individual responsible employees and the Receivables Committee at top level.

To provide additional collateral to support risky receivables, standard tools are used in various combinations. To improve the liquidity level and decrease the amount of receivables and payables, the Company actively pursues a netting policy, paying special attention to receivables past due by more than 30 days.

CURRENCY RISK

Given that a significant part of the Company's income is realised in euros, 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 tools are used which are applied on a short-term as well as medium-term basis based on their underlying characteristics.

The goal of currency risk management is to hedge so that an open position is not higher than the Company's approved risk appetite. To achieve the required status, the methods and tools to manage currency risk arising from the Financial Risk Management Strategy are approved.

During 2014, the Company mitigated the risk of possible currency strengthening by the continued hedging of the exchange rate of the Czech crown against the euro. With respect to the expected collections in the euro for the performance delivered and the internal price calculation, the hedging of the CZK/EUR exchange rate will be subsequently agreed upon on an ongoing basis in line with the Financial Risk Management Strategy as approved by the Company's Board of Directors and in view of the market situation.

COMMODITY RISK – PRICE OF RAILWAY DIESEL

Railway diesel used by the Company represents a significant cost component. During 2014, the Company used a hedging of the diesel price, which reduced the Company's commodity risk.

The commodity risk management's goal is to hedge so that an open position is not higher than the Company's approved risk appetite. To achieve the required status, the methods and tools for commodity risk management arising from the Financial Risk Management Strategy are approved.

INTEREST RATE RISK

Changes in floating interest rates may be sources of interest rate risk. The interest-rate risk management's goal is to hedge so that an open position is not higher than the Company's approved risk appetite. The maximum share of funding using the floating interest rate is specified at 50% of the total volume under the Financial Risk Management Strategy. To achieve the required status, interest-rate risk management methods and tools arising from the Financial Risk Management Strategy are approved.

Through various hedging instruments, interest rates are hedged to eliminate any possible risk of a floating rate increase in compliance with the Financial Risk Management Strategy as approved by the Company's Board of Directors.

In 2011 and 2012, the rates attached to the debt issue and leases were hedged. The hedging was made through IRS, collar and interest rate SWAP. New leases were tendered with a fixed interest rate.


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Anticipated Development, Objectives and Intended Activities

The strategic objective of the Company is to maintain its leading position in the freight transportation market in the Czech Republic and in the Central European region and concurrently to be an efficient, customer-focused company.

The Company seeks to obtain new orders connected to a slight economic revival and maintain existing business cases. In the long term, we would like to recover the lost orders and increase transported volumes. The key task is to maintain transports of bulk cargo while optimising the capacities of these transports in order to cut costs and offer competitive prices.

Another way of meeting the strategic objectives of the Company is the offer of services across the logistics chain, including transports abroad and the offer of complementary services. The priority for ČD Cargo, a.s. is to extend the rolling stock of interoperable locomotives allowed on European railway routes. The Company already has electrical and diesel locomotives capable of being used in Poland, Hungary and Slovakia. The Company sends trains loaded with cars to Germany, ČD Cargo locomotives are used for coal trains in Poland, and ČD Cargo locomotives pull container trains to destinations such as Budapest. This combination of the "last mile" on home territory and complete trains operating throughout Central Europe provides ČD Cargo, a.s. with a unique opportunity to maintain and develop its leading position among European transporters in the future. For the achievement of these plans, the Company will maximise the potential of foreign subsidiaries.

Other activities of ČD Cargo, a.s. will focus on combined transports, where we must be ready to respond to the expected increase in transports from China, Russia and other countries. The logistics network must allow ČD Cargo, a.s. to obtain orders of new transports that were previously transported by road – supplies to food retail chains, transports of consumer goods etc. Other activities will aim to increase the utilisation of the Innofreight system.

The Company will gradually strive to meet the objective defined by the Framework Outlook of ČD Cargo's Operations, which involves achieving balanced operational results in the individual shipments segment in 2017.

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Share Capital

The Amount of the Issued Share Capital

As of the balance sheet date of 31 December 2014, the share capital amounts to CZK 8,494,000 thousand, which was paid in full.

Ownership Structure

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

REPORT OF THE SUPERVISORY BOARD OF ČD CARGO, A.S., ON THE PERFORMANCE OF ITS REMIT FOR THE YEAR ENDED 31 DECEMBER 2014 AND THE RESULTS OF THE SUPERVISORY ACTIVITIES

During 2014, the Supervisory Board of ČD Cargo, a.s. held ten meetings, in which it always had a quorum.

The Company's Supervisory Board executed its powers and fulfilled all tasks in compliance with legal regulations, the Company's Articles of Association, its rules of procedure, and applicable regulations. The Company's Supervisory Board systematically monitored the due execution of the function of the Board of Directors while carrying out its business activities. The Board of Directors provided the Supervisory Board with the necessary information and supporting documentation for its monitoring activities. The Chairman of the Board of Directors, together with other members of the Board of Directors, regularly participated in all meetings and informed the Supervisory Board continuously of the Company's business activities and results of operations.

The Supervisory Board paid undivided attention to discussing and/or reviewing significant business documents, in particular the Financial Statements of ČD Cargo, a.s., for the period from 1 January 2014 to 31 December 2014 with the Auditor's Opinion and Report by the Audit Committee of ČD Cargo, a.s., on the financial statements and the Auditor's Opinion, the individual financial statements of ČD Cargo a.s. under IFRS as adopted by the EU for the period from 1 January 2014 to 31 December 2014 with the Auditor's Opinion and the Report by the Audit Committee of ČD Cargo, a.s., on the individual financial statements of ČD Cargo, a.s. under IFRS as adopted by the EU for the period from 1 January 2014 to 31 December 2014 with the Auditor's Opinion, the Proposal for the Distribution of ČD Cargo, a.s.'s financial result for the period from 1 January 2014 to 31 December 2014, the Board of Director's Report on the Business Activities of ČD Cargo, a.s., and the Balance of its Assets for the period from 1 January 2014 to 31 December 2014, and the Related Parties Report for the period from 1 January 2014 to 31 December 2014.

The Supervisory Board also discussed and evaluated the request of the Company's Board of Directors for consent with specified legal acts.

The Supervisory Board states that it had all conditions in place to duly exercise its activities. During the performance of its supervisory activities, the Supervisory Board identified no breaches or failures to meet its obligations on the part of ČD Cargo a.s. or its individual members of the Board of Directors as stipulated by the legal regulations, ČD Cargo a.s.'s Articles of Association, the Company's internal guidelines and the sole shareholder's instructions acting in the capacity of the General Meeting or on the General Meeting's own initiative addressed to the Company's Board of Directors.

At its sixty-sixth meeting, the Supervisory Board discussed the Report of the Board of Directors on ČD Cargo, a.s.'s Business Activities and the Balance of its Assets for the year ended 31 December 2014 and agrees with the content thereof.

In addition, at its sixty-seventh meeting, the Supervisory Board reviewed the following documents: the Report on Relations between Related Parties for the year ended 31 December 20134 with the Auditor's Report, the Financial Statements of ČD Cargo, a.s., for the year ended 31 December 2014, including the Independent Auditor's Report and the Report of the Audit Committee of ČD Cargo, a.s., on the financial statements with the Auditor's Opinion, Separate Financial Statements and Consolidated Financial Statements of ČD Cargo, a.s. prepared under IFRS as adopted by the EU for the year ended 31 December 20134, and the Proposal to Allocate the Economic Results of ČD Cargo, a.s., for the year ended 31 December 2014. The Supervisory Board recommended that the sole shareholder, České dráhy, a.s., acting in the capacity as the General Meeting of ČD Cargo, a.s., approve all of the above-mentioned documents.

In Prague on 15 May 2015

Pavel Krtek
Chairman of the Supervisory Board

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Report of the Audit Committee

REPORT OF THE AUDIT COMMITTEE OF ČD CARGO, A.S.

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 financial statements, the audit and interim audit thereof, and related documents for the periods from 1 January 2014 to 30 September 2014 and 1 January 2014 to 31 December 2014.

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 financial statements under Czech Accounting Standards and IFRS as adopted by the EU and the Report on Related Party Transactions for the period from 1 January 2014 to 31 December 2014, and of preparing the Annual Report of ČD Cargo, a.s. for the year ended 31 December 2014.

The Audit Committee also assessed the impartiality and independence of the Company's auditor, Deloitte Audit s.r.o., discussed and communicated selected information, and issued statements and communications in accordance with the legislation. During the preparation of the financial statements and the mandatory audit thereof, the preparation of the Report on Related Party Transactions 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 Financial Statements and the contents of the draft auditor's report on the Report on Related Party Transactions, the Audit Committee recommended that the Company's bodies discuss the Financial Statements along with the Auditor's Report and the Report on Related Party Transactions along with the Auditor's Report for the period from 1 January 2014 to 31 December 2014 and that the sole shareholder, acting in the capacity as the General Meeting, approves the documents. It also recommended that the Company's bodies discuss the separate and consolidated financial statements of ČD Cargo, a.s. under IFRS as adopted by the EU for the year from 1 January 2014 to 31 December 2014, 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 discussed the report of internal control and internal audit in the Company.

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 27 March 2015

Oldřich Vojíř,
Chairman of the Audit Committee

Report of the Audit Committee

REPORT OF THE AUDIT COMMITTEE OF ČD CARGO, A.S. ON THE FINANCIAL STATEMENTS OF ČD CARGO, A.S. FOR THE YEAR FROM 1 JANUARY 2014 TO 31 DECEMBER 2014, INCLUDING THE AUDITOR'S OPINION AND RELATED PARTY TRANSACTIONS REPORT FOR THE YEAR ENDED 31 DECEMBER 2014 WITH THE AUDITOR'S REPORT

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 Financial Statements of ČD Cargo, a.s., the procedure of the audit of the financial statements and all related documents for the year from 1 January 2014 to 31 December 2014, 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 Financial Statements of ČD Cargo, a.s. for the year from 1 January 2014 to 31 December 2014 and the Related Party Transaction Report for the year from 1 January 2014 to 31 December 2014.

The Audit Committee also assessed the impartiality and independence of the Company's auditor – Deloitte 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 Financial Statements and the Related Party Transaction Report for the year from 1 January 2014 to 31 December 2014, 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 in respect of the draft Auditor's Opinion on the Financial Statements and draft of the Auditor's Report in the Related Party Transaction Report, the Audit Committee recommends that the Financial Statements of ČD Cargo, a.s. for the year from 1 January 2014 to 31 December 2014 and the Auditor's Opinion and the Related Party Transaction Report 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 Financial Statements of ČD Cargo, a.s., for the year from 1 January 2014 to 31 December 2014, and the Auditor's Report on the Related Party Transaction Report for the year from 1 January 2014 to 31 December 2014.

Oldřich Vojíř,
Chairman of the Audit Committee

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Report of the Audit Committee

REPORT OF THE AUDIT COMMITTEE OF ČD CARGO, A.S. ON THE SEPARATE FINANCIAL STATEMENTS OF ČD CARGO, A.S. PREPARED UNDER IFRS FOR THE YEAR FROM 1 JANUARY 2014 TO 31 DECEMBER 2014, 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 2014 to 31 December 2014, 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 2014 to 31 December 2014.

The Audit Committee also assessed the impartiality and independence of the Company's auditor – Deloitte 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 2014 to 31 December 2014, 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 in respect of the draft 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 2014 to 31 December 2014 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 2014 to 31 December 2014, and the Auditor's Opinion.

Oldřich Vojíř,
Chairman of the Audit Committee

Report 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 2014 TO 31 DECEMBER 2014, 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 2014 to 31 December 2014, 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 2014 to 31 December 2014.

The Audit Committee also assessed the impartiality and independence of the Company's auditor – Deloitte 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 2014 to 31 December 2014, 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 in respect of the draft 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 2014 to 31 December 2014 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 2014 to 31 December 2014, and the Auditor's Opinion.

Oldřich Vojíř,
Chairman of the Audit Committee

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Independent Auditor's Report

To the Shareholders of ČD Cargo, a.s.

Having its registered office at: Jankovcova 1569/2c, 170 00 Praha 7 - Holešovice
Identification number: 281 96 678

REPORT ON THE FINANCIAL STATEMENTS
Based upon our audit, we issued the following audit report dated 17 March 2015 on the financial statements which are included in this annual report in the chapter Single financial statements (CAS):

"We have audited the accompanying financial statements of ČD Cargo, a.s., which comprise the balance sheet as of 31 December 2014, and the profit and loss account, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Statutory Body's Responsibility for the Financial Statements
The Statutory Body is responsible for the preparation and fair presentation of these financial statements in accordance with accounting regulations applicable in the Czech Republic, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Act on Auditors and International Standards on Auditing and the related application guidelines issued by the Chamber of Auditors of the Czech Republic. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the financial statements give a true and fair view of the financial position of ČD Cargo, a.s. as of 31 December 2014, and of its financial performance and its cash flows for the year then ended in accordance with accounting regulations applicable in the Czech Republic.

Emphasis of Matters
We draw attention to Note 4.11. to the financial statements, which describes the uncertainty relating to the future development of identified risks and their potential future impact on the Company. Reflecting these facts, the Company reported reserves which, together with other reserves, total CZK 964,969 thousand as of 31 December 2014. Our opinion is not modified with regard to these matters."

REPORT ON THE FINANCIAL STATEMENTS (IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS)
Based upon our audit, we issued the following audit report dated 31 March 2015 on the financial statements which are included in this annual report in the chapter Separate financial statements (IFRS):

"We have audited the accompanying financial statements of ČD Cargo, a.s. which comprise the statement of financial position as of 31 December 2014, and the statement of profit or loss, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Statutory Body's Responsibility for the Financial Statements
The Statutory Body is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards as adopted by the EU, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Act on Auditors and International Standards on Auditing and the related application guidelines issued by the Chamber of Auditors of the Czech Republic. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the financial statements give a true and fair view of the financial position of ČD Cargo, a.s. as of 31 December 2014, and of its financial performance

and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

Emphasis of Matters
We draw attention to Note 23 to the financial statements, which describes the uncertainty relating to the future development of identified risks and their potential future impact on the Company. Reflecting these facts, the Company reported provisions which, together with other provisions, total CZK 964,969 thousand as of 31 December 2014. Our opinion is not modified with regard to these matters."

REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS (IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS)

Based upon our audit, we issued the following audit report dated 31 March 2015 on the financial statements which are included in this annual report in the chapter Consolidated financial statements (IFRS):

"We have audited the accompanying consolidated financial statements of ČD Cargo, a.s. and its subsidiaries which comprise the statement of financial position as of 31 December 2014, and the statement of profit or loss, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Statutory Body's Responsibility for the Financial Statements
The Statutory Body is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards as adopted by the EU, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Act on Auditors and International Standards on Auditing and the related application guidelines issued by the Chamber of Auditors of the Czech Republic. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the consolidated financial statements give a true and fair view of the financial position of ČD Cargo, a.s. and its subsidiaries as of 31 December 2014, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

Emphasis of Matters
We draw attention to Note 23 to the financial statements, which describes the uncertainty relating to the future development of identified risks and their potential future impact on the Company. Reflecting these facts, the Company reported provisions which, together with other provisions, total CZK 983,695 thousand as of 31 December 2014. Our opinion is not modified with regard to these matters."

REPORT ON THE RELATED PARTY TRANSACTIONS REPORT

Based upon our review, we issued the following review report dated 17 March 2015 on the related party transactions report which is included in this annual report in the chapter Report on relations between Related Parties:

"We have reviewed the factual accuracy of the information included in the related party transactions report of ČD Cargo, a.s. for the year ended 31 December 2014. This related party transactions report is the responsibility of the Company's Statutory Body. Our responsibility is to express our view on the related party transactions report based on our review.

We conducted our review in accordance with Auditing Standard 56 issued by the Chamber of Auditors of the Czech Republic. This standard requires that we plan and perform the review to obtain moderate assurance as to whether the related party transactions report is free of material factual misstatements. A review is limited primarily to inquiries of Company personnel and analytical procedures and examination, on a test basis, of the factual accuracy of information, and thus provides less assurance than an audit. We have not performed an audit of the related party transactions report and, accordingly, we do not express an audit opinion.

Nothing has come to our attention based on our review that indicates that the information contained in the related party transactions report of ČD Cargo, a.s. for the year ended 31 December 2014 contains material factual misstatements.

REPORT ON THE ANNUAL REPORT

We have also audited the annual report of the Company as of 31 December 2014 for consistency with the financial statements referred to above. This annual report is the responsibility of the Company's Statutory Body. Our responsibility is to express an opinion on the consistency of the annual report and the financial statements based on our audit.

We conducted our audit in accordance with International Standards on Auditing and the related application guidelines issued by the Chamber of Auditors of the Czech Republic. These standards require that the auditor plan and perform the audit to obtain reasonable assurance about whether the information included in the annual report describing matters that are also presented in the financial statements is, in all material respects, consistent with the relevant financial statements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the information included in the annual report of the Company is consistent, in all material respects, with the financial statements referred to above."

In Prague on 25 May 2015

Audit firm (certificate no. 79):
Deloitte Audit s.r.o.

Statutory auditor (certificate no. 2037):
Václav Loubek

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Separate Financial Statements (CAS)*

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

** Chapters relating to financial statements are numbered separately.*

Balance Sheet (full version)

As of 31. 12. 2014 (CZK '000)		31. 12. 2014 Gross	31. 12. 2014 Adjustment	31. 12. 2014 Net	31. 12. 2013 Net
	TOTAL ASSETS	**33 144 828**	**18 814 185**	**14 330 643**	**14 693 086**
B.	**Fixed assets**	**29 850 254**	**18 596 709**	**11 253 545**	**11 546 595**
B.I.	**Intangible fixed assets**	**708 605**	**363 777**	**344 828**	**280 740**
B.I.1.	Start-up costs	28 492	28 492		
B.I.3.	Software	428 143	232 807	195 336	194 073
B.I.4.	Valuable rights	123 763	102 478	21 285	35 869
B.I.7.	Intangible fixed assets under construction	128 207		128 207	50 798
B.II.	**Tangible fixed assets**	**28 394 326**	**18 232 932**	**10 161 394**	**10 740 080**
B.II.1.	Land	85 861	176	85 685	81 240
B.II.2.	Structures	1 441 528	678 489	763 039	765 332
B.II.3.	Individual tangible movable assets and sets of tangible movable assets	21 135 933	13 937 051	7 198 882	7 584 417
B.II.6.	Other tangible fixed assets	48		48	48
B.II.7.	Tangible fixed assets under construction	119 535		119 535	62 896
B.II.8.	Prepayments for tangible fixed assets	10		10	54
B.II.9.	Valuation difference on acquired assets	5 611 411	3 617 216	1 994 195	2 246 093
B.III.	**Non-current financial assets**	**747 323**		**747 323**	**525 775**
B.III.1.	Equity investments - subsidiary (controlled entity)	458 287		458 287	463 555
B.III.2.	Equity investments in associates	40 484		40 484	56 445
B.III.3.	Other securities and investments	19		19	19
B.III.4.	Loans and borrowings - controlled or controlling entity, associates	234 958		234 958	2 436
B.III.5.	Other non-current financial assets	3 575		3 575	3 320
B.III.6.	Acquisition of non-current financial assets	10 000		10 000	
C.	**Current assets**	**2 782 592**	**217 476**	**2 565 116**	**2 673 165**
C.I.	**Inventories**	**149 929**		**149 929**	**146 373**
C.I.1.	Material	149 929		149 929	146 373
C.II.	**Long-term receivables**	**236**		**236**	**5 993**
C.II.5.	Long-term prepayments made	236		236	225
C.II.7.	Other receivables				5 768
C.III.	**Short-term receivables**	**1 952 505**	**217 476**	**1 735 029**	**2 080 226**
C.III.1.	Trade receivables	1 534 555	211 531	1 323 024	1 644 345
C.III.2.	Receivables - controlled or controlling entity	4 026		4 026	380
C.III.3.	Receivables - associates	4 023		4 023	8 228
C.III.6.	State - tax receivables	93 599		93 599	86 019
C.III.7.	Short-term prepayments made	78 236		78.236	87 042
C.III.8.	Estimated receivables	219 372		219 372	230 098
C.III.9.	Other receivables	18 694	5 945	12 749	24 114
C.IV.	**Current financial assets**	**679 922**		**679 922**	**440 573**
C.IV.1.	Cash on hand	1 753		1 753	1 584
C.IV.2.	Cash at bank	678 169		678 169	438 989
D. I.	**Other assets**	**511 982**		**511 982**	**473 326**
D.I.1.	Deferred expenses	511 982		511 982	472 677
D.I.3.	Accrued income				649

Balance Sheet (full version)

Year ended 31. 12. 2014 (CZK '000)		31. 12. 2014	31. 12. 2013
	TOTAL LIABILITIES & EQUITY	**14 330 643**	**14 693 086**
A.	**Equity**	**6 982 710**	**6 444 381**
A.I.	**Share capital**	**8 494 000**	**8 494 000**
A.I.1.	Share capital	8 494 000	8 494 000
A.II.	**Capital funds**	**198 685**	**174 633**
A.II.1.	Share premium	138 540	138 540
A.II.3.	Gains or losses from the revaluation of assets and liabilities	60 145	36 093
A.III.	**Funds from profit**	**166 587**	**134 700**
A.III.1.	Reserve fund	82 141	60 653
A.III.2.	Statutory and other funds	84 446	74 047
A.IV.	**Retained earnings**	**-2 411 440**	**-2 788 721**
A.IV.1.	Accumulated profits brought forward		97 331
A.IV.2.	Accumulated losses brought forward	-2 411 440	-2 886 052
A.V.	**Profit or loss for the current period (+ -)**	**534 878**	**429 769**
B.	**Liabilities**	**7 305 056**	**8 225 402**
B.I.	**Reserves**	**964 969**	**1 399 051**
B.I.4.	Other reserves	964 969	1 399 051
B.II.	**Long-term liabilities**	**2 533 356**	**2 212 724**
B.II.6.	Bonds issued	1 158 300	1 500 000
B.II.9.	Other payables	708 706	168 575
B.II.10	Deferred tax liability	666 350	544 149
B.III.	**Short-term liabilities**	**3 806 731**	**3 768 936**
B.III.1.	Trade payables	1 738 638	1 588 562
B.III.5.	Payables to employees	192 879	268 848
B.III.6.	Social security and health insurance payables	101 354	116 313
B.III.7.	State - tax payables and subsidies	80 165	86 185
B.III.8.	Short-term prepayments received	1 257	1 224
B.III.9.	Bonds issued	1 000 000	1 000 000
B.III.10	Estimated payables	344 272	375 316
B.III.11	Other payables	348 166	332 488
B.IV.	**Bank loans and borrowings**		**844 691**
B.IV.2.	Short-term bank loans		844 691
C. I.	**Other liabilities**	**42 877**	**23 303**
C.I.1.	Accrued expenses	42 841	22 935
C.I.2.	Deferred income	36	368

Profit and Loss Account

As of 31. 12. 2014 (CZK ‘000)		Year ended 31. 12. 2014	Year ended 31. 12. 2013
II.	Production	12 140 567	12 712 927
II.1.	Sales of own products and services	11 973 471	12 559 105
II.3.	Own work capitalised	167 096	153 822
B.	Purchased consumables and services	6 785 459	7 264 778
B.1.	Consumed material and energy	2 177 275	2 211 095
B.2.	Services	4 608 184	5 053 683
+	**Added value**	**5 355 108**	**5 448 149**
C.	Staff costs	3 712 843	4 206 240
C.1.	Payroll costs	2 638 486	3 055 193
C.2.	Remuneration to members of business corporation bodies	18 182	9 855
C.3.	Social security and health insurance costs	892 433	966 649
C.4.	Social costs	163 742	174 543
D.	Taxes and charges	3 985	18 720
E.	Depreciation of intangible and tangible fixed assets	927 766	992 417
III.	Sales of fixed assets and material	732 119	1 697 748
III.1.	Sales of fixed assets	692 238	1 679 451
III.2.	Sales of material	39 881	18 297
F.	Net book value of fixed assets and material sold	596 413	1 088 614
F.1.	Net book value of sold fixed assets	577 625	1 073 351
F.2.	Book value of sold material	18 788	15 263
G.	Change in reserves and provisions relating to operating activities and complex deferred expenses	-415 813	275 734
IV.	Other operating income	150 066	162 809
H.	Other operating expenses	519 552	164 292
*	**Operating profit or loss**	**892 547**	**562 689**
VI.	Proceeds from the sale of securities and investments		845
J.	Cost of securities and investments sold	102	8 263
VII.	Income from non-current financial assets	46 525	17 604
VII.3.	Income from other non-current financial assets	46 525	17 604
IX.	Income from the revaluation of securities and derivatives	62 981	82 386
L.	Costs of the revaluation of securities and derivatives	212 661	96 162
X.	Interest income	6 957	875
N.	Interest expenses	82 618	88 651
XI.	Other financial income	249 404	524 075
O.	Other financial expenses	238 489	394 466
*	**Financial profit or loss**	**-168 003**	**38 243**
Q.	Income tax on ordinary activities	189 666	171 163
Q 1.	- due	78 062	38 762
Q 2.	- deferred	111 604	132 401
**	**Profit or loss from ordinary activities**	**534 878**	**429 769**
***	**Profit or loss for the current period (+/-)**	**534 878**	**429 769**
****	**Profit or loss before tax**	**724 544**	**600 932**

Statement of Changes in Equity

Year ended 31. 12. 2014 (CZK '000)	Share capital	Capital funds	Statutory and other funds	Statutory reserve fund	Accumulated profits brought forward	Accumulated losses brought forward	Profit or loss for the current period	TOTAL EQUITY
Balance at 31 December 2012	**8 494 000**	**188 559**	**94 727**	**60 653**	**97 331**	**-927 263**	**-1 958 789**	**6 049 218**
Distribution of profit or loss						-1 958 789	1 958 789	
Revaluation of non-current financial assets		80 422						80 422
Change of value of hedging derivatives		-116 479						-116 479
Change in deferred tax on financial derivatives		22 131						22 131
Use of the social fund			-20 680					-20 680
Profit or loss for the current period							429 769	429 769
Balance at 31 December 2013	**8 494 000**	**174 633**	**74 047**	**60 653**	**97 331**	**-2 886 052**	**429 769**	**6 444 381**
Distribution of profit or loss			31 000	21 488	-97 331	474 612	-429 769	
Revaluation of non-current financial assets		-21 127						-21 127
Change of value of hedging derivatives		55 777						55 777
Change in deferred tax on financial derivatives		-10 598						-10 598
Use of the social fund			-20 602					-20 602
Profit or loss for the current period							534 878	534 878
Balance at 31 December 2014	**8 494 000**	**198 685**	**84 446**	**82 141**		**-2 411 440**	**534 878**	**6 982 710**

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Cash Flow Statement

Year ended 31. 12. 2014 (CZK '000)		Year ended 31-12-2014	Year ended 31-12-2013
P.	**Opening balance of cash and cash equivalents**	**440.953**	**158.065**
	Cash flows from ordinary activities		
Z.	Profit or loss from ordinary activities before tax	724.544	600.932
A.1.	Adjustments for non-cash transactions	457.243	713.169
A.1.1.	Depreciation of fixed assets	927.766	992.417
A.1.2.	Change in provisions and reserves	-415.814	275.734
A.1.3.	Profit/(loss) on the sale of fixed assets	-114.511	-598.681
A.1.4.	Revenues from profit shares	-46.525	-17.604
A.1.5.	Interest expense and interest income	75.661	87.776
A.1.6.	Adjustments for other non-cash transactions	30.666	-26.473
A.*	**Net operating cash flow before changes in working capital**	**1.181.787**	**1.314.101**
A.2.	Change in working capital	-98.413	65.405
A.2.1.	Change in operating receivables and other assets	47.028	-16.951
A.2.2.	Change in operating payables and other liabilities	-140.963	98.290
A.2.3.	Change in inventories	-4.478	-15.934
A.**	**Net cash flow from operations before tax and extraordinary items**	**1.083.374**	**1.379.506**
A.3.	Interest paid	-82.618	-88.651
A.4.	Interest received	6.957	875
A.5.	Income tax paid from ordinary operations	-62.298	
A.7.	Received profit shares	23.998	17.604
A.***	**Net operating cash flows**	**969.413**	**1.309.334**
	Cash flows from investing activities		
B.1.	Fixed assets expenditures	-666.835	-1.859.307
B.2.	Proceeds from fixed assets sold	597.558	1.204.004
B.3.	Loans provided to related parties	4.205	8.575
B.***	**Net investment cash flows**	**-65.073**	**-646.728**
	Cash flow from financial activities		
C.1.	Change in payables from financing	-640.743	-359.038
C.2.	Impact of changes in equity	-20.602	-20.680
C.2.5.	Payments from capital funds	-20.602	-20.680
C.***	**Net financial cash flows**	**-661.345**	**-379.718**
F.	**Net increase or decrease in cash and cash equivalents**	**242.995**	**282.888**
R.	**Closing balance of cash and cash equivalents**	**683.948**	**440.953**

1. General information

1.1. INCORPORATION AND DESCRIPTION OF THE BUSINESS

ČD Cargo, a.s. (hereinafter as the "Company") was formed following its registration in the Register of Companies 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 Company's registered office is located at Jankovcova 1569/2c, Prague 7, Holešovice.

As of 31 December 2014, the Company reported the share capital of CZK 8,494,000 thousand which was fully paid in.

The sole shareholder of the Company is České dráhy, a.s.

The principal activities of ČD Cargo, a.s. include the provision of railway transportation of goods with the set of relating services. The aim of the Company involves improving its leading position, and being the driving force on the freight transportation market both in the Czech Republic and in the Central European region.

The principal business activity – railway transportation of goods – is structured into two principal segments:

- Transportation of complete trains;
- Transportation of individual wagon loads.

The above segments are structured by the type of transportation as follows:

- Local;
- Export;
- Import;
- Transit.

Pursuant to the structure referred to 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 shipments:

- Transportation of solid fuels;
- Transportation of ores, metals and machinery products;
- Transportation of chemical products and liquid fuels;
- Transportation of construction material;
- Transportation of wood and paper;
- Transportation of food and agricultural products;
- Combined transportation – logistical solutions for transportation of shipments using intermodal transportation units, predominantly containers;
- Automotive;
- Transportation of other non-classified commodities.

Principal business activities are supported by four standard products of other business activities. These focus on the provision of specific activities separate from the principal activities in terms of process:

- Operation of and transport on non-public railways – railway sidings;
- Shipment and logistical services – predominantly logistics solution for transportation of shipments;
- Lease and other management of motor vehicles;
- Lease and other management of wagons.

With respect to the listed principal and other activities, the Company provides the following services:

- Representation in customs proceedings;
- Operation of customs warehouses;
- Storage of goods and handling of cargo;
- Road freight transportation;
- Safety advisory for the transportation of dangerous goods.

As part of its business activities, the Company, in its role as transporter, operated 964 tariff points with dispatching authority for transportation of wagon loads and 1,048 railway sidings. In terms of the volume of transportation, the Company is one of ten most significant railway companies in Europe and the European Union.

1.2. RELATIONSHIP WITH SŽDC

The costs incurred in relation to Správa železniční dopravní cesty, s.o. (hereinafter „SŽDC") predominantly include the fees for the allocation of capacity and use of the railway route in the years ended 31 December 2013 and 2014. The costs for the years ended 31 December 2013 and 2014 are disclosed in Note 4.21.

The income of the Company for 2014 predominantly includes sales of interstate transport of vehicle shipments of CZK 11,364 thousand.

As of 31 December 2014, the Company records receivables from, and payables to, Správa železniční dopravní cesty, s.o., the aggregate value of which represents a net payable of CZK 988,243 thousand in the year ended 31 December 2014. In the year ended 31 December 2013, the aggregate net value of the receivables and payables represented a payable of CZK 532,046 thousand.

The Company conducted a legal dispute with Správa železniční dopravní cesty, s.o. regarding the price of the purchased traction electricity during the 2009 reporting period. This dispute was settled by agreement in early 2015. For detailed information refer to Note 6.

In addition, the Company conducted a legal dispute with Správa železniční dopravní cesty, s.o. regarding the method of settlement arising from the damages due to traffic closures of SŽDC, s.o. This dispute was also settled by agreement. For detailed information refer to Note 6.

1.3. ORGANISATIONAL STRUCTURE

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

- Sales Director division;
- Operations Director division;
- Finance Director division.

In addition, the organisational structure includes operational units and repair centres for rail vehicles.

The internal organisation of the Company (principles of the organisational 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.

1.4. GROUP IDENTIFICATION

The Company is part of the České dráhy consolidation group. The České dráhy group provides comprehensive services relating to the operation of railway freight and passenger transportation and additional and complementary activities, specifically railway research, testing, telematics, accommodation and catering services. České dráhy, a. s. is the largest Czech railway transporter with a long-term tradition and contractual operator of most railway routes in the Czech Republic. The owner of the České dráhy group is the Czech Republic.

ČD Cargo, a.s. also manages the ČD Cargo consolidation group which includes entities disclosed in Notes 4.3.1. and 4.3.2. The Company prepares the consolidated financial statements under International Financial Reporting Standards for this group for the year ended 31 December 2014.

1.5. STATUTORY BODIES OF THE COMPANY

The sole owner of the Company is České dráhy, a.s. which acts as the Company's general meeting, the supreme body of the Company, in the capacity as the sole shareholder of the Company. The statutory body of the Company is the three-member Board of Directors, the supervisory body is the seven-member Supervisory Board. The Company established a three-member Audit Committee, the members of which were appointed by the sole shareholder.

BODIES OF THE COMPANY AS OF 31 DECEMBER 2014:

Board of Directors of ČD Cargo, a.s.

- Ivan Bednárik, Chairman of the Board of Directors
- Zdeněk Škvařil, Member of the Board of Directors
- Bohumil Rampula, Member of the Board of Directors

On 27 January 2014, České dráhy, a.s., as the sole shareholder of the Company, acting in the capacity of the general meeting, decided to change the Articles of Association of ČD Cargo, a.s. which defined that the Board of Directors will newly have three members. The change took effect on 17 February 2014.

On 4 February 2014, České dráhy, a.s., as the sole shareholder of the Company, acting in the capacity of the general meeting, recalled Václav Andrýsek as a member of the Board of Directors with effect from 4 February 2014.

On 4 February 2014, České dráhy, a.s., as the sole shareholder of the Company, acting in the capacity of the general meeting, recalled Pavel Lamacz as a member of the Board of Directors with effect from 16 February 2014.

On 4 February 2014, České dráhy, a.s., as the sole shareholder of the Company, acting in the capacity of the general meeting, appointed Karel Adam a member of the Board of Directors with effect from 17 February 2014.

On 30 October 2014, České dráhy, a.s., as the sole shareholder of the Company, acting in the capacity of the general meeting, recalled Oldřich Mazánek, Zdeněk Meidl and Karel Adam as members of the Board of Directors with effect from 31 October 2014.

On 30 October 2014, České dráhy, a.s., as the sole shareholder of the Company, acting in the capacity of the general meeting, appointed Ivan Bednárik, Bohumil Rampula and Zdeněk Škvařil as members of the Board of Directors with effect from 1 November 2014.

At its meeting held on 3 November 2014, the Board of Directors elected Ivan Bednárik Chairman of the Board of Directors.

Supervisory Board of ČD Cargo, a.s.

- Pavel Krtek, Chairman of the Supervisory Board
- Ludvík Urban, Member of the Supervisory Board
- Jan Kasal, Member of the Supervisory Board
- Radek Nekola, Member of the Supervisory Board
- Jindřich Nohal, Member of the Supervisory Board
- Sixth member – vacant as of 31 December 2014
- Seventh member – vacant as of 31 December 2014

On 21 February 2014, České dráhy, a.s., as the sole shareholder of the Company, acting in the capacity of the general meeting, recalled Dalibor Zelený as a member and Chairman of the Company's Supervisory Board and Zdeněk Žemlička as a member of the Company's Supervisory Board with immediate effect.

On 21 February 2014, České dráhy, a.s., as the sole shareholder of the Company, acting in the capacity of the general meeting, appointed Daniel Kurucz and Michal Zděnek members of the Company's Supervisory Board with effect from 22 February 2014.

On 11 March 2014, České dráhy, a.s., as the sole shareholder of the Company, acting in the capacity of the general meeting, decided to change the Articles of Association of ČD Cargo, a.s. which defined that the Supervisory Board will newly have seven members, of which five members are elected by the general meeting and two members are elected by the employees of the Company in line with the election rules approved by the Board of Directors after discussion with labour unions. The change took effect on 15 March 2014.

On 11 March 2014, České dráhy, a.s., as the sole shareholder of the Company, acting in the capacity of the general meeting, recalled Miroslav Zámečník and Dušan Svoboda as members of the Supervisory Board with immediate effect.

On 11 March 2014, České dráhy, a.s., as the sole shareholder of the Company, acting in the capacity of the general meeting, appointed Ludvík Urban and Jan Kasal as members of the Supervisory Board with immediate effect.

On 11 March 2014, České dráhy, a.s., as the sole shareholder of the Company, acting in the capacity of the general meeting, appointed Pavel Krtek a member of the Supervisory Board with effect from 16 March 2014.

At its meeting held on 19 March 2014, the Supervisory Board appointed Daniel Kurucz Chairman of the Supervisory Board.

On 25 November 2014, České dráhy, a.s., as the sole shareholder of the Company, acting in the capacity of the general meeting, recalled Daniel Kurucz and Michal Zděnek as members of the Company's Supervisory Board with immediate effect.

At its meeting held on 19 December 2014, the Supervisory Board appointed Pavel Krtek Chairman of the Supervisory Board.

Audit Committee of ČD Cargo, a.s.

- Oldřich Vojíř – Chairman of the Audit Committee
- Miroslav Zámečník – Member of the Audit Committee
- Libor Joukl – Member of the Audit Committee

On February 2014, České dráhy, a.s., as the sole shareholder of the Company, acting in the capacity of the general meeting, decided to appoint Oldřich Vojíř, Libor Joukl and Miroslav Zámečník members of the Audit Committee of ČD Cargo, a.s. with effect from 16 December 2014.

2. Accounting Policies And General Accounting Principles

The financial statements are prepared and presented in accordance with Accounting Act 563/1991 Coll., as amended, and Regulation 500/2002 Coll., as amended, which provides implementation guidance on certain provisions of Accounting Act 563/1991, as amended, for reporting entities that are businesses maintaining double-entry accounting records, and Czech Accounting Standards for Businesses. Thus prepared financial statements of the Company concurrently represent the statutory financial statements.

The Company additionally prepares financial statements under International Financial Reporting Standards as adopted by the European Union (hereinafter "IFRS"). The separate and consolidated financial statements prepared under IFRS are prepared voluntarily and do not replace the statutory financial statements prepared under the set of standards referred to above.

The accounting books and records are maintained in compliance with general accounting principles, specifically the requirement of fair and true presentation of assets, liabilities, equity, expenses and income and economic result, the historical cost valuation basis with certain exceptions as described in Note 3.4, the accruals principle, the prudence concept and the going concern assumption.

These financial statements are presented in thousands of Czech crowns (CZK '000), unless stated otherwise.

2.1. REPORTING PERIOD

The financial statements of the Company as of 31 December 2014 are prepared as follows:

- The balance sheet contains the information as of 31 December 2014 and the comparative information as of 31 December 2013;
- The profit and loss account contains information for the year ended 31 December 2014 and the comparative information for the year ended 31 December 2013;
- The statement of changes in equity contains the information for the year ended 31 December 2014 and the comparative information for the years ended 31 December 2013 or 2012; and
- The cash flow statement contains the information for the year ended 31 December 2014 and the comparative information for the year ended 31 December 2013.

3. Summary of significant accounting policies

3.1. TANGIBLE FIXED ASSETS

Fixed assets include assets with an estimated useful life greater than one year and an acquisition cost greater than CZK 40 thousand (tangible assets except for land, buildings and constructions). Land, buildings and constructions are treated as fixed assets irrespective of their cost valuation.

With respect to assets defined by Act No. 16/1993 Coll., on Road Tax, as amended, assets also include assets with an acquisition cost lower than CZK 40 thousand. This also applies to all railway vehicles (primarily after the termination of the lease).

Land acquired prior to 1992 and invested as part of the non-cash investment is stated at a value prescribed by the regulation issued by the Finance Ministry ruling at the date of acquisition of assets. Land acquired after the formation of the Company is valued at acquisition cost.

Other tangible fixed assets are stated at acquisition cost.

Tangible assets produced and generated internally by the Company are stated at the cost of production comprising direct costs and an element of administrative overheads.

Tangible assets with an acquisition cost greater than CZK 500 but less than CZK 40 thousand are expensed in the period of acquisition and are maintained only in the underlying operational records. The cost of fixed asset improvements exceeding CZK 40 thousand for the period increases the acquisition cost of the related fixed asset.

Replacement costs are used in valuing gifts and assets identified based on physical inventory which were previously not recorded in the accounting books and records.

The liabilities related to finance or operating lease agreements are not recorded on the balance sheet according to the applicable accounting regulations.

Costs incurred with regard to finance and operating leases are charged to the profit and loss account in the period to which they relate on an accruals basis.

Depreciation and amortisation is calculated on a straight line basis over the estimated useful economic lives of the fixed assets. Railway vehicles are depreciated to the estimated residual value. The estimated useful economic lives for the major categories of assets are as follows:

	Depreciation method	Number of years/ %
Buildings	Straight line	20-50 / 5-2 %
Structures	Straight line	20-50 / 5-2 %
Locomotives (part of locomotives without components)	Straight line	20-25 / 5-4 %
Wagons (part of wagons without components)	Straight line	30 / 3.33%
Machinery and equipment	Straight line	8 - 20 / 12.5 – 5 %

The useful lives of wagons that were modernised were set at 20 years from the modernisation date.

At the balance sheet date, the Company recognises provisions against fixed assets on the basis of an assessment of the fair values of individual items or groups of assets.

Assets held under finance leases are depreciated by the lessor. Technical improvements on leasehold tangible fixed assets are depreciated on a straight line basis over the lease term or the estimated useful life.

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the net book value of the asset at the sale date and is recognised through the profit and loss account.

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3.1.1. Components
Components are repairs that correspond to the definition of the inspection of fault occurrence as set out in Regulation No. 500/2002 Coll., Section 56a (2), and comply with the definitions of components (according to Section 56a [2] of Regulation No. 500/2002 Coll., the component is an inspection of fault occurrence for which the valuation amount is significant in proportion to the amount of the valuation of total assets or a set of assets and the useful life of which significantly differs from the useful life of assets or a set of assets).

At ČD Cargo, components are considered to include major and general repairs of traction vehicles and inspection repairs of wagons and passenger train units.

Components Depreciation
In accordance with Section 56a (3) or (5) of Regulation No. 500/2002 Coll., the Company depreciates the component over the use separately from other components and from the remaining part of assets or a set of assets.

The Company determined a depreciation plan for components which is based on the plan of major and general repairs of traction vehicles and inspection repairs of wagons. With regard to traction vehicles and wagons, the mileage depreciation is based on the actual mileage per month (i.e. actual kilometres). 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 share of the acquisition cost of the relevant component and the maximum mileage which is determined for the specific type of the major and general repair of traction vehicles and inspection repair of wagons. After reaching the maximum mileage, it is necessary to make a new major or general repair of a traction vehicle and a new inspection repair of a wagon.

The major repair of traction vehicles involves the activities made in the general repair; for this reason, these activities corresponding to the general repair are separated from the major repair and recorded as a general repair.

In modernising wagons (extending their useful lives to 20 years) which also involves activities relating to inspection repairs, these activities are separated and recorded as a new component with regard to the relevant wagons. This component is subsequently depreciated in line with the accounting policy disclosed above.

In accordance with the Act on Income Taxes, the inspections for defects in wagons are treated as one-off costs and are not depreciated for tax purposes. In regard to traction vehicles, these inspections are treated as technical improvements and are depreciated for tax purposes together with the remaining part of assets.

The costs relating to technical inspections for defects in wagons are recognised as common expenses of the relevant reporting period.

Components in passenger train units are depreciated over five years.

3.1.2. Valuation Difference on Fixed Assets
The valuation difference on acquired assets is composed of a positive or negative difference between the valuation of the business or part thereof acquired and the sum of the carrying values of individual components of assets of the selling, investing or dissolving entity net of assumed liabilities. A positive difference on acquired assets is amortised to expenses on a straight line basis over 180 months from the acquisition of the business or part thereof or from the effective date of transformation.

3.2. INTANGIBLE FIXED ASSETS
Intangible fixed assets include assets with an estimated useful life greater than one year and an acquisition cost greater than CZK 60 thousand on an individual basis.

Intangible fixed assets are carried at cost. Intangible assets with an acquisition cost lower than CZK 60 thousand are expensed upon acquisition and classified in the underlying operating records.

Amortisation of intangible fixed assets is recorded on a straight line basis over their estimated useful lives as follows:

	Amortisation method	Number of years/%
Research and development	Straight line	3 / 33.3 %
Software	Straight line	5-8 / 12, 5-30 %
Valuable rights	Straight line	6 / 16.7 %
Other intangible fixed assets	Straight line	6 / 16.7 %

3.2.1. Start-up Costs
Start-up costs include expenses relating to the formation of the Company capitalised since the date of the Company's formation. Start-up costs were amortised over five years after the formation of the Company in accordance with Section 65a of the Commercial Code.

3.2.2. Patents and Trademarks
Patents and trademarks are measured initially at purchase cost and are amortised on a straight line basis over their estimated useful lives.

3.3. NON-CURRENT FINANCIAL ASSETS
Non-current financial assets principally consist of loans with maturity exceeding one year, equity investments, securities and equity investments available for sale, and debt securities with maturity over one year held to maturity.

Upon acquisition, securities and equity investments are carried at cost. The cost of securities or equity investments includes the direct costs of acquisition, such as fees and commissions paid to brokers, advisors and stock exchanges.

At the date of acquisition of the securities and equity investments, the Company categorises these non-current financial assets based on their underlying characteristics as equity investments in subsidiaries and associates or debt securities held to maturity, or securities and equity investments available for sale.

Investments in enterprises in which the Company has the power to govern the financial and operating policies so as to obtain benefits from their operations are treated as 'Equity investment in subsidiaries'.

Investments in enterprises in which the Company is in a position to exercise significant influence over their financial and operating policies so as to obtain benefits from their operations are treated as 'Equity investments in associates.'

Equity investments in subsidiaries and associates have been recorded at the value established using the equity method of accounting. The equity investment is recognised at cost upon acquisition and subsequently revalued at the balance sheet date to reflect the value equivalent to the Company's proportion of a subsidiary/associate's equity.

Other non-current financial assets have been valued at cost net of provisions, if any.

3.4. DERIVATIVE FINANCIAL TRANSACTIONS

The Company designates derivative financial instruments as either trading or hedging. The Company's criteria for a derivative instrument to be accounted for as a hedge are as follows:

- At the inception of the hedge, a decision was made regarding hedged items and hedging instruments, the approach to establishing and documenting whether the hedge is effective, and the hedging relationship is formally documented;
- The hedge is highly effective (that is, within a range of 80 percent to 125 percent);
- The hedge effectiveness can be measured reliably and is assessed on an ongoing basis.

If derivative instruments do not meet the criteria for hedge accounting referred to above, they are treated as trading derivatives.

Derivative financial instruments are carried at fair value at the balance sheet date. In determining the fair value, the Company used a reasonable estimate.

The fair value of financial derivatives is determined as the present value of expected cash flows arising from these transactions. The present value is established on the basis of common market-recognised models. Parameters identified on an active market such as foreign exchange rates, yield curves, volatility of relevant financial instruments, etc. are subsequently included in these pricing models.

Fair value changes in respect of trading derivatives are recognised as an expense or income from derivative transactions as appropriate.

Accounting policies by type of the hedging relationship are used for hedging derivatives. The Company uses the cash flow hedge method.

A cash flow hedge is a hedge of the exposure to variability in cash flows that is attributable to a particular risk associated with a legally enforceable contract, a forecasted future transaction, groups of assets, groups of liabilities, legally enforceable contracts, or forecasted future transactions with similar characteristics where the same type and category of risk is the subject of the hedge.

Gains or losses arising over the term of the hedge from changes in fair values of hedging derivatives contracted under cash flow hedging that are attributable to the hedged risks are retained on the balance sheet. The gains or losses are taken to income or expenses in the same period in which the income or expenses associated with the hedged item are recognised. In circumstances where this takes places before the maturity of the derivative, this derivative is internally classified as a fair value hedge derivative. Gains or losses arising from changes in fair values of hedging derivatives contracted under cash flow hedging that are attributable to unhedged risks are recorded as expenses or income from derivative transactions at the measurement date.

3.5. INVENTORY

Purchased inventory is valued at acquisition cost which also includes costs attributable to the acquisition, such as transportation costs, customs duties, and other related indirect costs.

Inventory produced internally is valued at the internal costs of production including direct costs and an element of overhead costs.

Inventory is issued out of stock at costs determined using the weighted arithmetic average method.

Inventory identified during the stock count and previously unrecorded in the accounting records, inventory originating from excess material from the disposal or repairs of fixed assets, or any possible donations are stated at replacement cost.

At the balance sheet date, provisions are made against inventory on the basis of stock taking results. Each type of inventory is assigned a percentage indicating the estimated temporary impairment due to the likelihood of this inventory not being usable for the Company's internal purposes or being disposed of at a price lower than cost.

3.6. RECEIVABLES

Upon origination, receivables are stated at their nominal value. Receivables acquired through assignment are carried at cost.

Receivables due within one year from the balance sheet date are reported as short-term balances. Other receivables are recorded as long-term.

As of the balance sheet date, tax-deductible provisions are recognised against receivables in accordance with Act No. 593/1992 Coll., the Provisioning Act, and tax non-deductible provisions against receivables depending on the periods past their due dates as follows:

- An additionally recognised full provision against receivables past their due dates by more than 721 days;
- An additionally recognised 50% provision against receivables past their due dates between 361 and 720 days;
- An additionally recognised 20% provision against receivables past their due dates between 180 and 360 days.

The above policy does not apply to receivables from the entities from within the České dráhy Group. In addition to the above defined rules, tax non-deductible provisions are recognised on the basis of an individual assessment of the recoverability of receivables.

3.7. TRADE PAYABLES

Upon origination, payables are stated at their nominal value. Payables acquired through assignment are carried at cost.

Payables due within one year from the balance sheet date are reported as short-term balances. Other payables are recorded as long-term.

3.8. LOANS

Loans are stated at their nominal value. The portion of long-term loans maturing within one year from the balance sheet date is included in short-term loans. Borrowing costs arising from loans attributable to the acquisition, construction, or production of fixed assets and accrued until the inclusion of assets are capitalised as part of the cost of such assets. All other borrowing costs are recognised in the profit and loss account in the period in which they are incurred.

3.9. EQUITY

As of the Company's formation date on 1 December 2007, the investment in the Company consisted of the part of business of České dráhy (set of tangible and intangible assets, and staff components of business activities used for the railway freight transportation) in values revalued by an expert. The value of these assets listed in the Deed of Foundation as of the Company's formation date was reported as the Company's share capital and share premium.

Gains or losses from the revaluation of assets and liabilities predominantly include the fair value of hedging derivatives and the value of revaluation of non-current financial assets using the equity method of accounting.

The Company created a social fund. Its creation and use are stipulated by internal guidelines of the Company.

3.10. RESERVES

Reserves are intended to cover future obligations or expenditure, the nature of which is clearly defined and which are likely to be incurred but which are uncertain as to the amount or the date on which they will arise.

The reserve for a potential impact of legal disputes is recognised based on an estimate of the anticipated results of ongoing legal disputes.

The reserve for outstanding vacation days is established on the basis of a reasonable estimate as equal to the estimated future cash outflows triggered by the use of vacation days that remained outstanding at the year's end.

The reserve for business risks is established on the basis of a reasonable estimate as equal to the estimated future cash outflows.

The reserve for complaints in freight transportation is created using a reasonable estimate of the amount of anticipated future cash outflows.

The reserve for employee benefits includes the claim of employees for a financial contribution at life jubilees, financial contribution upon retirement, and payment of treatment fees including salary refunds in wellness stays.

In calculating the employee benefits reserve, the Company used an actuarial model which is based on the 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 such as: anticipated fluctuation 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 10-year government bonds. A change in the amount of the reserve due to the change in these parameters will be reported in profit and loss account line G "Change in reserves and provisions relating to operating activities and complex deferred expenses".

The reserve for restructuring is recognised as equal to the estimated future cash outflows pursuant to the restructuring plan.

Reserves for loss-making transactions are established on the basis of a reasonable estimate as equal to an estimated future liability arising from the loss. The amount includes the difference between the discounted net anticipated income and discounted anticipated expenses.

3.11. FOREIGN CURRENCY TRANSLATION

Transactions denominated in foreign currencies are recorded at the fixed exchange rate announced by the Czech National Bank on the first day of each month. Payments are recorded at the rate prevailing on the payment date. At the balance sheet date, assets and liabilities denominated in foreign currencies are translated at the exchange rate of the Czech National Bank ruling as of that date.

Any resulting foreign exchange rate gains and losses are recorded through the current year's financial expenses or revenues as appropriate.

3.12. FINANCE LEASES

A finance lease is the acquisition of a tangible fixed asset such that, over or after the contractual lease term, ownership title to the asset transfers from the lessor to the lessee; pending the transfer of title the lessee makes lease payments to the lessor for the asset which are charged to expenses.

The initial lump-sum payment related to assets acquired under finance leases is amortised and expensed over the lease period.

3.13. CONTRACTUAL FINES AND DEFAULT INTEREST

In accordance with Czech legislation ruling at the balance sheet date, contractual fines and interest on late payments of receivables and payables are recorded when the receivable originates or the payable is incurred.

3.14. TAXATION

3.14.1. Depreciation of Fixed Assets for Tax Purposes

Depreciation of fixed assets is calculated using the straight line method for tax purposes.

3.14.2. Current Tax Payables

Management of the Company has recognised a tax payable and a tax charge based on its tax calculation which follows from its understanding of the interpretation of Czech tax legislation valid at the financial statements date and believes that the amount of tax is correct in compliance with the effective Czech tax regulations. Since various interpretations of tax laws and regulations by third parties, including state administrative bodies, exist, the income tax payable reported in the Company's financial statements may change based on the ultimate opinion of the tax authorities.

3.14.3. Deferred Tax

Deferred tax is accounted for using the balance sheet liability method. Under the liability method, deferred tax is calculated at the income tax rate that is expected to apply in the period when the tax liability is settled or the asset realised. The balance sheet liability method focuses on temporary differences which are differences between the tax base of an asset or liability and its carrying amount in the balance sheet. The tax base of an asset or liability is the amount that will be deductible for tax purposes in the future.

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

3.15. IMPAIRMENT

At each balance sheet date, the Company reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

3.16. GOVERNMENT GRANTS

Grants received to offset costs are recognised as other operating and financial income over the period necessary to match them with the related costs. Grants received to acquire tangible and intangible fixed assets and technical improvements and grants towards interest expenses added to the cost are deducted in reporting their cost or internal cost.

3.17. REVENUE AND EXPENSES

Revenue from transportation is recognised in the period in which the transportation services were provided.

Expenses and revenue arising from these activities are recognised in the profit or loss in the period to which they relate on an accrual basis.

3.18. USE OF ESTIMATES

The presentation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the balance sheet date and the reported amounts of revenues and expenses during the reporting period. Management of the Company has made these estimates and assumptions on the basis of all the relevant information available to it. Nevertheless, pursuant to the nature of estimates, the actual results and outcomes in the future may differ from these estimates.

3.19. CASH FLOW STATEMENT

The cash flow statement is prepared using the indirect method. Cash equivalents include current liquid assets easily convertible into cash in an amount agreed in advance. Cash and cash equivalents can be analysed as follows:

(CZK '000)	31 Dec 2014	31 Dec 2013
Cash on hand and cash in transit	1 753	1 584
Cash at bank	678 169	438 989
Cash on the cash-pooling account	4 026	380
Total cash and cash equivalents	**683 948**	**440 953**

Cash flows from operating, investment and financial activities presented in the cash flow statement are not offset.

4. Additional information on the balance sheet and profit and loss account

4.1. FIXED ASSETS

4.1.1. Intangible Fixed Assets

Cost

(CZK '000)	Balance as of 31 Dec 2012	Additions	Disposals	Transfers	Balance as of 31 Dec 2013	Additions	Disposals	Transfers	Balance as of 31 Dec 2014
Start-up costs	28 492	0	0	0	28 492	0	0	0	**28 492**
Software	377 273	109 444	25 615	0	461 102	56 593	89 552	0	**428 143**
Valuable rights	139 236	1 532	379	0	140 389	300	16 926	0	**123 763**
Intangible FA under construction	93 017	70 568	112 787	0	50 798	134 302	56 893	0	**128 207**
Total	**638 018**	**181 544**	**138 781**	**0**	**680 781**	**191 195**	**163 371**	**0**	**708 605**

Accumulated Amortisation

(CZK '000)	Balance as of 31 Dec 2012	Additions	Disposals	Transfers	Balance as of 31 Dec 2013	Additions	Disposals	Transfers	Balance as of 31 Dec 2014
Start-up costs	27 067	1 425	0	0	28 492	0	0	0	**28 492**
Software	254 919	37 725	25 615	0	267 029	52 342	86 564	0	**232 807**
Valuable rights	90 062	14 837	379	0	104 520	14 884	16 926	0	**102 478**
Total	**372 048**	**53 987**	**25 994**	**0**	**400 041**	**67 226**	**103 490**	**0**	**363 777**

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Net Book Value

(CZK '000)	Balance as of 31 Dec 2012	Balance as of 31 Dec 2013	Balance as of 31 Dec 2014
Start-up costs	1 425	0	**0**
Software	122 354	194 073	**195 336**
Valuable rights	49 174	35 869	**21 285**
Intangible FA under construction	93 017	50 798	**128 207**
Total	**265 970**	**280 740**	**344 828**

Intangible fixed assets predominantly include the SAP system and the operational business information system – PROBIS. In the year ended 31 December 2014, the Company continued the second phase of the implementation of PROBIS that was acquired for CZK 104,428 thousand of total investments in intangible assets of CZK 134,302 thousand. The upgrade of the IS in the second phase of the PROBIS implementation will be completed and the IS put into use in 2015. Intangible assets additionally include the information system supporting the activities of the freight transporter, development of the SAP information systems, the Microsoft Enterprise Agreement licence, OPT information system, the system for the support of office work, and other systems used by the Company. In 2014, the Company received no subsidies from the Transport Operational Programme.

Intangible fixed assets under construction predominantly include a further extension of software for the railway transportation and financial management of the Company.

4.1.2. Start-up Costs

Start-up costs included capitalised expenses through date of the formation of the Company of CZK 28,492 thousand. Start-up costs were written off in March 2013.

4.2. TANGIBLE FIXED ASSETS

Cost

(CZK '000)	Balance as of 31 Dec 2012	Additions	Disposals	Transfers	Balance as of 31 Dec 2013	Additions	Disposals	Transfers	Balance as of 31 Dec 2014
Land	81 240	0	0	0	81 240	4 621	0	0	85 861
Buildings	1 329 986	80 067	231	0	1 409 822	32 396	690	0	1 441 528
Individual tangible movable assets of which	22 070 259	1 128 665	1 985 519	0	21 213 405	781 890	859 362	0	21 135 933
Components	*3 730 646*	*435 298*	*396 934*	*-258*	*3 768 752*	*369 018*	*220 859*	*509*	*3 917 420*
Machinery and equipment	*484 184*	*4 538*	*6 381*	*6 000*	*488 341*	*36 423*	*9 982*	*60*	*514 842*
Vehicles	*21 579 210*	*1 124 127*	*1 978 070*	*-6 000*	*20 719 267*	*745 467*	*848 522*	*8*	*20 616 220*
Furniture and fixtures	*6 865*	*0*	*1 068*	*0*	*5 797*	*0*	*858*	*-68*	*4 871*
Works of art	48	0	0	0	48	0	0	0	48
Tangible fixed assets under construction	114 492	1 157 136	1 208 732	0	62 896	879 575	822 936	0	119 535
Prepayments for tangible fixed assets	105 237	125 954	231 137	0	54	896	940	0	10
Valuation difference on acquired assets	5 611 411	0	0	0	5 611 411	0	0	0	5 611 411
Total	**29 312 673**	**2 491 822**	**3 425 619**	**0**	**28 378 876**	**1 699 378**	**1 683 928**	**0**	**28 394 326**

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Accumulated Depreciation

(CZK '000)	Balance as of 31 Dec 2012	Additions	Disposals	Transfers	Balance as of 31 Dec 2013	Additions	Disposals	Transfers	Balance as of 31 Dec 2014
Buildings	611 597	32 977	221	0	644 353	34 706	688	0	**678 371**
Individual tangible movable assets of which	13 755 968	632 817	909 043	0	13 479 742	559 711	270 393	0	**13 769 060**
Components	*1 502 522*	*327 023*	*141 997*	*-8*	*1 687 540*	*259 223*	*110 756*	*0*	*1 836 007*
Machinery and equipment	*313 029*	*29 938*	*6 159*	*3 891*	*340 699*	*29 646*	*9 912*	*46*	*360 479*
Vehicles	*13 436 711*	*602 716*	*901 838*	*-3 891*	*13 133 698*	*529 942*	*259 633*	*22*	*13 404 029*
Furniture and fixtures	*6 228*	*163*	*1 046*	*0*	*5 345*	*123*	*848*	*-68*	*4 552*
Valuation difference on acquired assets	3 093 298	681 759	409 739	0	3 365 318	251 898	0	0	**3 617 216**
Total	**17 460 863**	**1 347 553**	**1 319 003**	**0**	**17 489 413**	**846 315**	**271 081**	**0**	**18 064 647**

Provisions

(CZK '000)	Balance as of 31 Dec 2012	Additions	Disposals	Balance as of 31 Dec 2013	Additions	Disposals	Balance as of 31 Dec 2014
Land	0	0	0	0	176	0	176
Buildings	0	137	0	137	118	137	118
Individual tangible movable assets	57 654	91 592	0	149 246	167 991	149 246	167 991
Vehicles	*57 654*	*91 592*	*0*	*149 246*	*167 991*	*149 246*	*167 991*
Prepayments for tangible FA	0	0	0	0	0	0	0
Total	**57 654**	**91 729**	**0**	**149 383**	**168 285**	**149 383**	**168 285**

Net Book Value

(CZK '000)	Balance as of 31 De 2012	Balance as of 31 De 2013	Balance as of 31 De 2014
Land	81 240	81 240	**85 685**
Buildings	718 389	765 332	**763 039**
Individual tangible movable assets	8 256 637	7 584 417	**7 198 882**
of which components	*2 228 124*	*2 081 212*	*2 081 413*
Machinery and equipment	*171 155*	*147 642*	*154 363*
Vehicles	*8 084 845*	*7 436 323*	*7 044 200*
Furniture and fixtures	*637*	*452*	*319*
Works of art	48	48	**48**
Tangible fixed assets under construction	114 492	62 896	**119 535**
Prepayments for tangible fixed assets	105 237	54	**10**
Valuation difference on acquired assets	2 518 113	2 246 093	**1 994 195**
Total	**11 794 156**	**10 740 080**	**10 161 394**

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During the year ended 31 December 2013, the Company sold 86 traction vehicles and 767 wagons to the subsidiary Koleje Czeskie. The traction vehicles were disposed of in the amount of CZK 479,483 thousand and sold for CZK 718,560 thousand. The wagons were disposed of in the net book value of CZK 6,193 thousand and sold for CZK 257,377 thousand. The selling price of the sold wagons and traction vehicles was determined on the basis of an expert valuation report.

Real estate predominantly includes buildings and land. Land and buildings exclude the assets forming the railway route which are owned by the state.

Vehicles predominantly include rail vehicles (traction vehicles, wagons) used for the operations of the railway freight transportation. These items are provisioned as equal to the difference between the accounting net book value and the recoverable amount in the amount of CZK 167,991 thousand.

Principal additions to individual tangible movable assets in the year ended 31 December 2014 included the modernisation of wagons of CZK 310,946 thousand, inspection repairs (components) of wagons of CZK 196,812 thousand, major and general repairs (components) of traction vehicles of CZK 217,674 thousand, and technical improvements on wagons of CZK 41,546 thousand.

In the years ended 31 December 2014 and 2013, the Company acquired tangible fixed assets recognised in expenses in the amounts of CZK 25,663 thousand and CZK 25,908 thousand, respectively. These assets are low value tangible assets comprising other movable assets and sets of movable assets with an estimated useful life greater than one year not reported within fixed assets. These assets are accounted for as inventory and they are expensed.

Prepayments made for tangible fixed assets amount to CZK 10 thousand and CZK 54 thousand as of 31 December 2014 and 2013, respectively.

In the year ended 31 December 2014, the Company carried out the first stage of wagon scrapping – 299 wagons were scrapped. With regard to other wagons and traction vehicles intended for scrapping, the Company mapped the current physical condition, recorded parts that could be used as spare parts for repairs and the remaining parts of wagons intended for direct scrapping. Management of the Company anticipates that the scrapping process will continue in the following years.

4.2.1. Fixed Assets Pledged as Security

As of 31 December 2014 and 2013, no assets of the Company were pledged as security.

4.2.2. Investment Grants

In the year ended 31 December 2014, the Company obtained the investment grants totalling CZK 23,920 thousand for equipping 104 traction vehicles with GSM-R radio stations. In 2013, the Company received investment grants of CZK 59,123 thousand.

4.2.3. Assets Held under Finance Leases

Finance Leases

Description (CZK '000)	Lease company	Date of inception	Term in months	Total lease value (net of VAT)	Payments made as of 31 Dec 2014 from the inception of the lease	To be paid in total including the purchase	Due in 2015	Due in the following years
Locomotive 709	ING Lease	1/07	120	55 777	44 515	11 262	5 570	5 692
Locomotive 753	ING Lease	12/08	120	1 144 610	605 509	539 101	112 038	427 063
Locomotive 230	ČSOB Leasing	12/10	120	272 268	135 107	137 161	23 181	113 980
TV 363 ČSOB 1st tranche	ČSOB Leasing	12/12	120	396 274	118 017	278 257	34 782	243 475
TV 363 SGE 1st tranche	SG Equipment	12/12	120	394 886	117 604	277 282	34 660	242 622
TV 363 ČSOB 2nd tranche	ČSOB Leasing	7/13	120	420 224	102 762	317 462	36 986	280 476
TV 363 SGE 2nd tranche	SG Equipment	7/13	120	420 359	102 795	317 564	36 998	280 566
TV 363 SGE 3rd tranche	Raiffeisen leasing	5/14	120	862 073	147 856	714 217	75 846	638 371
Wagons:								
Sgnss	ING Lease	1/07	120	412 053	322 003	90 050	39 914	50 136
Zacns	Railco	10/10	120	199 559	82 555	117 004	19 926	97 078
Wagons 1,145 pieces	Financial Found	12/09	120	1 476 505	869 005	607 500	121 500	486 000
Total				**6 054 588**	**2 647 728**	**3 406 860**	**541 401**	**2 865 459**

Note: The total lease value during the payment of instalments is impacted by the change in interest rates.

On 24 February 2005, České dráhy, a.s. concluded a framework lease contract for the financing of the purchase of railway wagons under finance leases in the aggregate amount of CZK 1,200,000 thousand. České dráhy, a. s. issued a blank bill of exchange with a restrictive clause in favour of CitiLeasing, s.r.o. as collateral for the lease contracts. With effect from 1 December 2006, ownership rights for assets which are subject to leases were transferred from CitiLeasing, s.r.o. to Fortis Lease Czech, s.r.o. In accordance with the bill of exchange arrangement, the lessor will be entitled to fill in the bill of exchange sum equalling the due lease amount including accrued interest, with the limit of 40 percent of the acquisition cost net of VAT of the leased asset in the event that the lease contract is breached. As a result of the termination of the activities of Fortis Lease Czech, s.r.o., the outstanding principal amount was transferred to Raiffeisen – Leasing, s.r.o. with effect from 1 April 2011.

In relation to the formation of the subsidiary ČD Cargo, a. s. principally engaged in railway freight transportation, all rights (receivables) and payables arising from this framework lease contract with České dráhy, a. s. were transferred to the Company with effect from 1 December 2007.

In addition, České dráhy, a.s. concluded contract no. 01/2007 with Deutsche Leasing, s.r.o. for the lease of 100 Sggmrss 90´ wagons and 200 Sggrss 80´ wagons on 2 August 2007. The aggregate amount of payments including the purchase price of Sggmrss 90´ wagons and Sggrss wagons is CZK 381,803 thousand and CZK 709,065 thousand, respectively. These wagons were supplied by Deutsche Leasing spol. s.r.o. on a gradual basis. Each wagon has its own repayment schedule which includes the breakdown of 60 monthly payments and the repurchase price. In relation to the formation of the subsidiary ČD Cargo, a. s., all rights from this lease contract were transferred from České dráhy, a. s. to ČD Cargo, a.s. with effect from 1 December 2007.

On 9 July 2008, ČD Cargo, a.s. concluded a lease contract for the financing of 30 modernised 753.7 series locomotives with ING Lease (ČR), s.r.o., with gradual supply according to the schedule until 30 June 2010 in the form of finance leases in the aggregate amount of CZK 1,004,410 thousand (net of VAT). The lease period was determined to be 10 years (120 even payments). Each leased asset referred to above is paid based on the individual payment schedule. 19 modernised locomotives out of the leased assets referred to above were supplied before 31 December 2009.

On 30 December 2009, ČD Cargo, a.s. concluded three contracts for the sale with a subsequent finance lease-back with Financial Found a.s., for a total of 1,145 railroad vehicles with the selling price of CZK 1,161,505 thousand (net of VAT). In 2009, the extraordinary lease payment (initial lump-sum payment) of CZK 261,505 thousand (net of VAT) was made. The lease term was determined to be 10 years (120 even payments of CZK 10,125 thousand net of VAT).

Lease payments remain unchanged over the lease period unless the 12M PRIBOR rate changes always as of the end of the reporting period, however, for the first time as of 31 December 2011 by more than 1% as compared to 12M PRIBOR applicable for the first period.

On 24 November 2010, ČD Cargo, a.s. concluded a contract for the sale with a subsequent finance lease-back with ČSOB Leasing, a.s. in the aggregate volume of seven electric alternating-current locomotives with the selling price of CZK 210,450 thousand (net of VAT). The initial lump sum prepayment of CZK 40,450 thousand (net of VAT) was offset in full against the receivable of ČD Cargo, a.s. for the selling price of locomotives in 2010. The lease period was determined to be 10 years (120 even payments of CZK 1,932 thousand net of VAT). Each individual leased asset referred to above is paid on the basis of a standalone payment schedule.

On 15 June 2010, ČD Cargo, a.s. concluded a contract for the lease of 50 Zacns tank wagons with Finrail, s.r.o. with the selling price of CZK 140,000 thousand (net of VAT). The lease period was determined to be 10 years (120 even payments of CZK 1,665 thousand net of VAT). Lease payments remain unchanged over the lease period unless the 12M PRIBOR rate changes always as of the end of the reporting period, however, for the first time as of 31 December 2011 by more than 1% as compared to 12M PRIBOR applicable for the first period. In June 2012, Finrail s.r.o. was renamed to Railco.

On 14 December 2012, ČD Cargo, a.s. concluded a contract for the funding of traction vehicle modernisation through leaseback, specifically five 363.5 series traction vehicles, with SG Equipment Finance Czech Republic, s.r.o. The selling price was CZK 321,885 thousand (net of VAT). The initial lump sum prepayment of CZK 48,283 thousand (net of VAT) was due as of the day when the leased asset was taken over. The lease period is determined to be 10 years (120 payments of CZK 2,888 thousand net of VAT). Lease payments remain unchanged over the lease period. Each of the above-stated leased assets is paid based on an individual payment schedule.

On 14 December 2012, ČD Cargo, a.s. concluded a contract for the funding of traction vehicle modernisation through leaseback, specifically five 363.5 series traction vehicles, with ČSOB Leasing, a.s. The selling price was CZK 323,017 thousand (net of VAT). The initial lump sum prepayment of CZK 48,453 thousand (net of VAT) was due as of the day when the leased asset was taken over. The lease period is determined to be 10 years (120 payments of CZK 2,899 thousand net of VAT). Lease payments remain unchanged over the lease period. Each of the above-stated leased assets is paid based on an individual payment schedule.

On 22 July 2013, the Company concluded a contract for the funding of traction vehicle modernisation of traction vehicles through leaseback, specifically five 363.5 series traction vehicles, with SG Equipment Finance Czech Republic, s.r.o. The selling price was CZK 335,881 thousand (net of VAT). The initial lump sum prepayment of CZK 50,382 thousand (net of VAT) was due as of the day when the leased asset was taken over. The lease period is determined to be 10 years (120 payments of CZK 3,083 thousand net of VAT). Lease payments remain unchanged over the lease period.

On 22 July 2013, the Company concluded a contract for the funding of modernised traction vehicle through leaseback, specifically five 363.5 series traction vehicles, with ČSOB Leasing, a.s. The selling price was CZK 335,773 thousand (net of VAT). The initial lump sum prepayment of CZK 50,366 thousand (net of VAT) was due as of the day when the leased asset was taken over. The lease period is determined to be 10 years (120 payments of CZK 3,082 thousand net of VAT). Lease payments remain unchanged over the lease period.

On 13 May 2014, the Company concluded a contract for the funding of modernised traction vehicle through leaseback, specifically ten 363.5 series traction vehicles, with Raiffeisen – Leasing, s.r.o. The selling price was CZK 690,753 thousand (net of VAT). The initial lump sum prepayment of CZK 103,613 thousand (net of VAT) was due as of the day when the leased asset was taken over. The lease period is determined to be 10 years (120 payments of CZK 6,321 thousand net of VAT). Lease payments remain unchanged over the lease period.

4.2.4. Operating Leases

In the year ended 31 December 2009, the Company held cars under operating leases. The aggregate amount of leases was CZK 36,211 thousand as of 31 December 2014. During 2014, payments made amounted to CZK 13,838 thousand. During 2013, instalments made amounted to CZK 18,232 thousand.

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In August 2010, the Company concluded the contract for the lease of computers (end equipment – desktops, laptops) with ČD-Informační systémy, a.s. The total operating lease payments as of 31 December 2014 and 2013 amounted to CZK 37,882 thousand and CZK 38,829 thousand, respectively. The total operating lease payments as of 31 December 2014 and 2013 amounted to CZK 10,875 thousand and CZK 10,749 thousand, respectively.

4.3. NON-CURRENT FINANCIAL ASSETS

■ Cost

(CZK '000)	Carrying value				Carrying value				Carrying value
	Balance as of 31 Dec 2012	Addition	Disposal	Revaluation as of 31 Dec 2012	Balance as of 31 Dec 2013	Addition	Disposal	Revaluation as of 31 Dec 2012	Balance as of 31 Dec 2014
Equity investments in subsidiaries	129 458	266 240	11 864	79 721	463 555	0	102	-5 166	458 287
Equity investments in associates	52 162	0	0	4 283	56 445	0	0	-15 961	40 484
Total	**181 620**	**266 240**	**11 864**	**84 004**	**520 000**	**0**	**102**	**-21 127**	**498 771**

4.3.1. Equity Investments in Subsidiaries

■ Year Ended 31 December 2014

Name of the entity (CZK '000)	Registered office	Valuation as of 31 Dec 2014	Addition	Disposal	Revaluation	Ownership percentage	Equity	Profit or loss	Valuation as of 31 Dec 2014
CD Generalvertretung GmbH	Kaiserstrasse 60, 60 329 Frankfurt am Main, Germany	23 824	0	0	-3 020	100	20 804	19 418	20 804
Koleje Czeskie Sp. z o.o.	Grzybowska nr 4, lok. 3, 00-131 Warsaw, Poland	372 195	0	0	-9 119	100	363 077	-3 157	363 076
CD – Generalvertretung Wien GmbH	Rotenturmstraße 22/24, 1010 Vienna, Austria	0	0	0	0	0	1 813	415	0
Generálne zastúpenie ČD Cargo, s.r.o.	Prievozská 4/B, 821 09 Bratislava	0	0	1,61	-	-	0		
Terminal Brno, a.s.	Brno, K terminálu 614/11, 619 00	45 988	0	0	-545	66.93	67 896	-815	45 443
ČD-DUSS Terminál, a.s.	Lovosice, Lukavecká 1189, 410 02	3 723	0	0	1 368	51	9 981	2 682	5 091
ČD Logistics, a.s.	Prague 1, Opletalova 1284/37, 110 00	17 825	0	0	6 048	56	42 631	10 800	23 873
Auto Terminal Nymburk, s.r.o.	Jankovcova 1569/2c, 170 00 Prague 7	0	0	0	0	100	-	-	0
Celkem		**463 555**	**0**	**0**	**-5 268**				**458 287**

– Equity and profit or loss of certain entities are preliminary unaudited figures.

Year Ended 31 December 2013

Name of the entity (CZK '000)	Registered office	Valuation as of 31 Dec 2012	Addition	Disposal	Revaluation	Ownership percentage	Equity	Profit or loss	Valuation as of 31 Dec 2013
CD Generalvertretung GmbH	Kaiserstrasse 60, 60 329 Frankfurt am Main, Germany	18 613	0	0	5 211	100	23 824	22 453	23 824
Koleje Czeskie Sp. z o.o.	Grzybowska nr 4, lok. 3, 00-131 Warsaw, Poland	43 398	259 151	0	69 646	100	372 195	67 358	372 195
CD – Generalvertretung Wien GmbH	Rotenturmstraße 22/24, 1010 Vienna, Austria	1 844	5 952	7 796	0	0	1 385	-6 936	0
Generálne zastúpenie ČD Cargo, s.r.o.	Prievozská 4/B, 821 09 Bratislava	3 033	1 035	4 068	0	1.61	-	-	0
Terminal Brno, a.s.	Brno, K terminálu 614/11, 619 00	45 964	0	0	24	66.93	68 711	44	45 988
ČD-DUSS Terminál, a.s.	Lovosice, Lukavecká 1189, 410 02	3 514	0	0	209	51	7 299	455	3 723
ČD Logistics, a.s.	Opletalova 1284/37, Prague 1, 110 00	12 892	0	0	4 933	56	31 831	8 810	17 825
Auto Terminal Nymburk, s.r.o.	Jankovcova 1569/2c, 170 00 Prague 7	200	0	0	-200	100	-	-	0
ČD Interport, s.r.o.	**Jankovcova 1569/2c, PSČ 170 00 Prague 7**	0	102	0	-102	51	-	-	0
Total		**129 458**	**266 240**	**11 864**	**79 721**				**463 555**

– Equity and profit or loss of certain entities are preliminary unaudited figures.

TERMINAL BRNO, A.S.
The company was formed on 20 December 2007 through a cash investment and recorded in the Register of Companies on 25 July 2008. The share capital is CZK 2,000 thousand. The equity investment in ČD Cargo was 60.50 percent (i.e. CZK 1,210 thousand). With effect from 11 November 2010, Terminal Brno, a.s. increased its share capital through a non-cash investment of CZK 53,350 thousand to CZK 55,350 thousand. Through a non-cash investment of CZK 35,840 thousand, ČD Cargo, a.s. increased its equity investment to 66.94% (i.e. CZK 37,050 thousand). As of 31 December 2012, the intent to increase the share capital by CZK 16,200 thousand from CZK 55,350 thousand to the final balance of CZK 71,550 thousand was recorded in the Register of Companies. The General Meeting decided on the increase on 8 October 2012. This increase in the share capital was recorded in the Register of Companies on 31 January 2013 and resulted in a slight change in the equity investment of the Company to 66.93% (i.e. CZK 47.89 million). Principal activities include the operations of the combined transportation terminal in Brno. The company started its business activities in the second quarter of 2011.

ČD LOGISTICS, A.S.
The company was formed through a cash investment on 17 April 2007 and recorded in the Register of Companies on 16 June 2007. The share capital amounts to CZK 10,000 thousand. On 28 January 2008, ČD Cargo, a.s. purchased a 34% equity investment in ČD Logistics, a.s. (CZK 3,400 thousand). On 2 December 2009, ČD Cargo, a.s. purchased a 22% equity share in ČD Logistics, a.s. (CZK 2,200 thousand). On 22 December 2014, EXIMTRA a.s. transferred 22% of the shares of ČD Logistics, a.s. to ČD Cargo, a.s. Currently, ČD Cargo, a.s. owns 78% of the share capital of ČD Logistics, a.s. (i.e. CZK 7,800 thousand of the share capital). This transfer of shares was not recorded in the Register of Companies as of 31 December 2014. For this reason, the purchase of the 22% equity investment of CZK 10,000 thousand is reported in the 'Purchased non-current financial assets' account. The company is managed under the "German" governance method. The company is engaged in shipping.

ČD-DUSS TERMINÁL, A.S.
The company was recorded in the Register of Companies on 1 March 2007. The share capital amounts to CZK 4,000 thousand. CD Cargo, a.s. obtained the equity investment amounting to 51% (i.e. CZK 2,040 thousand) from České dráhy, a.s. as a capital investment upon its formation. The company is engaged in operations of the container terminal in Lovosice.

CD GENERALVERTRETUNG GMBH
The company was formed through a cash transaction and recorded in the Register of Companies in Germany on 11 October 2004. The share capital amounts to EUR 50 thousand. ČD Cargo, a.s. is the sole owner. The company is engaged in the mediation of services in freight transportation on behalf of and for ČD Cargo, a.s. and shipping.

KOLEJE CZESKIE SP. Z O.O.
The company was formed through a cash investment and recorded in the Register of Companies in Poland on 18 December 2006. The share capital was PLN 100 thousand. ČD Cargo is the sole owner. On 5 June 2013, a cash increase in the share capital to PLN 41,966 thousand was recorded in the Register of Companies. The company is engaged in the mediation of services in freight transportation on behalf of and for ČD Cargo, a.s., shipping and lease of railway wagons and traction vehicles.

CD - GENERALVERTRETUNG WIEN GMBH
The company was formed on 19 March 2007 through a cash investment and recorded in the Register of Companies in Austria on 30 March 2007. The share capital amounted to EUR 45 thousand. ČD Cargo, a.s. was the sole shareholder. On 5 June 2013, an increase in the share capital to EUR 275 thousand was recorded in the Register of Companies. The Company sold its equity investment in this entity to CD Generalvertretung GmbH. The change in the owner was recorded in the Register of Companies on 23 July 2013. The company is engaged in mediation of services in freight transportation on behalf of and for ČD Cargo, a.s. and shipping.

GENERÁLNE ZASTÚPENIE ČD CARGO, S.R.O.
The company was formed on 4 August 2008 through a cash investment and recorded in the Register of Companies in Slovakia on 24 September 2008. The share capital is SKK 200 thousand. Since 5 September 2009, the share capital translated to EUR 6,639 has been recorded in the Register of Companies. ČD Cargo, a.s. was the sole owner. On 12 July 2013, an increase in the share capital to EUR 46,639

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was recorded in the Register of Companies. In 2013, the Company sold its majority investment (98.39%) in this entity to Koleje Czeskie Sp. z o.o. and kept an equity investment of 1.61%. The new owner was recorded in the Register of Companies on 22 August 2013. The company is engaged in mediation of services in freight transportation on behalf of and for ČD Cargo, a.s. and shipping. On 17 December 2014, ČD Cargo, a.s. purchased the equity investment of 93.39% from Koleje Czeskie Sp. z o.o. and consequently became its sole owner. The purchase of the remaining equity investment was recorded in the Register of Companies on 13 January 2015.

AUTO TERMINAL NYMBURK, S.R.O.
The company was formed on 30 August 2012 through a cash investment and recorded in the Register of Companies on 24 October 2012. The share capital is CZK 200 thousand. The sole owner is ČD Cargo, a.s. The company is engaged in shipping and technical services in transportation. The company is dormant.

ČD INTERPORT, S.R.O.
The company was formed on 19 February 2013 through a cash investment and recorded in the Register of Companies on 11 March 2013. The share capital amounted to CZK 200 thousand. The equity investment of the Company in this entity was 51% (i.e. CZK 102 thousand). In 2014, ČD Cargo, a.s. sold its equity investment in this entity to INTERPORT PARTNERS GROUP, a.s. The change in the owner was recorded in the Register of Companies as of 31 January 2014. The company is engaged in shipping.

4.3.2. Equity Investments in Associates

Year Ended 31 December 2014

Name of the entity (CZK '000)	Registered office	Valuation as of 31 Dec 2013	Revaluation	Ownership percentage	Equity	Profit or loss	Valuation as of 31 Dec 2014
BOHEMIAKOMBI, spol. s r.o.	Prague 1, Opletalova 6, 110 00	2 837	449	30	10 954	1 498	3 286
Ostravská dopravní společnost, a.s.	Ostrava, Přívoz, U Tiskárny 616/9, 702 00	41 558	-20 574	20	104 920	17 132	20 984
RAILLEX a.s.	Prague 5, Trnkovo nám. 3/1112, 152 00	12 050	4 164	50	32 428	8 819	16 214
Total		**56 445**	**-15 961**				**40 484**

– Equity and profit or loss of certain entities are preliminary unaudited figures

Year Ended 31 December 2013

Name of the entity (CZK '000)	Registered office	Valuation as of 31 Dec 2012	Revaluation	Ownership percentage	Equity	Profit or loss	Valuation as of 31 Dec 2013
BOHEMIAKOMBI, spol. s r.o.	Prague 1, Opletalova 6, 110 00	4 514	-1 677	30	9 456	-5 591	2 837
Ostravská dopravní společnost, a.s.	Ostrava, Přívoz, U Tiskárny 616/9, 702 00	37 955	3 603	20	207 788	24 657	41 558
RAILLEX a.s.	Prague 5, Trnkovo nám. 3/1112, 152 00	9 693	2 357	50	24 101	8 003	12 050
Total		**52 162**	**4 283**				**56 445**

– Equity and profit or loss of certain entities are preliminary unaudited figures

RAILLEX, A.S.
The company was formed through a cash investment and recorded in the Register of Companies on 17 June 2006. The share capital is CZK 2,000 thousand. ČD Cargo, a.s. holds the equity investment of 50 % (CZK 1,000 thousand). The company is managed using a standard governance method. The company is engaged in the handling of cargo and technical services in transportation.

BOHEMIAKOMBI, SPOL. S R.O.
The company was formed through a cash investment and recorded in the Register of Companies on 17 April 1992. The share capital is CZK 6,000 thousand. ČD Cargo, a.s. holds an equity investment of 30 percent (CZK 1,800 thousand). The company is engaged in mediation of services in transportation except for transportation by its own vehicles.

OSTRAVSKÁ DOPRAVNÍ SPOLEČNOST, A.S.
The company was recorded in the Register of Companies on 30 May 1995. The share capital is CZK 15,000 thousand. The equity investment of ČD Cargo, a.s. is 20 percent (i.e. CZK 3,000 thousand). The company is managed under the "German" governance method. The company is engaged in operating railway transportation and lease of locomotives.

4.3.3. Loans and Borrowings – Controlled or Controlling Entity, Substantial Influence

On 17 December 2014, the Company concluded a loan contract with Koleje Czeskie Sp. Z. o.o. for the payment of the remaining purchase price of Eas 51 and Falls 11 wagons. The loan amounts to CZK 234,958 thousand as of 31 December 2014. The loan will mature as of 31 December 2016. It is reported in line B.III.4 Loans and borrowings – controlled or controlling entity, substantial influence.

In the past, ČD Cargo concluded a loan contract and a contract for the sale of a railway siding with RAILLEX, a.s. (in which ČD Cargo holds 50 %). The below table shows the current balance of outstanding receivables.

Balance as of 31 December 2014

BORROWING (CZK '000)	Long-term portion of the loan	Short-term portion of the loan	Total
Total	**0**	**2 400**	**2 400**
Principal	0	2 400	2 400
Interest	0	36	36
RAILWAY SIDING	**Long-term portion of the loan**	**Short-term portion of the loan**	**Total**
Total	**0**	**1 587**	**1 587**
Principal	0	1 548	1 548
Interest	0	39	39

The long-term portion of the unpaid loan including interest as of 31 December 2014 was settled as of 31 December 2014. The short-term portion of CZK 2,436 thousand is presented in line C.III.3. "Receivables – substantial influence".

The short-term portion of the receivable arising from the sale of a railway siding including interest of CZK 1,587 thousand is presented in line C.III.3. "Receivables – substantial influence".

Balance as of 31 December 2013

BORROWING (CZK '000)	Long-term portion of the loan	Short-term portion of the loan	Total
Total	**2 436**	**5 016**	**7 452**
Principal	2 400	4 800	7 200
Interest	36	216	252
RAILWAY SIDING	**Long-term portion of the loan**	**Short-term portion of the loan**	**Total**
Total	**0**	**3 212**	**3 212**
Principal	0	3 096	3 096
Interest	0	116	116

The long-term portion of the unpaid loan including interest as of 31 December 2013 of CZK 2,436 thousand is presented in financial statements line B.III.4. "Loans and borrowings – controlled or controlling entity". The short-term portion of CZK 5,016 thousand is presented in line C.III.3. "Receivables – substantial influence".

The long-term receivable arising from the sale of a railway siding including interest was settled as of 31 December 2013. The short-term portion of CZK 3,212 thousand is presented in line C.III.3. "Receivables – substantial influence".

4.4. INVENTORY

(CZK '000)	31 Dec 2014	31 Dec 2013
Spare parts and other components for rail vehicles and locomotives	66 885	55 447
Other spare parts and other low value components	65 941	74 415
Fuels and other crude oil based products	3 668	3 865
Rail switches, turntables, traversers and components for the track superstructure	876	900
Work shoes and protective supplies	1 249	805
Other	11 310	10 941
Total acquisition cost	**149 929**	**146 373**
Provisions	0	0
Net balance	**149 929**	**146 373**

In the years ended 31 December 2014 and 2013, the Company recognised no provisions pursuant to the inventory count.

4.5. SHORT-TERM RECEIVABLES

4.5.1. Trade Receivables

Receivables (CZK '000)	Total	Before due date	Past due date	1-90	91-180	181-365	366-730	over 730
31 Dec 2014 gross	1 534 555	1 294 968	239 587	80 385	15 441	10 801	32 727	100 233
31 Dec 2014 provisions	-211 531	-68 605	-142 926	0	-11 195	-1 871	-29 627	-100 233
31 Dec 2014 net	1 323 024	1 226 363	96 661	80 385	4 246	8 930	3 100	0
31 Dec 2013 gross	1 781 612	1 498 119	283 493	87 562	27 891	10 230	31 670	126 140
31 Dec 2013 provisions	-137 267	0	-137 267	0	-18 851	-2 019	-21 592	-94 805
31 Dec 2013 net	1 644 345	1 498 119	146 226	87 562	9 040	8 211	10 078	31 335

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Receivables past their due date principally include receivables arising from unpaid VAT by foreign railway organisations and receivables from railway organisations from the Balkans. Older receivables are being recovered through foreign courts. Newer receivables are being addressed by the Company actively with the debtors, or using regional shipment companies. A minor part of receivables is regularly compensated within the UIC.

Provisions against receivables as of 31 December 2014 are recognised in line with the accounting policies described in detail in Note 3.6.

4.5.2. Short-Term Intercompany Receivables

- **Short-term trade receivables**

Name of the entity (CZK '000)	Balance as of 31 Dec 2014	Balance as of 31 Dec 2013
České dráhy a.s.	4 032	6 130
ČD – Telematika, a.s.	9	18
ČD -- Informační Systémy, a.s.	0	0
DPOV, a.s.	1 293	1 586
ČD travel, s.r.o.	0	0
Dopravní vzdělávací institut, a.s.	0	0
Výzkumný Ústav Železniční, a.s.	1 474	1 959
RAILREKLAM, spol. s r.o.	0	0
Jídelní a lůžkové vozy, a.s.	0	0
Smíchov Station Development, a.s.	0	0
Žižkov Station Development, a.s.	0	0
Masaryk Station Development, a.s.	0	0
Centrum Holešovice, a.s.	0	0
CD Generalvertretung GmbH	21 037	31 984
CD Generalvertretung Wien GmbH	152	230
Koleje Czeskie Sp. z o.o.*	9 236	285 907
Generálne zastúpenie ČD Cargo, s.r.o.	12 231	7 903
ČD Logistics, a.s.	81 469	103 448
ČD-DUSS Terminal, a.s.	15	12
Terminal Brno, a.s.	13	25
Auto Terminal Nymburk, s.r.o.	0	0
RAILLEX, a.s.	5 012	3 622
BOHEMIAKOMBI, spol. s r.o.	949	1 713
Ostravská dopravní společnost, a.s.	24 202	10 087
Total short-term intercompany receivables	**161 124**	**454 624**

** Receivables reclassified to a loan disclosed in Note 4.3.3.*

4.6. ESTIMATED RECEIVABLES

As of 31 December 2014 and 31 December 2013, the Company recognised estimated receivables as follows:

(CZK '000)	31 Dec 2014	31 Dec 2013
Income from international transportation of wagon loads - wexport	16 606	17 928
Income from international transportation of wagon loads - import	31 962	24 247
Income from international transportation of wagon loads - transit	24 165	44 320
Income from local transportation of wagon loads	21	0
Income from border services	36 698	34 099
Estimated receivables - ČD, a.s.	14	4
Other estimated receivables (lease and repairs of wagons, damages)	109 906	109 500
Total estimated receivables	**219 372**	**230 098**

4.7. OTHER RECEIVABLES

Other receivables primarily include short-term receivables arising from deficits and damage. In the year ended 31 December 2014, the Company recognised provisions for other receivables of CZK 5,945 thousand on the basis of the individual assessment of potential recoverability of receivables.

4.8. DEFERRED EXPENSES

Deferred expenses amounted to CZK 511,982 thousand and CZK 473,326 thousand as of 31 December 2014 and 31 December 2013, respectively. As of 31 December 2014, this amount predominantly included finance lease instalments of CZK 415,753 thousand. As of 31 December 2013, these payments amounted to CZK 368,111 thousand.

4.9. EQUITY

4.9.1. Share Capital

As of 31 December 2009, the share capital of the Company was composed of the non-cash investment of a business part of České dráhy, a.s. as the sole shareholder and amounted to CZK 8,800,000 thousand.

On 2 June 2009, České dráhy, a.s., acting in the capacity of the General Meeting, adopted the resolution on the decrease in the share capital of ČD Cargo, a.s. in accordance with Section 213a of the Commercial Code, from CZK 8,800,000 thousand to CZK 8,494,000 thousand. As of the balance sheet date, on 31 December 2014, the Company records the share capital of CZK 8,494,000 thousand paid in full.

4.9.2. Changes in Equity

Changes in equity are presented in the Statement of Changes of Equity as of 31 December 2014.

4.10. GAINS AND LOSSES FROM THE REVALUATION OF ASSETS AND LIABILITIES

(CZK '000)	31 Dec 2014	31 Dec 2013
Valuation of derivatives hedging future cash flows	-101 645	-157 423
Valuation of an equity investment accounted for using the equity method of accounting	142 478	163 606
Deferred tax on derivatives	19 312	29 910
Total	**60 145**	**36 093**

4.11. RESERVES

(CZK '000)	Balance as of 31 Dec 2012	Recognition	Use	Balance as of 31 Dec 2013	Recognition	Use	Balance as of 31 Dec 2014
Reserve for complaints	49 329	39 328	70 011	18 646	13 812	18 646	13 812
Reserve for legal disputes	53 373	52 921	16 650	89 644	20 961	52 189	58 416
Reserve for outstanding vacation days	27 676	26 764	27 676	26 764	19 955	26 764	19 955
Reserve for business risks	539 988	362 959	0	902 947	37 275	916 518	23 704
Reserve for restructuring	535 000	0	285 027	249 973	0	69 652	180 321
Reserve for employee benefits	108 503	26 620	34 993	100 130	58 467	44 651	113 946
Reserve for loss-making transactions	0	0	0	0	525 450	0	525 450
Other	6 178	27 126	22 357	10 947	57 271	38 853	29 365
Total	**1 320 047**	**535 718**	**456 714**	**1 399 051**	**733 191**	**1 167 273**	**964 969**

After having considered all existing legal analyses and results of negotiations in existing legal disputes and having assessed all potential risks, current developments in legal disputes and in accordance with the inherent level of prudence, management has decided to decrease the amount of the non-tax deductible reserve to cover potential expenses relating to potential risks for business transactions. The total reserve at the end of the reporting period amounted to CZK 23,704 thousand.

The reserve for business risks was decreased by CZK 916,518 thousand primarily due to:

- Conclusion of an agreement on out-of-court settlement with SŽDC regarding the consumed traction energy during 2009 and settlement of damage due to traffic closures caused by SŽDC. The out-of-court settlement agreement was concluded for the total amount of CZK 375,811 thousand, of which CZK 61,786 thousand relates to the settlement of damage caused by the traffic closures and CZK 314,025 thousand relates to the price of purchased traction energy for 2009. Payables arising from these out-of-court settlements were recognised as "Other payables", divided into short-term and long-term parts (refer to Notes 4.12. and 4.13.3.); and
- Court ruling dated 15 January 2014 regarding the legal dispute over the damage due to SŽDC's traffic closures based on which ČD Cargo, a.s. is obliged to settle the payable of CZK 164,152 thousand to SŽDC.

As of 31 December 2012, management decided to make organisational changes pursuant to the prepared restructuring plan, the principal features of which were communicated within the Company. The future cash outflows relating to the restructuring were estimated at CZK 535,000 thousand in the plan. During the year ended 31 December 2013, the amount of the reserve decreased by the use by CZK 285,027 thousand to the balance of CZK 249,973 thousand as of 31 December 2013. During the year ended 31 December 2014, this reserve was used and specified, it amounted to CZK 180,321 thousand as of 31 December 2014. These funds will continue to be available to the Company to cover the costs relating to the restructuring in the following reporting period.

During the year, the Company recognised a reserve for loss-making transactions. The amount of the reserve is determined on the basis of a reasonable estimate as equal to the future liability arising from the loss. The amount includes the difference between the discounted net anticipated income and discounted anticipated expenses. The reserve amounts to CZK 525,450 thousand as of 31 December 2014.

The reserve for employee benefits includes the claim of employees for a financial contribution for life jubilees, financial contribution upon retirement and payment of treatment costs including the salary refund in wellness stays. The amount of the reserve was calculated at CZK 113,946 thousand using an actuarial model. For details on this model refer to Note 3.10.

4.12. LONG-TERM PAYABLES

(CZK '000)	31 Dec 2014	31 Dec 2013
Issued bonds	1 158 300	1 500 000
Long-term prepayments received	270 037	117 913
Long-term payables to SŽDC	409 488	0
Derivative financial instruments	29 181	50 662
Total	**1 867 006**	**1 668 575**

On 4 May 2011, through its Resolution No. 2011/4833/570, ref. no. Sp/2011/50/572 the Czech National Bank approved the bond programme of ČD Cargo, a.s. The maximum volume of outstanding bonds issued under the bond programme may amount up CZK 6,000 million with the bonds programme period of 10 years. The above resolution of the Czech National Bank took effect on 5 May 2011.

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The following bonds issues were placed under the bond programme in 2012 and 2011:

Manager	Komerční banka, a.s.
Date of issue	20 June 2011
Total nominal value	CZK 1,000,000,000
Total nominal value after exercising the option	CZK 658,300,000
Interest rate	Fixed interest income
Interest rate (1-3 years); coupon	3.183 % p.a.
Interest rate (4-5 years); coupon	5% p.a.
Issue rate	98.025 %
Payment of interest income	annually retrospectively
Date of the payment of interest	20 June each year
Date of the final maturity	20 June 2016
Date of the final maturity (exercise of the put option)	20 June 2014

Manager	Československá obchodní banka, a.s.
Date of issue	22 Dec 2011
Total nominal value	CZK 500,000,000
Nominal value of the bond	CZK 1
Interest rate	Variable interest income
Reference rate	6M PRIBOR
6M PRIBOR (first yield period); coupon	1.45 % p.a.
Hedged value for all the following periods	1.64 % p.a.
Mark-up	1.30 % p.a.
Issue rate	97.464 %
Payment of interest income	Bi-annually retrospectively
Date of the interest payment	22 June and 22 Dec each year
Date of final maturity	22 Dec 2015

Manager	Raiffeisenbank, a.s.
Date of issue	21 Dec 2011
Total nominal value	CZK 500,000,000
Interest rate; coupon	Fixed interest income, 3.8 % p.a.
Issue rate	99.941 %
Payment of interest income	annually retrospectively
Date of the interest payment	21 Dec each year
Date of final maturity	21 Dec 2016

Manager	Československá obchodní banka, a.s.
Date of issue	12 January 2012
Total nominal value	CZK 200,000,000
Nominal value of the bond	CZK 1
Interest rate	Variable interest income
Reference rate	6M PRIBOR
6M PRIBOR (first yield period); coupon	1.45 % p.a.
Hedged value for all the following periods	1.64 % p.a.
Mark-up	1.30 % p.a.
Issue rate	97.506 %
Payment of interest income	Bi-annually retrospectively
Date of the interest payment	22 June and 22 Dec each year
Date of final maturity	22 Dec 2015

Manager	Československá obchodní banka, a.s.
Date of issue	19 January 2012
Total nominal value	CZK 300,000,000
Nominal value of the bond	CZK 1
Interest rate	Variable interest income
Reference rate	6M PRIBOR
6M PRIBOR (first yield period); coupon	1.45 % p.a.
Hedged value for all the following periods	1.64 % p.a.
Mark-up	1.30 % p.a.
Issue rate	97.518 %
Payment of interest income	Bi-annually retrospectively
Date of the interest payment	22 June and 22 Dec each year
Date of final maturity	22 Dec 2015

ČD Cargo, a.s. recorded calls for a premature redemption of part of the first issue of the bonds placed through KB, a.s. with the total nominal value of CZK 341.7 million in the due period. This amount was redeemed as of 20 June 2014. Bonds with a total nominal value of CZK 2,158.3 million are currently issued.

The bonds issue at Československá obchodní banka of CZK 1 billion was reclassified as a result of the maturity on 22 December 2015 from the long-term portion to the short-term portion.

Long-term payables to SŽDC of CZK 331,966 thousand include the long-term portion of a payable arising from the concluded out-of-court agreement regarding the dispute about the price of traction energy during 2009 and settlement of damage due to SŽDC's traffic closures. Another long-term payable to SŽDC of CZK 77,522 thousand relates to the settlement of the damage due to SŽDC's traffic closures pursuant to a court ruling dated 15 January 2014 (refer to Note 4.11. Reserves).

4.13. SHORT-TERM PAYABLES

4.13.1. Aging of Short-Term Trade Payables

Payables (CZK '000)	Total	Before due date	Past due date	0-90	91-180	181-365	366-730	over 730
31 Dec 2014	1 738 638	1 663 352	75 286	21 647	6 646	46 993	0	0
31 Dec 2013	1 588 562	1 520 205	68 357	68 115	7	235	0	0

4.13.2. Intercompany Payables

- **Short-term trade payables**

Name of the entity (CZK '000)	Balance as of 31 Dec 2014	Balance as of 31 Dec 2013
České dráhy a.s.	203 574	266 127
ČD – Telematika, a.s.	5 359	6 631
ČD - Informační Systémy, a.s.	79 050	59 753
DPOV, a.s.	69 597	42 595
ČD travel, s.r.o.	5 989	2 993
Dopravní vzdělávací institut, a.s.	2 147	2 028
Výzkumný Ústav Železniční, a.s.	0	0
RAILREKLAM, spol. s r.o.	0	0
Jídelní a lůžkové vozy, a.s.	131	104
Smíchov Station Development, a.s.	0	0
Žižkov Station Development, a.s.	0	0
Masaryk Station Development, a.s.	0	0
Centrum Holešovice, a.s.	0	0
CD Generalvertretung GmbH	2 580	2 993
CD Generalvertretung Wien GmbH	0	0
Koleje Czeskie Sp. z o.o.	23 142	1 851
Generálne zastúpenie ČD Cargo, s.r.o.	128	275
ČD Logistics, a.s.	2 219	513
ČD-DUSS Terminal, a.s.	0	0
Terminal Brno, a.s.	938	375
Auto Terminal Nymburk, s.r.o.	0	0
RAILLEX, a.s.	218	120
BOHEMIAKOMBI, spol. s r.o.	0	0
Ostravská dopravní společnost, a.s.	7 565	5 457
Total short-term payables	**402 637**	**391 815**

4.13.3. Other Payables

As of 31 December 2014, other payables primarily include a short-term portion of a payable to SŽDC of CZK 98,562 thousand. The amount of CZK 43,845 thousand is the short-term portion of the payable arising from the conclusion of the out-of-court agreement regarding the dispute over the price of the consumed traction energy during 2009 and settlement of damage due to SŽDC's traffic closures. The amount of CZK 54,717 thousand relates to the settlement of the payable arising from the settlement of damage due to SŽDC's traffic closures pursuant to the court ruling dated 15 January 2014 (refer to Note 4.11. Reserves).

Other payables additionally include supplier loans of CZK 154,855 thousand and short-term derivative financial instruments of CZK 94,750 thousand. As of 31 December 2013, short-term supplier payables amounted to CZK 141,480 thousand and short-term derivative financial instruments amounted to CZK 139,240 thousand.

4.14. ESTIMATED PAYABLES

As of 31 December 2014 and 31 December 2013, the Company recognised estimated payables as follows:

(CZK '000)	31 Dec 2014	31 Dec 2013
Unbilled non-investment supplies	85 711	69 475
Unbilled investment supplies	7 223	34
Expenses for border services	50 487	31 559
Estimated payables - ČD-T, a.s.	654	7
Estimated payables - ČD, a.s.	34 776	41 574
Estimated payables– CD Generalvertretung GmbH	46 838	52 059
Other estimated payables (predominantly repairs, financial bonuses and lease of wagons)	118 583	180 608
Total estimated payables	**344 272**	**375 316**

4.15. BANK LOANS

4.15.1. Long-Term Bank Loans

The Company used no long-term loans as of 31 December 2014 and 2013.

4.15.2. Short-Term Bank Loans

- **Balance as of 31 December 2014:**

As of the balance sheet date on 31 December 2014, the Company used no short-term bank loans.

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Balance as of 31 December 2013

Bank (CZK '000)	Loan currency	Balance as of 31 Dec 2013	Interest rate	Form of collateral
Československá obchodní banka, a.s.	CZK	162 893	O/N Pribor+0.80 p.a.	No collateral
Všeobecná úvěrová banka, a.s.	CZK	353 415	O/N Pribor+0.65 p.a.	No collateral
ING Bank N. V.	CZK	130 699	O/N Pribor+0.38 p.a.	No collateral
Cashpool, Komerční banka, a.s.*	CZK	0	O/N Pribor+0.90 p.a.	No collateral
Citi Bank Europe, plc	CZK	197 684	O/N Pribor+0.45 p.a.	No collateral
Total		**844 691**		

** The cash-pool is recognised as a payable/receivable in respect of the controlling entity*

4.15.3. Short-Term Financial Borrowings

During the years ended 31 December 2013 and 2014, the Company used no debt bills.

4.15.4. Strategy for Funding the Company's Subsequent Years

Lease-back

In 2014, the Company carried out the third tranche of leaseback of the modernised 363.5 series traction vehicles.

Operating Bank Loans

In funding its operating needs, ČD Cargo uses overdraft loans in the maximum amount of CZK 1.2 billion provided by four banks and the limit of possible drawings as part of the involvement of the Company in the group cash-pooling in the amount of CZK 600 million. The increase in competition among the banks allowed the Company to secure lower interest rates. The stratification of the lending to several financing entities results in the risk of the termination of the funding being sufficiently diversified.

Bill of Exchange Programme

The Company has the possibility of using the bill of exchange programme as and when needed. This programme is currently not used.

Possibility of a Loan Being Provided by the Parent Company, a.s.

In addition to the cash-pool limit presented as part of operational loans, the Company has additionally contracted the possibility of drawing funds of up to CZK 400 million from the parent company ČD, a.s. During the year ended 31 December 2014, this loan was not used.

Bonds

With a view to securing the mid-term and long-term sources of funding to increase the stability of the Company's cash flows, the relevant bodies of ČD Cargo approved the bond programme in the aggregate amount of CZK 6 billion for 10 years. In 2011, three issues were gradually placed up with the total nominal amount of CZK 2 billion. In 2012, another two issues were placed up with the total nominal amount of CZK 500 million. This form of funding increases the liquidity and financial stability of the Company. In 2015, the Company anticipates refinancing the due bonds through a new issue of bonds with the same nominal value.

Supplier Loans

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

Summary

The structure of funding above creates a desired framework that allows the Company to maintain financial stability with the possibility of flexibly using individual forms as deemed appropriate or necessary.

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.).

4.16. DERIVATIVE FINANCIAL INSTRUMENTS

(CZK '000)	31 Dec 2014		
	Positive fair value	Negative fair value	Total
Derivatives designated as fair value hedges	0	-22 285	-22 285
Derivatives designated as cash flow hedges	0	-101 645	-101 645
Total	**0**	**-123 930**	**-123 930**

(CZK '000)	31 Dec 2013		
	Positive fair value	Negative fair value	Total
Derivatives designated as fair value hedges	3 904	-24 320	-20 416
Derivatives designated as cash flow hedges	8 159	-165 581	-157 422
Total	**12 063**	**-189 901**	**-177 838**

To hedge foreign exchange rate losses arising from the strengthening of the Czech crown in 2013 and 2014, the Company used the following derivative transactions:

- In May 2013, the Company used another hedge of EUR 1 million per month from June 2013 to December 2014 on the level of the hedged foreign exchange rate of CZK 26.00/EUR;
- In September 2013, the Company used another hedge of EUR 1 million per month from March 2014 to February 2015 on the level of the hedged foreign exchange rate of CZK 25.75/EUR.
- In September 2013, the Company used another hedge of EUR 1 million per month from May 2014 to April 2015 on the level of the hedged foreign exchange rate of CZK 25.80/EUR.
- In September 2013, the Company used another hedge of EUR 1 million per month from January 2014 to December 2014 on the level of the hedged foreign exchange rate of CZK 25.90/EUR;
- In November 2013, the Company used another hedge of EUR 1 million per month from June 2014 to May 2015 on the level of the hedged foreign exchange rate of CZK 26.70/EUR;
- In November 2013, the Company used another hedge of EUR 1 million per month from April 2014 to March 2015 on the level of the hedged foreign exchange rate of CZK 26.60/EUR;
- In November 2013, the Company used a hedge in the form of a collar
- (CZK 26.50 – 27.20/EUR) of EUR 1 million per month from January 2014 to December 2015;
- In November 2013, the Company used a hedge in the form of a collar (CZK 26.40 – 27.30/EUR) of EUR 1 million per month from January 2014 to December 2015;

- In June 2014, the Company used a hedge of EUR 1 million per month from April 2015 to December 2015 on the level of the hedged foreign exchange rate of CZK 27.350/EUR;
- In June 2014, the Company used a hedge of EUR 1 million per month from May 2015 to June 2015 on the level of the hedged foreign exchange rate of CZK 27.382/EUR;
- In June 2014, the Company used a hedge of EUR 1 million per month from July 2015 to August 2015 on the level of the hedged foreign exchange rate of CZK 27.371/EUR;
- In July 2014, the Company used a hedge of EUR 1 million per month from September 2015 to December 2015 on the level of the hedged foreign exchange rate of CZK 27.350/EUR;
- In July 2014, the Company used a hedge of EUR 1 million per month from January 2015 to June 2015 on the level of the hedged foreign exchange rate of CZK 27.420/EUR;
- In July 2014, the Company used a hedge of EUR 1 million per month from July 2015 to December 2015 on the level of the hedged foreign exchange rate of CZK 27.510/EUR;
- In September 2014, the Company used a hedge of EUR 1 million per month from January 2015 to December 2015 on the level of the hedged foreign exchange rate of CZK 27.700/EUR;

In 2011, the Company additionally hedged interest rates on transactions with a variable interest rate, specifically as follows:

- 30 lease transactions divided into three individual blocks, with ten repayment schedules. The hedging was carried out with two banks in the IRS form, in three individual tranches. The hedging is effective from 2012 to 2020 (derivatives hedging cash flows);
- Three lease transactions. The hedging was carried out with one bank in the form of a collar, in three individual tranches. The hedging is effective from 2013 to 2019 (trading derivatives); and
- Issue of bonds. The hedging was carried out with one bank in the IRS form, in one tranche. The hedging is effective from mid-2012 through the end of 2015 (trading derivatives).

In 2013 and 2014, the Company hedged the price of crude oil using the following hedging transactions:

- In December 2012, the Company used a hedge of 100 mt/per month from January 2013 to December 2014. The hedged fixed price of crude oil is CZK 17,800/mt; and
- In December 2012, the Company hedged another volume of 100 mt/per month from June 2013 to December 2014. The hedged fixed price of crude oil is CZK 17,750/ mt.
- In April 2013, the Company hedged the volume of 100 mt/per month from July 2013 to December 2014. The hedged fixed price of crude oil is CZK 17,950/ mt.
- In April 2013, the Company hedged the volume of 100 mt/per month from June 2013 to December 2014. The hedged fixed price of crude oil is CZK 17,990/ mt.
- In April 2013, the Company hedged the volume of 100 mt/per month from June 2013 to December 2014. The hedged fixed price of crude oil is CZK 17,548/ mt.
- In September 2013, the Company hedged the volume of 100 mt/per month from January 2015 to December 2015. The hedged fixed price of crude oil is CZK 16,785/ mt.
- In March 2014, the Company hedged the volume of 100 mt/per month from April 2015 to December 2015. The hedged fixed price of crude oil is CZK 17,750/ mt.
- In October 2014, the Company hedged the volume of 100 mt/per month from January 2015 to December 2015. The hedged fixed price of crude oil is CZK 17,825/ mt.
- In October 2014, the Company hedged the volume of 100 mt/per month from January 2015 to December 2015. The hedged fixed price of crude oil is CZK 17,400/ mt.
- In October 2014, the Company hedged the volume of 100 mt/per month from January 2015 to December 2015. The hedged fixed price of crude oil is CZK 17,150/ mt.
- In November 2014, the Company hedged the volume of 100 mt/per month from January 2015 to December 2015. The hedged fixed price of crude oil is CZK 15,900/ mt.
- In December 2014, the Company hedged the volume of 100 mt/per month from January 2015 to December 2015. The hedged fixed price of crude oil is CZK 14,450/ mt.

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4.17. INCOME TAXATION

4.17.1. Deferred Tax

The deferred tax asset/(liability) is analysed as follows:

Deferred Tax Arising from

(CZK '000)	Balance as of 31 Dec 2014	Balance as of 31 Dec 2013
Net book value of fixed assets	-988 695	-880 760
Of which the impact of components	*-163 910*	*-880 760*
Provisions against fixed assets	31 974	28 383
Contractual fines and penalty	-5 092	-14 231
Receivables	30 083	26 730
Reserves	246 068	265 819
Tax loss	0	0
Derivatives	19 312	29 910
Total	**-666 350**	**-544 149**

Analysis of movements	(CZK '000)
1 Jan 2014	**544 149**
Current changes charged against the profit and loss account	111 604
From current activities	*111 604*
From extraordinary activities	*0*
Total charges against the profit and loss account	**111 604**
Current changes recognised in equity	10 598
Total recognised in equity	**10 598**
31 Dec 2014	**666 350**

Analysis of movements	(CZK '000)
1 Jan 2013	**433 878**
Current changes charged against the profit and loss account	132 402
From current activities	*132 402*
From extraordinary activities	*0*
Total charges against the profit and loss account	**132 402**
Current changes recognised in equity	-22 131
Total recognised in equity	**-22 131**
31 Dec 2013	**544 149**

4.18. DUE AMOUNTS ARISING FROM SOCIAL SECURITY AND HEALTH INSURANCE CONTRIBUTIONS AND TAX ARREARS

The balance of due amounts arising from social security contributions and contributions to the State employment policy was CZK 70,626 thousand and CZK 81,014 thousand as of 31 December 2014 and 31 December 2013, respectively.

The balances of due amounts arising from public health insurance contributions were CZK 30,728 thousand and CZK 35,299 thousand as of 31 December 2014 and 31 December 2013, respectively.

The Company records no tax arrears to local taxation authorities.

4.19. DETAILS OF INCOME BY PRINCIPAL ACTIVITY

Year Ended 31 December 2014

(CZK '000)	In-country	Cross-border	Total
Sales of freight transportation	7 202 543	3 798 344	11 000 887
Other sales of freight transportation	206 524	610 300	816 824
Sales of other services	0	155 760	155 760
Total	**7 409 067**	**4 564 404**	**11 973 471**

Year Ended 31 December 2013

(CZK '000)	In-country	Cross-border	Total
Sales of freight transportation	7 577 305	4 026 577	11 603 882
Other sales of freight transportation	171 231	627 073	798 304
Sales of other services	0	156 919	156 919
Total	**7 748 536**	**4 810 569**	**12 559 105**

The classification to cross-border and in-country sales was made reflecting outputs. Cross-border sales include the share of the Company in the income from international transportation of goods, border services and received lease payments for the operation of wagons in foreign countries.

4.19.1. Income Generated with Related Parties

Year Ended 31 December 2014

Entity (CZK '000)	Relation to the Company	Tangible FA	Material	Services	Other income	Fin. income	Total
České dráhy a.s.	Parent company	0	1 383	17 915	1 886	0	21 184
ČD – Telematika, a.s.	Fellow subsidiary	20	0	311	0	0	331
ČD – Informační Systémy, a.s.	Fellow subsidiary	0	0	0	0	0	0
DPOV, a.s.	Fellow subsidiary	0	4	4 528	731	0	5 263
ČD Travel, s.r.o.	Fellow subsidiary	0	0	0	0	0	0
Dopravní vzdělávací institut, a.s.	Fellow subsidiary	0	0	0	0	0	0
Výzkumný Ústav Železniční, a.s.	Fellow subsidiary	0	0	11 462	0	0	11 462
RAILREKLAM, spol. s r.o	Fellow subsidiary	0	0	0	0	0	0
JLV, a.s.	Fellow subsidiary	0	0	0	0	0	0
Smíchov Station Development, a.s.	Fellow subsidiary	0	0	125 285	0	0	0
Žižkov Station Development, a.s.	Fellow subsidiary	0	0	0	0	0	0
Masaryk Station Development, a.s.	Fellow subsidiary	0	0	0	0	0	0
Centrum Holešovice, a.s.	Fellow subsidiary	0	0	0	0	0	0
ČD Generalvertretung GmbH	Subsidiary	0	0	274 369	0	924	275 293
ČD Generalvertretung Wien GmbH	Subsidiary	0	0	558	0	1	559
Koleje Czeskie Sp. z o.o.	Subsidiary	0	7 659	86 381	6 727	630	101 397
Generálne zastúpenie ČD Cargo, s.r.o.	Subsidiary	0	0	46 258	0	60	46 318
ČD Logistics, a.s.	Subsidiary	0	0	554 853	0	374	555 227
ČD-DUSS Terminál, a.s.	Subsidiary	0	0	137	0	0	137
Terminál Brno, a.s.	Subsidiary	0	0	167	0	0	167
Auto Terminal Nymburk, s.r.o	Subsidiary	0	0	0	0	0	0
RAILLEX, a.s.	Subsidiary	0	0	79 370	21	136	79 527
BOHEMIAKOMBI, spol. s r.o.	Subsidiary	0	0	10 595	0	13	10 608
Ostravská dopravní společnost, a.s.	Subsidiary	0	0	137 548	0	616	138 164
Total		**20**	**9 046**	**1 224 452**	**9 365**	**2 754**	**1 245 637**

Year Ended 31 December 2013

Entity (CZK '000)	Relation to the Company	Tangible FA	Material	Services	Other income	Fin. income	Total
České dráhy a.s.	Parent company	64	208	22 679	1 786	0	24 737
ČD – Telematika, a.s.	Fellow subsidiary	0	0	130	0	0	130
ČD – Informační Systémy, a.s.	Fellow subsidiary	0	0	0	0	0	0
DPOV, a.s.	Fellow subsidiary	0	0	4 578	308	0	4 886
ČD Travel, s.r.o.	Fellow subsidiary	0	0	0	0	0	0
Dopravní vzdělávací institut, a.s.	Fellow subsidiary	0	0	0	0	0	0
Výzkumný Ústav Železniční, a.s.	Fellow subsidiary	0	0	10 213	0	0	10 213
RAILREKLAM, spol. s r.o	Fellow subsidiary	0	0	0	0	0	0
JLV, a.s.	Fellow subsidiary	0	0	0	0	0	0
Smíchov Station Development, a.s.	Fellow subsidiary	0	0	0	0	0	0
Žižkov Station Development, a.s.	Fellow subsidiary	0	0	0	0	0	0
Masaryk Station Development, a.s.	Fellow subsidiary	0	0	0	0	0	0
Centrum Holešovice, a.s.	Fellow subsidiary	0	0	0	0	0	0
ČD Generalvertretung GmbH	Subsidiary	0	0	243 174	0	2 315	245 489
ČD Generalvertretung Wien GmbH	Subsidiary	0	0	236	0	1	237
Koleje Czeskie Sp. z o.o.	Subsidiary	975 937	5 174	115 926	0	7 344	1 104 381
Generálne zastúpenie ČD Cargo, s.r.o.	Subsidiary	0	0	8 575	0	2	8 577
ČD Logistics, a.s.	Subsidiary	0	0	545 598	0	316	545 914
ČD-DUSS Terminál, a.s.	Subsidiary	0	0	19	0	0	19
Terminál Brno, a.s.	Subsidiary	0	0	337	0	0	337
Auto Terminal Nymburk, s.r.o	Subsidiary	0	0	0	0	0	0
RAILLEX, a.s.	Subsidiary	0	0	55 556	3	351	55 910
BOHEMIAKOMBI, spol. s r.o.	Subsidiary	0	0	13 487	0	91	13 578
Ostravská dopravní společnost, a.s.	Subsidiary	0	0	149 563	0	1 722	151 285
Total		**976 001**	**5 382**	**1 170 071**	**2 097**	**12 142**	**2 165 693**

All related party proceeds were generated on an arm's length basis.

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4.19.2. Purchases from Related Parties

Year Ended 31 December 2014

Entity (CZK '000)	**Relation to the Company**	**Assets**	**Material**	**Services**	**Other expenses**	**Financial expenses**	**Total**
České dráhy a.s.	Parent company	33 297	672 434	971 024	8 593	34	1 685 382 656
ČD - Telematika, a.s.	Fellow subsidiary	47 915	1 645	13 696	579	0	63 835
ČD - Informační Systémy, a.s.	Fellow subsidiary	41 838	1 273	107 545	0	0	150 656
DPOV, a.s.	Fellow subsidiary	78 233	1 432	17 586	65	0	97 316
ČD Travel, s.r.o.	Fellow subsidiary	0	0	14 833	0	0	14 833
Dopravní vzdělávací institut, a.s.	Fellow subsidiary	0	0	17 106	0	0	17 106
Výzkumný Ústav Železniční, a.s.	Fellow subsidiary	0	0	0	0	0	0
RAILREKLAM, spol. s r.o.	Fellow subsidiary	0	0	0	0	0	0
Jídelní a lůžkové vozy, a.s.	Fellow subsidiary	0	0	1 156	0	0	1 156
Smíchov Station Development, a.s.	Fellow subsidiary	0	0	0	0	0	0
Žižkov Station Development, a.s.	Fellow subsidiary	0	0	0	0	0	0
Masaryk Station Development, a.s.	Fellow subsidiary	0	0	0	0	0	0
Centrum Holešovice, a.s.	Fellow subsidiary	0	0	0	0	0	0
ČD Generalvertretung GmbH	Subsidiary	0	0	64 794	0	191	64 985
ČD Generalvertretung Wien GmbH	Subsidiary	0	0	0	0	0	0
Koleje Czeskie Sp. z o.o.	Subsidiary	0	2 406	191 261	953	40	194 660
Generálne zastúpenie ČD Cargo, s.r.o.	Subsidiary	0	28	4 986	0	1	5 015
ČD Logistics, a.s.	Subsidiary	0	0	8 522	0	0	8 522
ČD-DUSS Terminal, a.s.	Subsidiary	0	0	2	0	0	2
Terminal Brno, a.s.	Subsidiary	0	0	13 902	0	0	13 902
Auto Terminal Nymburk, s.r.o.	Subsidiary	0	0	0	0	0	0
RAILLEX, a.s.	Subsidiary	0	0	1 387	0	1	1 388
BOHEMIAKOMBI, spol. s r.o.	Subsidiary	0	0	0	2	0	2
Ostravská dopravní společnost, a.s.	Subsidiary	0	0	39 147	0	0	39 147
Total		**201 283**	**679 218**	**1 466 947**	**10 192**	**267**	**2 357 907**

Year Ended 31 December 2013

Entity (CZK '000)	**Relation to the Company**	**Assets**	**Material**	**Services**	**Other expenses**	**Financial expenses**	**Total**
České dráhy a.s.	Parent company	10 896	667 754	1 280 381	8 907	477	1 968 415
ČD – Telematika, a.s.	Fellow subsidiary	96	813	15 816	7	0	16 732
ČD – Informační Systémy, a.s.	Fellow subsidiary	41 074	1 321	100 253	0	0	142 648
DPOV, a.s.	Fellow subsidiary	103 381	870	17 118	0	0	121 369
ČD Travel, s.r.o.	Fellow subsidiary	0	0	13 955	0	0	13 955
Dopravní vzdělávací institut, a.s.	Fellow subsidiary	0	2	16 202	0	0	16 204
Výzkumný Ústav Železniční, a.s.	Fellow subsidiary	0	0	0	0	0	0
RAILREKLAM, spol. s r.o	Fellow subsidiary	0	0	5 230	0	0	5 230

Entity (CZK '000)	Relation to the Company	Assets	Material	Services	Other expenses	Financial expenses	Total
JLV, a.s.	Fellow subsidiary	0	0	1 146	0	0	1 146
Smíchov Station Development, a.s.	Fellow subsidiary	0	0	0	0	0	0
Žižkov Station Development, a.s.	Fellow subsidiary	0	0	0	0	0	0
Masaryk Station Development, a.s.	Fellow subsidiary	0	0	0	0	0	0
Centrum Holešovice, a.s.	Fellow subsidiary	0	0	0	0	0	0
ČD Generalvertretung GmbH	Subsidiary	0	0	14 471	0	0	14 471
ČD Generalvertretung Wien GmbH	Subsidiary	0	0	66	0	0	66
Koleje Czeskie Sp. z o.o.	Subsidiary	0	5 174	93 887	0	254	99 315
Generálne zastúpenie ČD Cargo, s.r.o.	Subsidiary	0	0	977	0	0	977
ČD Logistics, a.s.	Subsidiary	0	0	5 568	0	0	5 568
ČD-DUSS Terminal, a.s.	Subsidiary	0	0	0	0	0	0
Terminal Brno, a.s.	Subsidiary	0	0	13 113	0	0	13 113
Auto Terminal Nymburk, s.r.o.	Subsidiary	0	0	0	0	0	0
RAILLEX, a.s.	Subsidiary	0	0	890	112	0	1 002
BOHEMIAKOMBI, spol. s r.o.	Subsidiary	0	0	0	0	0	0
Ostravská dopravní společnost, a.s.	Subsidiary	0	0	44 073	0	0	44 073
Total		**155 447**	**675 934**	**1 623 146**	**9 026**	**731**	**2 464 284**

4.19.3. Purchases and Sales of Fixed Assets and Non-Current Financial Assets with Related Parties

Sales

In the year ended 31 December 2014, the Company sold tangible fixed assets to ČD Telematika, a.s. in the amount of CZK 20 thousand.

In the year ended 31 December 2013, the Company sold tangible fixed assets to České dráhy, a.s. in the amount of CZK 64 thousand and to Koleje Czeskie, Sp. z o. o. in the amount of CZK 975,937 thousand.

Purchases

- **Year Ended 31 December 2014**

Entity (CZK '000)	Relation to the Company	Intangible FA	Tangible FA	Total
ČD - Telematika, a.s.	Fellow subsidiary	0	47 915	47 915
ČD - Informační Systémy, a.s.	Fellow subsidiary	41 439	399	41 838
Výzkumný Ústav Železniční, a.s.	Fellow subsidiary	0	0	0
DPOV, a.s.	Fellow subsidiary	0	78 233	78 233
ČD, a.s.	Parent company	54	33 243	33 297
ČD Generalvertretung GmbH	Subsidiary	0	0	0
ČD Generalvertretung Wien GmbH	Subsidiary	0	0	0
Koleje Czeskie Sp. z o.o.	Subsidiary	0	0	0
Generálne zastúpenie ČD Cargo, s.r.o.	Subsidiary	0	0	0
ČD Logistics, a.s.	Subsidiary	0	0	0
ČD-DUSS Terminal, a.s.	Subsidiary	0	0	0
Terminal Brno, a.s.	Subsidiary	0	0	0
Auto Terminal Nymburk, s.r.o.	Subsidiary	0	0	0
RAILLEX, a.s.	Subsidiary	0	0	0
BOHEMIAKOMBI, spol. s r.o.	Subsidiary	0	0	0
Ostravská dopravní společnost, a.s.	Subsidiary	0	0	0
Smíchov Station Development, a.s.	Fellow subsidiary	0	0	0
Žižkov Station Development, a.s.	Fellow subsidiary	0	0	0
Centrum Holešovice, a.s.	Fellow subsidiary	0	0	0
Dopravní vzdělávací institut, a.s.	Fellow subsidiary	0	0	0
ČD Travel, s.r.o.	Fellow subsidiary	0	0	0
JLV, a.s.	Fellow subsidiary	0	0	0
Masaryk Station Development, a.s.	Fellow subsidiary	0	0	0
Total		**41 493**	**159 790**	**201 283**

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Year Ended 31 December 2013

Entity (CZK '000)	Relation to the Company	Intangible FA	Tangible FA	Total
ČD - Telematika, a.s.	Fellow subsidiary	0	96	96
ČD - Informační Systémy, a.s.	Fellow subsidiary	41 074	0	41 074
Výzkumný Ústav Železniční, a.s.	Fellow subsidiary	0	0	0
DPOV, a.s.	Fellow subsidiary	0	103 381	103 381
ČD, a.s.	Parent company	118	17 650	17 768
ČD Generalvertretung GmbH	Subsidiary	0	0	0
ČD Generalvertretung Wien GmbH	Subsidiary	0	0	0
Koleje Czeskie Sp. z o.o.	Subsidiary	0	0	0
Generálne zastúpenie ČD Cargo, s.r.o.	Subsidiary	0	0	0
ČD Logistics, a.s.	Subsidiary	0	0	0
ČD-DUSS Terminal, a.s.	Subsidiary	0	0	0
Terminal Brno, a.s.	Subsidiary	0	0	0
Auto Terminal Nymburk, s.r.o.	Subsidiary	0	0	0
RAILLEX, a.s.	Subsidiary	0	0	0
BOHEMIAKOMBI, spol. s r.o.	Subsidiary	0	0	0
Ostravská dopravní společnost, a.s.	Subsidiary	0	0	0
Smíchov Station Development, a.s.	Fellow subsidiary	0	0	0
Žižkov Station Development, a.s.	Fellow subsidiary	0	0	0
Centrum Holešovice, a.s.	Fellow subsidiary	0	0	0
Dopravní vzdělávací institut, a.s.	Fellow subsidiary	0	0	0
ČD Travel, s.r.o.	Fellow subsidiary	0	0	0
JLV, a.s.	Fellow subsidiary	0	0	0
Masaryk Station Development, a.s.	Fellow subsidiary	0	0	0
Total		**41 192**	**121 127**	**162 319**

4.20. CONSUMED PURCHASES

(CZK '000)	Year ended 31 Dec 2014	Year ended 31 Dec 2013
Consumed material	394 054	393 089
Consumed energy	1 268 448	1 290 682
Consumed fuels	514 773	527 324
Total consumed purchases	**2 177 275**	**2 211 095**

Consumed energy in the year ended 31 December 2014 includes consumed traction energy purchased from České dráhy, a.s. in the amount of CZK 933,105 thousand. Consumed energy for the year ended 31 December 2014 additionally includes the costs of CZK 240,449 thousand pursuant to a concluded out-of-court agreement with SŽDC regarding the dispute over the price of consumed traction energy for 2009.

Consumed energy in the year ended 31 December 2013 includes consumed traction energy purchased from České dráhy, a.s. in the amount of CZK 1,181,104 thousand.

4.21. SERVICES

(CZK '000)	Year ended 31 Dec 2014	Year ended 31 Dec 2013
Repairs and maintenance	242 076	243 399
Travel expenses	35 041	36 041
Representation costs	1 889	1 747
Telecommunication, data and postal services	135 130	137 834
Other rental	120 310	131 039
Use of the railway route, operations control	1 516 611	1 814 217
Lease for wagons and traction vehicles	665 311	617 509
Transportation fee	2 194	2 339
Costs of general representation	47 441	56 301
Lease	619 783	729 835
Border services	181 905	171 403
Promotion, advertising	13 974	18 447
Healthcare	19 406	27 647
Costs of purchased services	736 145	818 511
Other services	270 968	247 414
Total	**4 608 184**	**5 053 683**

The services for the use of the railway route and operations control principally include expenses incurred with respect to SŽDC, s.o.

4.22. DEPRECIATION OF INTANGIBLE AND TANGIBLE FIXED ASSETS

(CZK '000)	Year ended 31 Dec 2014	Year ended 31 Dec 2013
Depreciation of intangible and tangible fixed assets	675 868	720 397
Amortisation of a positive valuation difference on acquired assets	251 898	272 020
Total depreciation	**927 766**	**992 417**

4.23. OTHER OPERATING INCOME

(CZK '000)	Year ended 31 Dec 2014	Year ended 31 Dec 2013
Claims for damages	91 039	48 224
Gain of material	26 810	23 360
Sundry operating income	32 217	91 225
Total	**150 066**	**162 809**

Claims for damages in 2013 also include the income from compensation for increased costs incurred as a result of traffic closures caused by SŽDC, s.o. This income arising from the compensation for increased costs incurred due to traffic closures amounted to CZK 8,646 thousand in the year ended 31 December 2013. These claims were no more recognised in 2014.

4.24. OTHER OPERATING EXPENSES

(CZK '000)	Year ended 31 Dec 2014	Year ended 31 Dec 2013
Uniforms and lump sum payments to employees	5 637	6 027
Insurance payments	68 755	63 132
Compensation of damage	88 273	65 043
Membership fees	15 193	15 005
Contractual fines and default interest	95 384	1 426
Sundry operating expenses	246 310	13 659
Total	**519 552**	**164 292**

Other operating expenses include the expenses from written-off receivables and expenses from the agreement on out-of-court settlement with SŽDC regarding the dispute over the price of consumed traction energy during 2009 and settlement of damage due to traffic closures caused by SŽDC. The expenses arising from the out-of-court settlement with SŽDC amounted to CZK 59,835 thousand. The principal item of operating expenses are expenses for the settlement of payables arising from the court ruling dated 15 January 2014 regarding the dispute over damage from traffic closures caused by SŽDC. These expenses amounted to CZK 127,184 thousand.

Contractual fines and default interest of CZK 95,384 thousand primarily include interest based on the concluded agreement on out-of-court settlement with SŽDC regarding the dispute over the price of consumed traction energy during 2009 and settlement of damage from traffic closures caused by SŽDC. Total interest amounted to CZK 29,841 thousand. In addition, it includes interest arising from the court ruling dated 15 January 2014 regarding the legal dispute over the compensation of damage from traffic closures caused by SŽDC. This interest amounted to CZK 36,968 thousand.

4.25. INCOME FROM NON-CURRENT FINANCIAL ASSETS

(CZK '000)	Year ended 31 Dec 2014	Year ended 31 Dec 2013
Received dividends	46 525	17 604
Total	**46 525**	**17 604**

4.26. INTEREST INCOME

(CZK '000)	Year ended 31 Dec 2014	Year ended 31 Dec 2013
Interest on current bank accounts	76	109
Premium from settled receivables and payables	113	87
Other interest received from other debtors	6 768	679
Total	**6 957**	**875**

4.27. OTHER FINANCIAL INCOME

(CZK '000)	Year ended 31 Dec 2014	Year ended 31 Dec 2013
Foreign exchange rate gains	249 404	524 075
Total	**249 404**	**524 075**

4.28. OTHER FINANCIAL EXPENSES

(CZK '000)	Year ended 31 Dec 2014	Year ended 31 Dec 2013
Foreign exchange rate losses	234 251	390 502
Sundry financial expenses	4 238	3 964
Total	**238 489**	**394 466**

4.29. STAFF COSTS AND NUMBER OF EMPLOYEES

The following table summarises the average number of the Company's employees and managers for the year ended 31 December 2014:

(CZK '000)	Number	Payroll costs	Social security and health insurance	Other staff costs	Bonus for the members of statutory bodies	Contribution for capital life insurance	Contribution for pension insurance	Total staff costs
Employees	7 381	2 570 031	881 444	59 154	0	44 623	99 079	3 654 331
Managers	15	28 716	10 989	500	18 182	58	67	58 512
Total	**7 396**	**2 598 747**	**892 433**	**59 654**	**18 182**	**44 681**	**99 146**	**3 712 843**

*** Social security and health insurance covered by the organization**

** CLI = capital life insurance, CPI = capital pension insurance, SPI = supplementary pension insurance**

The following table summarises the average number of the Company's employees and managers for the year ended 31 December 2013:

(CZK '000)	Number	Payroll costs	Social security and health insurance	Other staff costs	Bonus for the members of statutory bodies	Contribution for capital life insurance	Contribution for pension insurance	Total staff costs
Employees	7 982	2 718 683	953 057	310 513	0	55 141	97 596	**4 134 990**
Managers	16	45 988	13 592	1 699	9 855	60	56	**71 250**
Total	**7 998**	**2 764 671**	**966 649**	**312 212**	**9 855**	**55 201**	**97 652**	**4 206 240**

Members of statutory, supervisory and administrative bodies were not provided with any discounted fares. Management of the Company has the possibility to use benefits in kind in the form of using Company cars for private purposes.

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5. Off balance sheet commitments

5.1. BANK GUARANTEES PROVIDED

Bank guarantees as of 31 December 2014 issued by Komerční banka, a.s. from the liability limit of CZK 50 million.

List of active bank guarantees provided by ČD Cargo, a. s. as of 31 December 2014

In favour of	Type of guarantee	Amount	Currency	Until	Reason for the issuance of a bank guarantee
WestInvest Waterfront Towers, s.r.o., Jankovcova 1569/2c, 170 00 Prague 7, Holešovice, Corporate ID 26178338	Lease guarantee	227 267,17	EUR	30 Sept 2015	Bank guarantee for the fulfilment of all liabilities and obligations of the Lessee arising from the Lease Contract with WestInvest Waterfront Towers s.r.o. - Lighthouse.
HYPARKOS, s.r.o., Rohanské nábřeží 670/19, Karlín, 186 00 Prague 8, Corporate ID 27626130	Lease guarantee	16 517 056	CZK	30 June 2014	Bank guarantee in the event that ČD Cargo, a.s. does not comply with the obligations stipulated by the Contract for the Lease of Buildings and Land in the Logistics Centre in Lovosice.
Customs Authority for the South Bohemian region, Kasárenská 6, 370 21 České Budějovice	Customs guarantee	2 000 000	CZK	unlimited	Letter of guarantee –transactions other than transit (comprehensive guarantee), reg. number 1401798029 to secure the customs and tax debt, which means payment of the customs duty,taxes and fees collected upon import, including accrued interest, with the exception of fines.

5.2. PROVIDED SECUREMENT FROM ORDERS

Name of the order	Applicant - name	Required securements	Securement paid on
Inspection repairs of Eas 11 wagons	Legios Loco, a.s.	CZK 3 500 000	10 Jan 2014
Inspection repairs of Eas Eas 11 wagons	Ostravské opravny a strojírny, s.r.o.	CZK 3 500 000	8 Jan 2014
Inspection repairs of Falls 11 wagons	Ostravské opravny a strojírny, s.r.o.	CZK 12 000 000	8 Jan 2014
Inspection repairs of Falls 11 wagons	Legios Loco, a.s.	CZK 12 000 000	10 Jan 2014
Inspection repairs of Eas 52 wagons	Ostravské opravny a strojírny, s.r.o.	CZK 4 000 000	8 Jan 2014
Inspection repairs of Eas 52 wagons	Legios Loco, a.s.	CZK 4 000 000	10 Jan 2014
Inspection repairs of Eas 53 wagons	Ostravské opravny a strojírny, s.r.o.	CZK 4 000 000	8 Jan 2014
Inspection repairs of Eas 53 wagons	Legios Loco, a.s.	CZK 4 000 000	10 Jan 2014
Technical inspection of Eas 53 wagons	Ostravské opravny a strojírny, s.r.o.	CZK 1 225 000	29 Aug 2014
Technical inspection of Falls 11 wagons	Ostravské opravny a strojírny, s.r.o.	CZK 1 400 000	29 Aug 2014
Technical inspection of Eas 53 wagons	Legios Loco, a.s.	CZK 1 225 000	9 Sept 2014
Technical inspection of Falls 11 wagons	Legios Loco, a.s.	CZK 1 400 000	9 Sept 2014

6. Post balance sheet events

In January 2015, the Company signed an out-of-court agreement regarding the dispute about the price of consumed traction energy during 2009 and settlement of damage due to traffic closures caused by SŽDC. The out-of-court agreement was concluded in the total amount of CZK 375,811 thousand, of which CZK 61,786 relates to the settlement of damage due to traffic closures and CZK 314,025 thousand relates to the price of the consumed traction energy for 2009. Payables arising from these out-of-court settlements were recognised as other payables, divided into the short-term portion and long-term portion (refer to Notes 4.12. and 4.13.3.). Concurrently, the reserve for business risks was reduced by this amount (refer to Note 4.11. Reserves).

The sole shareholder České dráhy, a.s., acting in the capacity of the general meeting of ČD Cargo, a.s., appointed Jan Hart a member of the Supervisory Board with effect from 3 February 2015 and consequently increased the number of members to six; one position in the Supervisory Board remains vacant.

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Separate Financial Statements (IFRS)

Separate Financial Statements for the Year Ended 31 December 2014

Prepared under IFRS as adopted by the EU

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STATEMENT OF FINANCIAL POSITION (BALANCE SHEET) AS OF 31 DECEMBER 2014

(CZK '000)		31 Dec 2014	31 Dec 2013
Property, plant and equipment	14	13 934 782	13 827 078
Intangible assets	15	326 339	263 436
Investments in subsidiaries and associates	16	349 613	348 852
Other financial assets	19	238 553	11 543
Other assets	20	236	225
Total non-current assets		**14 849 523**	**14 451 134**
Inventories	17	121 257	110 204
Trade receivables	18	1 537 979	1 871 098
Other financial assets	19	19 361	36 539
Other assets	20	209 380	202 961
Cash and cash equivalents	28	679 923	440 574
Total current assets		**2 567 900**	**2 661 376**
TOTAL ASSETS		**17 417 423**	**17 112 510**
Share capital	21	8 494 000	8 494 000
Reserve and other funds	21	197 465	130 798
Accumulated loss		-2 018 034	-2 869 765
Total equity		**6 673 431**	**5 755 033**
Loans and borrowings	22	3 619 561	3 806 476
Deferred tax liability	13	650 447	438 196
Provisions	23	635 323	64 100
Other financial liabilities	25	640 852	157 756
Other liabilities	26	569 727	462 944
Total non-current payables		**6 115 910**	**4 929 472**
Trade payables	24	2 011 810	1 947 963
Loans and borrowings	22	1 416 444	2 269 913
Tax payables	13	51 616	36 755
Provisions	23	329 646	1 334 951
Other financial payables	25	443 283	303 779
Other payables	26	375 283	534 644
Total current payables		**4 628 082**	**6 428 005**
TOTAL LIABILITIES		**17 417 423**	**17 112 510**

STATEMENT OF PROFIT OR LOSS FOR THE YEAR ENDED 31 DECEMBER 2014

(CZK '000)		Year ended 31 Dec 2014	Year ended 31 Dec 2013
CONTINUING OPERATIONS			
Revenue from principal operations	5	11 526 214	12 216 665
Other operating income	6	487 317	895 133
Purchased consumables and services	7	-5 965 634	-6 377 084
Employee benefit costs	8	-3 719 496	-4 160 350
Depreciation and amortisation	9	-973 058	-1 062 348
Other operating gains (losses)	10	10 817	-468 577
Profit (loss) before interest and tax		**1 366 160**	**1 043 439**
Financial expenses	11	-262 889	-256 864
Other gains (losses)	12	49 663	130 664
Profit (loss) before tax		**1 152 934**	**917 239**
Income tax expense	13	-279 715	-231 261
Profit (loss) for the period from continuing operations		**873 219**	**685 978**
DISCONTINUED OPERATIONS			
Profit (loss) from discontinued operations		**0**	**0**
Profit (loss) for the year		**873 219**	**685 978**

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2014

(CZK '000)	Year ended 31 Dec 2014	Year ended 31 Dec 2013
Profit (loss) for the year	**873 219**	**685 978**
Cash flow hedging	55 777	-116 480
Relating deferred income tax	-10 598	22 130
Other comprehensive income (loss) for the year	**45 179**	**-94 350**
Total comprehensive income (loss) for the year	**918 398**	**591 628**

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2014

(CZK '000)	Share capital	Reserve and other funds	Retained earnings	Total equity
Balance as of 31 December 2012	**8 494 000**	**225 148**	**-3 555 743**	**5 163 405**
Profit for the period	0	0	685 978	685 978
Other comprehensive income for the year	0	-94 350	0	-94 350
Allocation to the reserve fund	0	0	0	0
Balance as of 31 December 2013	**8 494 000**	**130 798**	**-2 869 765**	**5 755 033**
Profit for the period	0	0	873 219	873 219
Other comprehensive income (loss) for the year	0	45 179	0	45 179
Allocation to the reserve fund	0	21 488	-21 488	0
Balance as of 31 December 2014	**8 494 000**	**197 465**	**-2 018 034**	**6 673 431**

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2014

(CZK '000)	Year ended 31 Dec 2014	Year ended 31 Dec 2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit (loss) for the year before tax	**1 152 934**	**917 239**
Dividend income	-46 525	-17 604
Financial expenses	261 408	255 028
Profit (loss) from the sale and disposal of non-current assets	-11 502	-496 565
Loss from the sale of a subsidiary	0	7 418
Depreciation and amortisation of non-current assets	973 058	1 062 348
Impairment (reversal of impairment) of non-current assets	-67 422	186 123
Impairment loss (reversal of impairment loss) of trade receivables	46 054	30 045
Foreign exchange rate (gains) /losses	-21 013	-32 962
Other	41 899	4 382
Cash flow from operating activities before changes in working capital	**2 328 891**	**1 915 452**
Decrease (increase) in trade receivables	281 557	119 394
Decrease (increase) in inventories	-4 478	-22 535
Decrease (increase) in other assets	-189 796	-30 185
Increase (decrease) in trade payables	-192 364	262 957
Increase (decrease) in provisions	-434 082	79 004
Increase (decrease) in other payables	603 544	-409 316
Total changes in working capital	**64 382**	**-681**
Cash flows from operating activities	**2 393 273**	**1 914 771**
Interest paid	-239 354	-245 294
Income tax paid	-71 084	0
Net cash flow from operating activities	**2 082 835**	**1 669 477**
CASH FLOWS FROM INVESTMENT ACTIVITIES		
Payments for property, plant and equipment	-626 336	-1 672 580
Proceeds from the sale of property, plant and equipment	10 418	531 372
Costs of acquisition of intangible assets	-118 472	-70 569
Received interest	6 957	875
Received dividends	23 999	17 604
Repayments of loans from related parties	5 792	8 575
Net cash flows from the sale of a subsidiary	-10 000	-7 418
Net cash flows (used in) from investment activities	**-708 642**	**-1 192 141**
CASH FLOWS FROM FINANCING ACTIVITIES		
Use of loans and borrowings	690 754	2 747 561
Repayments of loans and borrowings	-1 822 952	-2 942 008
Net cash flow from financing activities	**-1 132 198**	**-194 447**
Net increase in cash and cash equivalents	**242 995**	**282 888**
Cash and cash equivalents at the beginning of the reporting period	440 954	158 065
Cash and cash equivalents at the end of the reporting period	**683 949**	**440 954**

1. General Information

1.1. FORMATION OF THE COMPANY

ČD Cargo, a.s. (hereinafter the "Company") was formed following its registration in the Register of Companies 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 Company's registered office is located at Jankovcova 1569/2c, Prague 7, Holešovice.

As of 31 December 2014, the Company's reported share capital of CZK 8,494,000 thousand which was fully paid in.

The sole shareholder of the Company is České dráhy, a.s.

The financial statements were prepared as of 31 December 2014. The reporting period is the calendar year from 1 January 2014 to 31 December 2014.

1.2. PRINCIPAL OPERATIONS

The principal activities of ČD Cargo, a.s. include the provision of railway transportation of goods with the set of relating services. The aim of the Company involves improving its leading position and being the driving force on the freight transportation market both in the Czech Republic and in the Central European region.

The principal business activity – railway transportation of goods – is structured into two principal segments:

- Transportation of complete trains; and
- Transportation of individual wagon loads.

The above segments are structured by the type of transportation as follows:

- Local;
- Export;
- Import; and
- Transit.

Pursuant to the structure referred to 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 shipments:

- Transportation of solid fuels;
- Transportation of ores, metals and machinery products;
- Transportation of chemical products and liquid fuels;
- Transportation of construction material;
- Transportation of wood and paper;
- Transportation of food and agricultural products;
- Combined transportation – logistical solutions for transportation of shipments using intermodal transportation units, predominantly containers;
- Automotive; and
- Transportation of other non-classified commodities.

In terms of the volume of transportation, the Company is one of the ten most significant railway companies in Europe and the European Union.

1.3. ORGANISATIONAL STRUCTURE

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

- Sales Director division;
- Operations Director division;
- Finance Director division.

In addition, the organisational structure includes operational units and repair centres for rail vehicles.

The internal organisation of the Company (principles of the organisational 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.

1.4. STATUTORY BODIES OF THE COMPANY

The sole owner of the Company is České dráhy, a.s. which acts as the Company's general meeting, the supreme body of the Company, in the capacity as the sole shareholder of the Company. The statutory body of the Company is the three-member Board of Directors, the supervisory body is the seven-member Supervisory Board. The Company established a three-member Audit Committee, the members of which were appointed by the sole shareholder.

The composition of Company's Bodies as of 31 December 2014:

Board of Directors

- Chairman: Ivan Bednárik
- Member: Zdeněk Škvařil
- Member: Bohumil Rampula

On 27 January 2014, České dráhy, a.s., as the sole shareholder of the Company, acting in the capacity of the general meeting, decided to change the Articles of Association of ČD Cargo, a.s. which defined that the Board of Directors will newly have three members. The change took effect on 17 February 2014.

On 4 February 2014, České dráhy, a.s., as the sole shareholder of the Company, acting in the capacity of the general meeting, recalled Václav Andrýsek as a member of the Board of Directors with effect from 4 February 2014.

On 4 February 2014, České dráhy, a.s., as the sole shareholder of the Company, acting in the capacity of the general meeting, recalled Pavel Lamacz as a member of the Board of Directors with effect from 16 February 2014.

On 4 February 2014, České dráhy, a.s., as the sole shareholder of the Company, acting in the capacity of the general meeting, appointed Karel Adam a member of the Board of Directors with effect from 17 February 2014.

On 30 October 2014, České dráhy, a.s., as the sole shareholder of the Company, acting in the capacity of the general meeting, recalled Oldřich Mazánek, Zdeněk Meidl and Karel Adam as members of the Board of Directors with effect from 31 October 2014.

On 30 October 2014, České dráhy, a.s., as the sole shareholder of the Company, acting in the capacity of the general meeting, appointed Ivan Bednárik, Bohumil Rampula and Zdeněk Škvařil as members of the Board of Directors with effect from 1 November 2014.

At its meeting held on 3 November 2014, the Board of Directors elected Ivan Bednárik Chairman of the Board of Directors.

Supervisory Board

- Chairman: Pavel Krtek
- Member: Ludvík Urban
- Member: Jan Kasal
- Member: Radek Nekola
- Member: Jindřich Noha
- sixth member: vacant as of 31 December 2014
- seventh member: vacant as of 31 December 2014

On 21 February 2014, České dráhy, a.s., as the sole shareholder of the Company, acting in the capacity of the general meeting, recalled Dalibor Zelený as a member and Chairman of the Company's Supervisory Board and Zdeněk Žemlička as a member of the Company's Supervisory Board with immediate effect.

On 21 February 2014, České dráhy, a.s., as the sole shareholder of the Company, acting in the capacity of the general meeting, appointed Daniel Kurucz and Michal Zděnek members of the Company's Supervisory Board with effect from 22 February 2014.

On 11 March 2014, České dráhy, a.s., as the sole shareholder of the Company, acting in the capacity of the general meeting, decided to change the Articles of Association of ČD Cargo, a.s. which defined that the Supervisory Board will newly have seven members of which five members elected by the general meeting and two members elected by the employees of the Company in line with the election rules approved by the Board of Directors after discussion with labour unions. The change took effect on 15 March 2014.

On 11 March 2014, České dráhy, a.s., as the sole shareholder of the Company, acting in the capacity of the general meeting, recalled Miroslav Zámečník and Dušan Svoboda as members of the Supervisory Board with immediate effect.

On 11 March 2014, České dráhy, a.s., as the sole shareholder of the Company, acting in the capacity of the general meeting, appointed Ludvík Urban and Jan Kasal as members of the Supervisory Board with immediate effect.

On 11 March 2014, České dráhy, a.s., as the sole shareholder of the Company, acting in the capacity of the general meeting, appointed Pavel Krtek a member of the Supervisory Board with effect from 16 March 2014.

At its meeting held on 19 March 2014, the Supervisory Board appointed Daniel Kurucz Chairman of the Supervisory Board.

On 25 November 2014, České dráhy, a.s., as the sole shareholder of the Company, acting in the capacity of the general meeting, recalled Daniel Kurucz and Michal Zděnek as members of the Company's Supervisory Board with immediate effect.

At its meeting held on 19 December 2014, the Supervisory Board appointed Pavel Krtek Chairman of the Supervisory Board.

Audit Committee

- Chairman: Oldřich Vojíř
- Member: Miroslav Zámečník
- Member:Libor Joukl

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On 2 December 2014, České dráhy, a.s., as the sole shareholder of the Company, acting in the capacity of the general meeting, decided to appoint Oldřich Vojíř, Libor Joukl and Miroslav Zámečník members of the Audit Committee of ČD Cargo, a.s. with effect from 16 December 2014.

2. Significant Accounting Policies

2.1. GENERAL INFORMATION

SThe Company prepares the separate financial statements under International Financial Reporting Standards as adopted by the European Union (IFRS). The separate and consolidated financial statements under IFRS are prepared on a voluntary basis.

The separate financial statement of ČD Cargo, a.s. prepared under Czech Accounting Standards are the statutory financial statements.

2.2. STATEMENT OF COMPLIANCE

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union.

2.3. BASIS OF PREPARATION

The financial statements have been prepared on a historical cost basis except for the revaluation of certain financial instruments. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

Investments in subsidiaries and associates that are not classified as held for sale are carried at cost in the separate financial statements. As such, the financial statements present the Company's financial position regardless of the results of subsidiaries and other group entities.

Unless stated otherwise, all figures are stated in Czech crowns.

2.4. REVENUE RECOGNITION

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

Revenue from the sale of goods and other assets is recognised when the Company has transferred to the buyer the significant risks and rewards of ownership.

Sales of services are recognised when services are rendered to counterparties. Revenues related to transportation services are recognised in the period in which the services are provided by reference to the stage of completion of the service contract.

Dividend revenue from investments is recognised when the Company's right to receive payment has been established.

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

2.5. LEASES

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

In all finance leases, the Company acts as a lessee.

Assets held under finance leases are initially recognised as assets of the Company at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Company's general policy on borrowing costs. Contingent rentals are recognised as expenses in the periods in which they are incurred.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

2.6. 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).

Transactions denominated in foreign currencies are recorded at the ruling fixed exchange rate announced by the Czech National Bank. If the ruling exchange rate does not significantly change over time, the Company uses the foreign exchange rate promulgated as of the first day of the period for a longer period of time – one month. At the balance sheet date, assets and liabilities denominated in foreign currencies are translated at the exchange rate of the Czech National Bank ruling as of that date. Income and expenses are retranslated on the basis outlined above, i.e. using the fixed exchange rate. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

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

2.7. BORROWING COSTS

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

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

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

2.8. GOVERNMENT GRANTS

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

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

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

2.9. EMPLOYEE BENEFIT COSTS

Employee benefit costs predominantly include payroll costs, payments of the employer for statutory health insurance and social security and pension insurance and costs of other employee benefits resulting from the collective agreement.

The employee benefit obligations and provisions reported in the statement of financial position represent their present value as adjusted for unrecognised actuarial gains and losses. Additions to these obligations and provisions are reported as part of expenses after the employees render services for which they will have the right for such benefits.

2.10. TAXATION

The income tax includes current tax payable and deferred tax.

2.10.1. Current Tax Payable

The tax currently payable is based on taxable profit for the year. The taxable profit differs from the profit as reported in the statement of profit or loss because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

2.10.2. Deferred Tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised.

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

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

2.10.3. Current Tax Payable and Deferred Tax for the Period

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

2.11. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are carried at cost reduced by accumulated losses from impairment, and by accumulated depreciation in respect of property and equipment. Land is not depreciated.

Properties in the course of construction are carried at cost, less any recognised impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Depreciation is recognised so as to write off the cost of assets (other than freehold land and properties under construction) less their residual values over their useful lives, using the straight-line method. Railway vehicles are depreciated using the components depreciation. Wagons and traction vehicles without components are depreciated to the estimated residual value. Components of these railway vehicles are depreciated based on the actual mileage. The estimated useful lives, residual values and depreciation method are reviewed at each year-end, with the effect of any changes in estimates accounted for on a prospective basis.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets. If there is no sufficient certainty that the lessee will acquire the ownership of an asset at the end of the lease, this asset is depreciated over the lease period if it is shorter than the anticipated useful life.

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

The Company capitalises major (periodical) repairs of rail vehicles. The costs of repairs are recorded as a separate asset item (component) and are depreciated over the useful life of repairs. The depreciation period of the components is determined for the series of rail vehicles and type of the components (periodical repairs – major, significant and overhaul).

2.12. INTANGIBLE ASSETS

2.12.1. Intangible Assets Acquired Separately

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

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

2.13. 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 that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

The recoverable amount is the higher of fair value less costs to sell and value in use. In assessing the value in use, the estimated 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 for which the estimates of future cash flows have not been adjusted.

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

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

2.14. INVESTMENTS IN SUBSIDIARIES AND ASSOCIATES

A subsidiary is an entity in which the Company has the power to govern the financial and operating policies so as to obtain benefits from its activities.

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 the separate financial statements, investments in subsidiaries and associates which are not classified as held for sale are reported at cost.

The financial statements thus present the Company financial position regardless of the results of subsidiaries and other entities in the group.

2.15. INVENTORIES

Inventories are measured at the lower of cost and net realisable value. Costs of inventories are determined using the weighted arithmetic average method. The net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

2.16. PROVISIONS

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

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

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

2.16.1. Restructuring Provision

A restructuring provision is recognised when the Company has developed a detailed formal plan for the restructuring and has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement the plan or announcing its main features to those affected by it. The measurement of a restructuring provision includes only the direct expenditures arising from the restructuring, which are those amounts that are both necessarily entailed by the restructuring and not associated with the ongoing activities of the entity.

2.17. FINANCIAL INSTRUMENTS

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

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss' (FVTPL), 'held-to-maturity' investments, 'available-for-sale' (AFS) financial assets, and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements.

Financial liabilities are classified as either financial liabilities 'at FVTPL' or 'other financial liabilities'.

2.17.1. Effective Interest Method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

Income and expenses are recognised on an effective interest basis for debt instruments other than those financial assets and liabilities classified as at FVTPL.

2.17.2. Held-to-Maturity Investments
Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity dates that the Company has the positive intent and ability to hold to maturity. Upon initial recognition, held-to-maturity investments are measured at amortised cost using the effective interest method less any impairment.

2.17.3. Financial Assets Available for Sale
Financial assets available for sale are non-derivatives that are either designated as available for sale or are not classified as (a) loans and receivables, (b) held-to-maturity investments, or (c) financial assets at fair value through profit or loss.

Dividends on the AFS equity instruments are recognised in profit or loss when the Company's right to receive the dividends is established.

2.17.4. Loans and Receivables
Loans and receivables are non-derivative financial assets that have fixed or determinable payments that are not quoted in an active market. Loans and receivables (including trade receivables and bank balances) are measured at amortised cost using the effective interest method, less any impairment.

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

2.17.5. Impairment of Financial Assets
Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

The amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

As of the balance sheet date, assets are temporarily impaired depending on the anticipated recoverability of receivables based on an individual assessment of a receivable. The Company does not recognise a temporary impairment of receivables from subsidiaries and entities in the Group.

With the exception of the AFS equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of the AFS equity securities, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in the fair value subsequent to an impairment loss is recognised in other comprehensive income.

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

If the Company 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 a collateralised borrowing for the proceeds received.

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

2.17.7. Equity Instruments
An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

2.17.8. Financial at Fair Value through Profit and Loss
Financial liabilities are classified as at FVTPL when the financial liability is either held for trading or it is designated as at FVTPL.

In this category, the Company reports derivatives that are not effective hedging instruments.

Financial liabilities at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss.

2.17.9. Other Financial Liabilities
Other financial liabilities are subsequently measured at amortised cost using the effective interest method.

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

2.17.11. Derivative Financial Instruments
The Company enters into a variety of derivative financial instruments to manage its exposure to currency and commodity risks.

Derivatives are initially recognised at fair value at the date the derivative contracts are entered into and are subsequently remeasured at their fair value at the end of each reporting period. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

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

At the inception of the hedge relationship, the Company documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Company documents 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.

2.17.13. Cash Flow Hedges

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income and accumulated under the heading of the cash flow hedging reserve. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss.

Amounts previously recognised in other comprehensive income and accumulated in equity are reclassified to profit or loss in the periods when the hedged item is recognised in profit or loss, in the same line of the statement of profit or loss as the recognised hedged item. However, when the hedged forecast transaction results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously recognised in other comprehensive income and accumulated in equity are transferred from equity and included in the initial measurement of the cost of the non-financial asset or non-financial liability.

Hedge accounting is discontinued when the Company revokes the hedging relationship, when the hedging instrument expires or is sold, terminated, or exercised, or when it no longer qualifies for hedge accounting. Any gain or loss recognised in other comprehensive income and accumulated in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognised immediately in profit or loss.

2.17.14. Financial Derivatives Held for Trading

All derivative transactions that the Company concludes are agreed on economic terms for hedging purposes, but some of them are not classified as hedging instruments for formal reasons.

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

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

3. Adoption of New and Revised International Financial Reporting Standards

3.1. STANDARDS AND INTERPRETATIONS EFFECTIVE FOR ANNUAL PERIODS ENDING 31 DECEMBER 2014

During the year ended 31 December 2014, the following standards, revised standards and interpretations took effect:

Amended, new and revised standards and interpretations	Effective for annual periods beginning on or after
IFRS 10 – Consolidated Financial Statements *)	1 January 2013
IFRS 11 – Joint Arrangements *)	1 January 2013
IFRS 12 - Disclosure of Interests in Other Entities *)	1 January 2013
IFRS 10, 11, 12 – Amendments to IFRS 10, IFRS 11 and IFRS 12: Transition Guidance *)	1 January 2013
IFRS 10, 12, IAS 27 – Amendments to IFRS 10, IFRS 12 and IAS 27 Investment Entities	1 January 2014
IAS 27 (2011) – Separate Financial Statements *)	1 January 2013
IAS 28 (2011) - Investments in Associates and Joint Ventures *)	1 January 2013
IAS 32 – Amendments to IAS 32 Offsetting Financial Assets and Financial Liabilities	1 January 2014
IAS 36 – Amendments to IAS – Recoverable Amount Disclosures for Non-Financial Assets	1 January 2014
IAS 39 – Amendments to IAS 39 Novation of Derivatives and Continuation of Hedge Accounting	1 January 2014

****) effective since 1 January 2014 in the EU***

The adoption of IFRS 12 has no significant impact on the amounts reported in the financial statements of the Company except for additional disclosures. IFRS 10 changes the definition of control as compared to the definition in the original IAS 27; however, the adoption of IFRS 10 has no impact on the reporting of equity investments in the Company's financial statements. Other standards and interpretations referred to above have no impact on recognition and presentation.

3.2. STANDARDS AND INTERPRETATIONS USED BEFORE THEIR EFFECTIVE DATES

The Company used no standards or interpretations before their effective dates.

3.3. STANDARDS AND INTERPRETATIONS IN ISSUE NOT YET ADOPTED

At the balance sheet date, the following standards and interpretations were issued but not yet effective and the Company did not adopt them in advance of their effective dates.

Amended, new and revised standards and interpretations	Effective for annual periods beginning on or after
IFRS 9 – Financial Instruments (2014)	1 January 2018
IFRS 10, IAS 28 – Amendments to IFRS 10 and IAS 28 – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	1 January 2016
IFRS 10, IFRS 12 and IAS 28 – Amendment to IFRS 10, IFRS 12 and IAS 28 Investment Entities: Applying the Consolidation Exception	1 January 2016
IFRS 11 – Amendments to IFRS 11 Accounting for Acquisitions of Interests in Joint Operations	1 January 2017
IFRS 14 – Regulatory Deferral Accounts	1 January 2016
IFRS 15 – Revenue from Contracts with Customers	1 January 2017
IAS 1 – Amendment to IAS 1 Disclosure Initiative	1 January 2016
IAS 16, IAS 38 – Amendments toIAS 16 and IAS 38 – Clarification of Acceptable Methods of Depreciation and Amortisation	1 January 2016

Amended, new and revised standards and interpretations	Effective for annual periods beginning on or after
IAS 16, IAS 41 – Amendments to IAS 16 and IAS 41 – Bearer Plants	1 January 2016
IAS 19 – Amendments to IAS 19 Defined Benefit Plans: Employee Contributions	1 July 2014
IAS 27 – Amendment to IAS 27 – Equity Method in Separate Financial Statements	1 January 2016
IFRIC 21 Levies*)	1 January 2014
Improvements to IFRSs – cycle 2010 - 2012 (published in December 2013)	1 July 2014
Improvements to IFRSs – cycle 2011 - 2013 (published in December 2013)	1 July 2014
Improvements to IFRSs – cycle 2012 - 2014 (published in September 2014)	1 January 2016

****) effective for periods starting on 17 June 2014 in the EU**

Management of the Company anticipates that the adoption of these standards, revised standards and interpretations will have no material impact on the Company in the following periods, except for IFRS 9 and IFRS 15 where the impact cannot be reliably estimated given the remote effective date.

3.4. STANDARDS AND INTERPRETATIONS THAT ARE ISSUED BY THE INTERNATIONAL ACCOUNTING STANDARD BOARD (IASB) BUT NOT YET ADOPTED BY THE EUROPEAN UNION

At the balance sheet date, some of the standards and interpretations disclosed in the prior note have not been adopted by the European Union:

Amended, new and revised standards and interpretations	Effective for annual periods beginning on or after
IFRS 9 – Financial Instruments (2014)	1 January 2018
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	1 January 2016
IFRS 10, IFRS 12 and IAS 28 – Amendment to IFRS 10, IFRS 12 and IAS 28 Investment Entities: Applying the Consolidation Exception	1 January 2016
IFRS 11 – Amendments to IFRS 11 Accounting for Acquisitions of Interests in Joint Operations	1 January 2017
IFRS 14 – Regulatory Deferral Accounts	1 January 2016
IFRS 15 – Revenue from Contracts with Customers	1 January 2017
IAS 1 – Amendment to IAS 1 Disclosure Initiative	1 January 2016
IAS 16, IAS 38 – Amendments toIAS 16 and IAS 38 – Clarification of Acceptable Methods of Depreciation and Amortisation	1 January 2016
IAS 16, IAS 41 – Amendments to IAS 16 and IAS 41 – Bearer Plants	1 January 2016
IAS 19 – Amendments to IAS 19 Defined Benefit Plans: Employee Contributions	1 July 2014
IAS 27 – Amendment to IAS 27 – Equity Method in Separate Financial Statements	1 January 2016
Improvements to IFRSs – cycle 2010 - 2012 (published in December 2013)	1 July 2014
Improvements to IFRSs – cycle 2012 - 2014 (issued in September 2014)	1 January 2016

4. Critical Accounting Judgments and Key Sources of Estimation Uncertainty

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 readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

The following are 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.

4.1. USEFUL LIVES OF PROPERTY, PLANT AND EQUIPMENT

The Company reviews the estimated useful lives of property, plant and equipment at the end of each annual reporting period. Although the Company identified no changes in the useful lives of property, plant and equipment, the situation may change in the following periods.

4.2. IMPAIRMENT OF ASSETS

The Company assesses the recoverable value of all asset components when there are indicators of their impairment (with the exception of intangible assets under construction, the recoverable value of which is assessed annually). This assessment is based on anticipated assumptions and may change in the future as the situation evolves and information is available.

4.3. REVENUE FROM INTERNATIONAL TRANSPORTATION

Given the long intervals of settlement of mutual payments between transporters in the international transportation, the Company has to estimate the amount of these revenues. The actual value of revenue mutually derecognised among transporters may be different.

4.4. MEASUREMENT OF FINANCIAL INSTRUMENTS

The Company uses financial derivatives for cash flow hedging. The measurement of derivatives in the financial statements performed by the Company using its own measurement model is based on appropriate measurement techniques using identifiable market assumptions. If these assumptions changed, the measurement of financial derivatives would be different.

4.5. PROVISION FOR EMPLOYEE BENEFITS

The provision for employee benefits includes the claim of employees for a financial contribution when they celebrate important birthdays, financial contribution upon retirement, and payment of treatment fees including salary refunds in wellness stays.

In calculating the provision, the Company used an actuarial model which is based on the 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 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 10-year government bonds.

4.6. PROVISIONS FOR LEGAL DISPUTES AND BUSINESS RISKS

The Company is involved in a number of court and out-of-court commercial disputes. Where the criteria for the recognition of provisions are met, the Company creates provisions for these disputes on the basis of the best available information and estimates. However, the actual outcome of the disputes may differ from these estimates.

4.7. RESTRUCTURING PLAN

In 2012, management of ČD Cargo, a.s. undertook a series of measures designed to strengthen the liquidity of the Company in the short-term and create conditions for achieving more favourable economic results in the medium-term and consequently ensure the stability of the Company in the following years. The implemented measures have served a basis for preparing a medium-term business plan of the Company. The restructuring plan continues to be effective.

5. Revenue from Principal Operations

All of the below additional information on the statement of profit or loss relates to continuing operations.

(CZK '000)	2014	2013
Revenue from freight transportation:	**10 885 026**	**11 593 472**
Revenue from freight transportation - local	3 798 238	4 026 576
Revenue from freight transportation – foreign	7 086 788	7 566 896
Other revenue from freight transportation:	**519 700**	**525 915**
Other revenue from freight transportation - local	313 176	354 684
Other revenue from freight transportation - foreign	206 524	171 231
Other revenue related to transportation	121 488	**97 278**
Total revenue from principal operations – continuing operations	**11 526 214**	**12 216 665**

Other revenue from freight transportation predominantly includes the revenue from freight transportation from other transporters and owners of railways and revenue from other transportation.

With respect to the volume of billed services, the principal local customers include the following:

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

Foreign customers predominantly include railway transportation companies (national transporters) and other entities. With respect to the volume of billed services, the principal companies are as follows:

Railway transportation companies (national transporters)

- DB Schenker Rail Deutschland AG
- Železničná spoločnost´ Cargo Slovakia, a.s.
- Rail Cargo Austria AG
- PKP Cargo S.A.

Other companies

- A.P. Möller - Maersk A/S
- STVA S.A
- ČD Generalvertretung GmbH
- METRANS
- BLG AutoRail GmbH

6. Other Operating Income

(CZK '000)	2014	2013
Gain from the sale of property, plant and equipment	11 573	496 830
Gain from the sale of inventory	21 093	3 015
Rental income	331 103	332 030
Compensations for deficits and damage	99 425	41 231
Other	24 123	22 027
Total other operating income – continuing operations	**487 317**	**895 133**

Other operating income predominantly includes income from contractual penalties and default interest.

7. Purchased Consumables and Services

(CZK '000)	2014	2013
Traction costs	**-1 648 800**	**-1 694 481**
Traction fuel (diesel)	-506 655	-513 376
Traction electricity	-1 142 145	-1 181 105
Payment for the use of railway route	**-1 516 611**	**-1 814 037**
Other purchased consumables and services	**-2 800 220**	**-2 868 566**
Consumed material	-259 943	-270 449
Consumed other energy	-94 893	-109 578
Consumed fuel	-9 259	-9 811
Repairs and maintenance	-228 058	-224 126
Travel costs	-35 041	-36 041
Telecommunication, data and postal services	-52 447	-59 602
Other rental	-177 446	-163 768
Rental for rail vehicles	-665 310	-617 516
Transportation charges	-740 721	-821 030
Services associated with the use of buildings	-38 632	-36 190
Operational cleaning of rail vehicles	-5 224	-7 153
Border area services	-181 905	-171 403
Advertising and promotion costs	-12 048	-13 165
Other services	-299 293	-328 734
Total purchased consumables and services – continuing operations	**-5 965 634**	**-6 377 084**

Traction electricity in the year ended 31 December 2014 includes consumed traction energy purchased from České dráhy, a.s. in the amount of CZK 933,105 thousand. Consumed energy for the year ended 31 December 2014 additionally includes the costs of CZK 209,039 thousand pursuant to a concluded out-of-court agreement with SŽDC regarding the dispute over the price of consumed traction energy for 2009.

Consumed energy in the year ended 31 December 2013 includes consumed traction energy purchased from České dráhy, a.s. in the amount of CZK 1,181,104 thousand.

Other services predominantly include the costs of education, IT, healthcare, advisory, fire protection, and security and commissions for representation abroad.

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8. Employee Benefit Costs

(CZK '000)	2014	2013
Payroll costs	-2 585 095	-2 708 013
Severance pay	-30 038	-281 585
Statutory social security and health insurance	-868 856	-944 129
Benefits resulting from the collective agreement	-44 651	-42 225
Other social costs	-163 742	-174 543
Other employee benefit costs	-27 114	-9 855
Total employees benefit costs – continuing operations	**-3 719 496**	**-4 160 350**

9. Depreciation and Amortisation

(CZK '000)	2014	2013
Depreciation of property, plant and equipment	-917 489	-1 020 384
Amortisation of intangible assets	-55 569	-41 964
Total depreciation and amortisation – continuing operations	**-973 058**	**-1 062 348**

10. Other Operating Income (Losses)

(CZK '000)	2014	2013
Change in other provisions	447 898	-70 630
Losses from impaired receivables	633	-28 812
Temporarily impaired property, plant and equipment	71 426	-186 123
Costs of contractual fines and default interest	-95 384	-1 426
Taxes and fees	-3 985	-18 720
Other operating expenses	-409 771	-162 866
Total other operating losses – continuing operations	**10 817**	**-468 577**

Other operating expenses include the expenses from the agreement on out-of-court settlement with SŽDC regarding the dispute over the price of consumed traction energy during 2009 and settlement of damage due to traffic closures caused by SŽDC. The expenses arising from the out-of-court settlement with SŽDC amounted to CZK 59,835 thousand. The principal item of operating expenses are expenses for the settlement of payables arising from the court ruling dated 15 January 2014 regarding the dispute over damage from traffic closures caused by SŽDC. These expenses amounted to CZK 127,184 thousand.

Other operating expenses additionally include damages of CZK 86,463 thousand, insurance of assets and liability insurance of CZK 68,751 thousand, costs of written-off and assigned receivables of CZK 46,687 thousand and membership fees of CZK 15,192 thousand.

Costs of contractual fines and default interest of CZK 95,384 thousand primarily include interest based on the concluded agreement on out-of-court settlement with SŽDC regarding the dispute over the price of consumed traction energy during 2009 and settlement of damage from traffic closures caused by SŽDC. Total interest amounted to CZK 29,841 thousand. In addition, it includes interest arising from the court ruling dated 15 January 2014 regarding the legal dispute over the compensation of damage from traffic closures caused by SŽDC. This interest amounted to CZK 36,968 thousand.

11. Financial Expenses

(CZK '000)	2014	2013
Interest on bank overdraft accounts and loans	-2 881	-7 985
Interest on finance lease payables	-161 977	-140 624
Interest expenses - bonds	-84 349	-89 510
Other interest expenses	-13 127	-21 025
Unwinding of the discount of provisions	-541	2 756
Other financial expenses	-14	-476
Total financial expenses – continuing operations	**-262 889**	**-256 864**

12. Other Gains (Losses)

(CZK '000)	2014	2013
Net foreign exchange gains (losses)	15 153	133 572
Received dividends	46 525	17 604
Net profit (loss) from the sale of securities and equity investments	-102	-7 418
Received interest	6 957	875
Banking fees	-1 831	-1 378
Actuarial gains (loss)	-13 275	-11 129
Other financial gains (losses)	-3 764	-1 462
Total other gains (losses) – continuing operations	**49 663**	**130 664**

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13. Income Taxation

13.1. INCOME TAX REPORTED IN PROFIT OR LOSS

(CZK '000)	2014	2013
Current income tax for the prior period	-78 061	-38 762
Deferred tax recognised in the statement of profit or loss	-201 654	-192 499
Total tax charge relating to continuing operations	**-279 715**	**-231 261**

■ **Reconciliation of the total tax charge for the period to the accounting profit:**

(CZK '000)	2014	2013
Profit from continuing operations	1 152 489	917 486
Income tax calculated using the statutory rate of 19%	-218 973	-174 322
Effect of permanently non-tax costs and income	-60 742	-56 639
Income tax reported in profit or loss	**-279 715**	**-231 261**

13.2. DEFERRED TAX

(CZK '000)	Unutilised tax losses	Receivables	Provisions	Non-current assets	Leases	Other	Total
Balance as of 31 December 2012	**-7 096**	**-7 693**	**-250 809**	**299 719**	**232 653**	**1 053**	**267 827**
Deferred tax recognised in the statement of profit or loss	7 096	-19 037	-15 010	159 681	58 835	934	192 499
Deferred tax recognised in other comprehensive income	0	0	0	0	0	-22 130	-22 130
Balance as of 31 December 2013	**0**	**-26 730**	**-265 819**	**459 400**	**291 488**	**-20 143**	**438 196**
Deferred tax recognised in the statement of profit or loss	0	-3 353	19 751	164 681	36 271	-15 696	201 654
Deferred tax recognised in other comprehensive income	0	0	0	0	0	10 597	10 597
Balance as of 31 December 2014	**0**	**-30 083**	**-246 068**	**624 081**	**327 759**	**-25 242**	**650 447**

14. Property, Plant and Equipment

Cost (CZK '000)	Balance as of 31 Dec 2012	Additions	Disposals	Reclassification	Balance as of 31 Dec 2013	Additions	Disposals	Reclassification	Balance as of 31 Dec 2014
Land	91 294	0	0	0	91 294	4 621	0	0	95 915
Structures	1 350 710	80 067	337	0	1 430 440	32 397	891	0	1 461 946
Individual movable assets	37 939 313	956 177	2 278 831	0	36 616 659	889 659	410 089	0	37 096 229
Machinery, equipment, and furniture and fixtures	*567 544*	*8 817*	*7 105*	*1 741*	*570 997*	*39 610*	*8 813*	*-2 326*	*599 468*
Vehicles	*30 665 603*	*920 332*	*2 226 160*	*84 286*	*29 444 061*	*708 053*	*378 988*	*283 832*	*30 056 958*
Vehicles acquired under finance leases	*6 696 050*	*27 028*	*44 513*	*-86 027*	*6 592 538*	*141 996*	*21 418*	*-281 189*	*6 431 927*
Other	*10 116*	*0*	*1 053*	*0*	*9 063*	*0*	*870*	*-317*	*7 876*
Assets under construction	156 859	956 874	6 198	-1 008 469	99 066	879 575	11 568	-818 865	148 208
Prepayments	105 242	125 949	231 137	0	54	896	940	0	10
Total	**39 643 418**	**2 119 067**	**2 516 503**	**-1 008 469**	**38 237 513**	**1 807 148**	**423 488**	**-818 865**	**38 802 308**

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Accumulated depreciation (CZK '000)	Balance as of 31 Dec 2012	Additions	Disposals	Reclassifi-cation	Balance as of 31 Dec 2013	Additions	Disposals	Reclassifi-cation	Balance as of 31 Dec 2014
Structures	704 304	33 833	280	0	737 857	35 297	780	0	772 374
Individual movable assets	24 251 223	1 051 750	1 875 495	0	23 427 478	886 056	392 056	0	23 921 478
Machinery, equipment, and furniture and fixtures	*383 700*	*39 465*	*6 877*	*211*	*416 499*	*39 675*	*8 706*	*-2 335*	*445 133*
Vehicles	*21 980 718*	*752 201*	*1 826 129*	*-16 814*	*20 889 976*	*615 577*	*362 089*	*46 227*	*21 189 691*
Vehicles acquired under finance leases	*1 877 893*	*259 902*	*41 452*	*16 603*	*2 112 946*	*230 665*	*20 397*	*-43 596*	*2 279 618*
Other	*8 912*	*182*	*1 037*	*0*	*8 057*	*139*	*864*	*-296*	*7 036*
Total	**24 955 527**	**1 085 583**	**1 875 775**	**0**	**24 165 335**	**921 353**	**392 836**	**0**	**24 693 852**

Impairment (CZK '000)	Balance as of 31 Dec 2012	Additions	Disposals	Balance as of 31 Dec 2013	Additions	Disposals	Balance as of 31 Dec 2014
Land	0	0	0	0	273	0	273
Buildings	0	441	0	441	393	441	393
Individual movable assets: vehicles	58 977	185 682	0	244 659	158 686	244 659	158 686
Individual movable assets: vehicles acquired under finance lease	0	0	0	0	14 322	0	14 322
Total	**58 977**	**186 123**	**0**	**245 100**	**173 674**	**245 100**	**173 674**

Reclassifications predominantly include transfers of asset items between individual groups of assets (IAS 16, IAS 17) relating to the finance leaseback of railway vehicles and traction vehicles.

Net book value (CZK '000)	Balance as of 31 December 2012	Balance as of 31 December 2013	Balance as of 31 December 2014
Land	91 294	91 294	95 642
Buildings	646 406	692 142	689 179
Individual movable assets	13 629 113	12 944 522	13 001 743
Machinery, equipment, and furniture and fixtures	*183 844*	*154 498*	*154 335*
Vehicles	*8 625 908*	*8 309 426*	*8 708 581*
Vehicles acquired under finance leases	*4 818 157*	*4 479 592*	*4 137 987*
Other	*1 204*	*1 006*	*840*
Assets under construction	156 859	99 066	148 208
Prepayments	105 242	54	10
Total	**14 628 914**	**13 827 078**	**13 934 782**

During the year ended 31 December 2013, the Company sold 86 traction vehicles and 767 wagons to the subsidiary Koleje Czeskie. The traction vehicles were disposed of in the amount of CZK 523,718 thousand and sold for CZK 718,560 thousand. The wagons were disposed of in the net book value of CZK 3,849 thousand and sold for CZK 257,377 thousand. The selling price of the sold wagons and traction vehicles was determined on the basis of an expert valuation report.

Real estate predominantly includes buildings and land. Land and buildings exclude the assets forming the railway route which are owned by the state. One of the items is provisioned as equal to the difference between the accounting net book value and the actually estimated value of CZK 393 thousand.

Vehicles predominantly include rail vehicles (traction vehicles, freight cars) used for the operations of the railway freight transportation. These items are provisioned as equal to the difference between the net book value and the recoverable value of CZK 173,008 thousand.

Principal additions to individual tangible movable assets in the year ended 31 December 2014 included the modernisation of wagons of CZK 310,946 thousand, inspection repairs (components) of wagons of CZK 196,812 thousand, major and general repairs (components) of traction vehicles of CZK 217,674 thousand and technical improvements on wagons of CZK 41,546 thousand.

In the years ended 31 December 2014 and 2013, the Company acquired tangible assets recognised in expenses in the amounts of CZK 25,663 thousand and CZK 25,908 thousand, respectively. These assets are low value tangible assets comprising other movable assets and sets of movable assets with an estimated useful life greater than one year not reported within fixed assets. These assets are accounted for as inventory and they are expensed.

Prepayments made for tangible fixed assets amount to CZK 10 thousand and CZK 54 thousand as of 31 December 2014 and 2013, respectively.

In the year ended 31 December 2014, the Company carried out the first stage of wagon scrapping – 299 wagons were scrapped. Regarding other wagons and traction vehicles intended for scrapping, the Company mapped the current physical condition, recorded parts that could be used as spare parts for repairs and the remaining parts of wagons intended for direct scrapping. Management of the Company anticipates that the scrapping process will continue in the following years.

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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 other depreciation, the following useful lives were used:

	Number of years
Buildings	20 – 50
Structures	20 – 50
Locomotives (without components)	20 – 25
Wagons (without components)	30
Machinery and equipment	8 – 20

14.1. ASSETS PLEDGED AS COLLATERAL

As of 31 December 2014 and 2013, no assets of the Company were pledged as collateral.

15. Intangible Assets

Cost (CZK '000)	Balance as of 31 Dec 2012	Additions	Disposals	Reclassi-fication	Balance as of 31 Dec2013	Additions	Disposals	Reclassi-fication	Balance as of 31 Dec2014
Software	357 973	109 444	27 103	0	440 314	56 593	89 004	0	407 903
Valuable rights	123 105	1 531	422	0	124 214	300	17 298	0	107 216
Assets under construction	93 017	70 568	112 787	0	50 798	134 302	56 893	0	128 207
Total	**574 095**	**181 543**	**140 312**	**0**	**615 326**	**191 195**	**163 195**	**0**	**643 326**

Accumulated amortisation (CZK '000)	Balance as of 31 Dec 2012	Additions	Disposals	Reclassi-fication	Balance as of 31 Dec2013	Additions	Disposals	Reclassi-fication	Balance as of 31 Dec2014
Software	269 172	30 550	27 103	0	272 619	45 257	87 528	0	230 348
Valuable rights	68 279	11 414	422	0	79 271	11 462	4 093	0	86 640
Total	**337 451**	**41 964**	**27 525**	**0**	**351 890**	**56 719**	**91 621**	**0**	**316 988**

Reclassifications predominantly include transfers of asset items between individual groups of assets (IAS 38) relating to software and valuable rights.

Net book value (CZK '000)	Balance as of 31 Dec 2012	Balance as of 31 Dec 2013	Balance as of 31 Dec 2014
Software	88 801	167 695	177 555
Valuable rights	54 826	44 943	20 576
Assets under construction	93 017	50 798	128 207
Total	**236 644**	**263 436**	**326 339**

Amortisation costs were reported in the statement of profit or loss line 'Depreciation and amortisation'. The amortisation was calculated using useful lives of 3 to 8 years.

Intangible fixed assets predominantly include the SAP system and the operational business information system – PROBIS. In the year ended 31 December 2014, the Company continued the second phase of the implementation of PROBIS that was acquired for CZK 104,428 thousand of total investments in intangible assets of CZK 134,302 thousand. The upgrade of the IS in the second phase of the PROBIS implementation will be completed and the IS put into use in 2015. Intangible assets additionally include the information system supporting the activities of the freight transporter, development of the SAP information systems, the Microsoft Enterprise Agreement licence, OPT information system, the system for the support of office work and other systems used by the Company. In 2014, the Company received no subsidies from the Transport Operational Programme for financing intangible assets.

Intangible fixed assets under construction predominantly include a further extension of software for the railway transportation and financial management of the Company.

16. Investments in Associates

16.1. INFORMATION ON SUBSIDIARIES

Name of the entity (CZK '000)	Registered office	Value of investment as of 31 Dec 2014	Value of investment as of 31 Dec 2013
CD Generalvertretung GmbH	Kaiserstrasse 60, 60329 Frankfurt am Main, Germany	1 375	1 375
Koleje Czeskie Sp. z o.o.	Grzybowska nr 4, lok. 3, 00-131Warsaw, Poland	259 900	259 900
CD Generalvertretung Wien GmbH	Rotenturmstraße 22/24, 1010 Vienna, Austria	0	0
Generálne zatúpenie ČD Cargo, s.r.o.	Prievozská 4/B, 82109 Bratislava	0	0
Terminal Brno, a.s.	K terminálu 614/11, 61900 Brno	45 443	45 988
ČD-DUSS Terminál, a.s.	Lukavecká 1189, 41002 Lovosice	2 040	2 040
ČD Logistics, a.s.	Opletalova 1284/37, 11000 Prague 1	15 600	5 600
Auto Terminal Nymburk, s.r.o.	Jankovcova 1569/2c, 170 00 Prague 7	0	0
Total		**324 358**	**314 903**

Name of the entity	Principal activities	Investment as of 31 Dec 2014	Investment as of 31 Dec 2013
CD Generalvertretung GmbH	Mediation of services in freight transportation on behalf of and for ČD Cargo,a.s.	100 %	100 %
Koleje Czeskie Sp. z o.o.	Mediation of services in freight transportation on behalf of and for ČD Cargo, a.s.	100 %	100 %
CD Generalvertretung Wien GmbH	Mediation of services in freight transportation and shipping.	0 %	0 %
Generálne zatúpenie ČD Cargo, s.r.o.	Mediation of services in freight transportation on behalf of and for ČD Cargo, a.s. and shipping.	100 %*	1,61 %
Terminal Brno, a.s.	Operations of the combined transport terminal in Brno.	66,93 %	66,9 %
ČD-DUSS Terminál, a.s.	Operations of the container terminal in Lovosice.	51 %	51 %
ČD Logistics, a.s.	Shipping.	78 %*	56 %
Auto Terminal Nymburk, s.r.o.	Shipping and technical services in transportation.	100 %	100 %

* *Changes in equity investments did not take effect as of the end of the reporting period. These changes were recorded in the Register of Companies in January 2015.*

On 22 December 2014, EXIMTRA a.s. transferred 22% of shares of ČD Logistics, a.s. to ČD Cargo, a.s. Currently, ČD Cargo, a.s. owns a total of 78% of the share capital of ČD Logistics, a.s., (CZK 7,800 thousand).

16.2. INFORMATION ON ASSOCIATES

Name of the entity (CZK '000)	Registered office	Value of investment as of 31 Dec 2014	Value of investment as of 31 Dec 2013
BOHEMIAKOMBI, spol. s r.o.	Opletalova 6, 11000 Prague 1	3 286	2 837
Ostravská dopravní společnost, a.s.	U Tiskárny 616/9, 70200 Ostrava, Přívoz	20 984	30 127
RAILLEX a.s.	Trnkovo nám. 3, 15200 Prague 5	985	985
Total		**25 255**	**33 949**

Name of the entity	Principal activities	Value of investment as of 31 Dec 2014	Value of investment as of 31 Dec 2013
BOHEMIAKOMBI, spol. s r.o.	Mediation of services in transportation except for transportation by own vehicles	30 %	30 %
Ostravská dopravní společnost, a.s.	Operating railway transportation and lease of locomotives.	20 %	20 %
RAILLEX a.s.	Handling of cargo and technical services in transportation.	50 %	50 %

16.3. SUMMARY FINANCIAL INFORMATION ON ASSOCIATES

(CZK '000)	31 Dec 2014	31 Dec 2013
Total assets	465 692	578 132
Total liabilities	317 390	336 787
Net assets	148 302	241 345
Share of the Company in associates' net assets	**40 484**	**56 445**

(CZK '000)	2014	2013
Total income	1 643 364	1 598 434
Profit for the period	27 449	27 069
Share of the Company in associates' profit for the period	**8 285**	**5 581**

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17. Inventories

(CZK '000)	31 Dec 2014	31 Dec 2013
Spare parts and other components for rail vehicles and locomotives	38 213	19 279
Other machinery, tools and equipment and their spare parts	65 941	74 415
Fuels, lubricants and other oil products	3 668	3 865
Work clothes, work shoes, protective devices	1249	805
Other	12 186	11 840
Total cost	**121 257**	**110 204**
Write-down of inventories to their net realisable value	0	0
Total net book value	**121 257**	**110 204**

No allowances were recognised based on inventory counts in 2014 and 2013.

18. Trade Receivables

(CZK '000)	31 Dec 2014	31 Dec 2013
Long-term	0	0
Short-term	1 537 979	1 871 098
Total	**1 537 979**	**1 871 098**

18.1. AGING OF TRADE RECEIVABLES

	Category	Before due date	Past due date (days)					Past due date	Total
(CZK '000)			1 - 30 days	31 – 90 days	91- 180 days	181 -365 days	365 and more		
31 Dec 2014	Gross	1 441 263	67 320	12 883	4 346	10 792	128 783	224 124	1 665 387
	Allowances	0	0	0	0	-13 063	-114 345	-127 408	-127 408
	Net	**1 441 263**	**67 320**	**12 883**	**4 346**	**-2 271**	**14 438**	**96 716**	**1 537 979**
31 Dec 2013	Gross	1 795 188	0	86 225	27 718	10 156	154 751	278 850	2 074 038
	Allowances	-68 604	0	0	-18 851	-2 004	-113 481	-134 336	-202 940
	Net	**1 726 584**	**0**	**86 225**	**8 867**	**8 152**	**41 270**	**144 514**	**1 871 098**

19. Other Financial Assets

(CZK '000)	31 Dec 2014	31 Dec 2013
Other non-current financial assets	238 553	11 543
Other current financial assets	19 361	36 539
Total other financial assets	**257 914**	**48 082**

Other financial assets predominantly include loans provided to Koleje Czeskie Sp. Z. o.o. of CZK 234,958 thousand and RAILLEX, a.s., receivables for deficits and damage, and receivables registered for recovery with the courts. Receivables registered for recovery through the courts in the years ended 31 December 2014 and 2013 decreased by CZK 84,122 thousand and CZK 2,931 thousand, respectively.

20. Other Assets

(CZK '000)	31 Dec 2014	31 Dec 2013
Non-current other assets	**236**	**225**
Prepayments made	78 236	87 042
Tax receivables (except for corporate income tax)	93 465	85 574
Prepaid expenses	31 693	29 724
Other	5 985	621
Current other assets	**209 380**	**202 961**
Total other assets	**209 616**	**203 186**

21. Equity

21.1. SHARE CAPITAL

As of 31 December 2009, the share capital of the Company is composed of the non-cash investment of a business part of České dráhy, a.s. as the sole shareholder and amounted to CZK 8,800,000 thousand.

On 2 June 2009, České dráhy, a.s., acting in the capacity of the General Meeting, adopted the resolution on the decrease in the share capital of ČD Cargo, a.s. in accordance with Section 213a of the Commercial Code, from CZK 8,800,000 thousand to CZK 8,494,000 thousand. As of 31 December 2014, the Company reports the share capital of CZK 8,494,000 thousand fully paid.

21.2. RESERVE AND OTHER FUNDS

(CZK '000)	31 Dec 2014	31 Dec 2013
Share premium	197 658	197 658
Statutory reserve fund	82 138	60 653
Cash flow hedging reserve	-82 331	-127 513
Total	**197 465**	**130 798**

Allocations to the statutory reserve fund are made in accordance with the national legislation.

■ Cash Flow Hedging Reserve

(CZK '000)	2014	2013
Balance at the beginning of the year	**-127 513**	**-33 163**
Loss from revaluation	-62 862	-113 552
Reclassification to profit or loss	118 639	-2 928
Total change in the cash flow hedging reserve	**55 777**	**-116 480**
Relating income tax	-10 595	22 130
Balance at the year-end	**-82 331**	**-127 513**

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

22. Loans and Borrowings

(CZK '000)	31 Dec 2014	31 Dec 2013
Payables from finance leases	416 444	425 222
Overdraft accounts	0	844 691
Issued bonds	1 000 000	1 000 000
Total short-term	**1 416 444**	**2 269 913**
Payables from finance leases	2 443 866	2 300 663
Issued bonds	1 175 695	1 505 813
Total long-term	**3 619 561**	**3 806 476**
Total	**5 036 005**	**6 076 389**

Portions of long-term loans and borrowings that are repayable in a period shorter than one year from the financial statements date are recognised as short-term loans and borrowings.

The Company breached no loan covenants in the reporting period.

22.1. ISSUED BONDS

On 4 May 2011, the resolution of the Czech National Bank, ref. no 2011/4833/570, File no. Sp/2011/50/572, 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.

In 2012 and 2011, the following issues of bonds were placed under the bond programme:

Administrator	Komerční banka, a.s.
Date of issue	20 June 2011
Total nominal value	CZK 1,000,000,000
Total nominal value after exercising the option	CZK 658,300,000
Interest rate	Fixed interest income
Interest rate (1-3 year); coupon	3.183 % p.a.
Interest rate (4-5 year); coupon	5 % p.a.
Issue rate	98.025 %
Payment of interest income	Annually retrospectively
Date of the interest payment	20 June each year
Date of the final maturity	20 June 2016
Date of the final maturity (use of the put option)	20 June 2014

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Administrator	Československá obchodní banka, a.s.
Date of issue	22 Dec2011
Total nominal value	CZK 500,000,000
Nominal value of the bond	CZK 1
Interest rate	variable interest income
Reference rate	6M PRIBOR
6M PRIBOR (first yield period); coupon	1.45 % p.a.
Hedged value for all other periods	1.64 % p.a.
Margin	1.30 % p.a.
Issue rate	97.464 %
Payment of interest income	on six months basis, retrospectively
Date of the interest payment	22 June and 22 December each year
Date of the final maturity	22 Dec 2015

Administrator	Raiffeisenbank, a.s.
Date of issue	21 Dec 2011
Total nominal value	CZK 500,000,000
Interest rate; coupon	Fixed interest income, 3.8 % p.a.
Issue rate	99.941 %
Payment of interest income	annually retrospectively
Date of the interest payment	21 Dec each year
Date of the final maturity	21 Dec 2016

Manager	Československá obchodní banka, a.s.
Date of issue	12 January 2012
Total nominal value	CZK 200,000,000
Nominal value of the bond	CZK 1
Interest rate	Variable interest income
Reference rate	6M PRIBOR
6M PRIBOR (first yield period); coupon	1.45 % p.a.
Hedged value for all the following periods	1.64 % p.a.
Mark-up	1.30 % p.a.
Issue rate	97.506 %
Payment of interest income	Bi-annually retrospectively
Date of the interest payment	22 June and 22 Dec each year
Date of final maturity	22 Dec 2015

Manager	Československá obchodní banka, a.s.
Date of issue	19 January 2012
Total nominal value	CZK 300,000,000
Nominal value of the bond	CZK 1
Interest rate	Variable interest income
Reference rate	6M PRIBOR
6M PRIBOR (first yield period); coupon	1.45 % p.a.
Hedged value for all the following periods	1.64 % p.a.
Mark-up	1.30 % p.a.
Issue rate	97.518 %
Payment of interest income	Bi-annually retrospectively
Date of the interest payment	22 June and 22 Dec each year
Date of final maturity	22 Dec 2015

ČD Cargo, a.s. recorded calls for a premature redemption of part of the first issue of the bonds placed through KB, a.s. with the total nominal value of CZK 341.7 million within the due period. This amount was redeemed as of 20 June 2014. Bonds with a total nominal value of CZK 2,158.3 million are currently issued.

The bonds issue at Československá obchodní banka of CZK 1 billion was reclassified as a result of the maturity on 22 December 2015 from the long-term portion to the short-term portion.

22.2. FINANCE LEASE PAYABLES

The Company concluded several lease contracts for the purchase of railway vehicles. The loans mature in 10 and more years. Pursuant to a lease contract, the Company has the ability to buy these vehicles upon the expiration of the lease. The Company's payables arising from finance leases are collateralised by the lessor's ownership title to the leased assets.

The value of finance leases is as follows:

(CZK '000)	Minimum lease payments		Present value of minimum lease payments	
	31 Dec 2014	**31 Dec 2013**	**31 Dec 2014**	**31 Dec 2013**
Less than 1 year	546 486	545 039	416 443	425 222
From 1 to 5 years	2 005 067	1 787 597	1 675 893	1 475 939
5 years and more	845 186	899 111	767 973	824 724
Total	**3 396 739**	**3 231 747**	**2 860 309**	**2 725 885**
Less future finance expenses	-536 430	-505 862	-	-
Present value of minimum lease payments	**2 860 309**	**2 725 885**	**2 860 309**	**2 725 885**
In the statement of financial position as:				
short-term loans			416 443	425 222
long-term loans			2 443 866	2 300 663
Total			**2 860 309**	**2 725 885**

The fair value of finance lease payables is calculated in Note 32.11.1.

23. Provisions

(CZK ʼ000)	Balance at 31 Dec 2012	Charge	Use	Balance at 31 Dec 2013	Charge	Use	Balance at 31 Dec 2014
Provision for legal disputes	53 373	52 921	16 650	89 644	20 961	52 189	58 416
Provision for outstanding vacation days	27 676	26 764	27 676	26 764	19 955	26 764	19 955
Provision for business risks	539 988	362 959	0	902 947	37 275	916 518	23 704
Provision for employee bonuses	108 503	26 620	34 993	100 130	58 467	44 651	113 946
Provision for restructuring	535 000	0	285 027	249 973	0	69 652	180 321
Provision for loss-making transactions	0	0	0	0	525 450	0	525 450
Ostatní rezervy*	55 507	66 454	92 368	29 593	71 083	57 499	43 177
Total provisions	**1 320 047**	**535 718**	**456 714**	**1 399 051**	**733 191**	**1 167 273**	**964 969**
long-term	**70 070**			**64 100**			**635 323**
short-term	**1 249 977**			**1 334 951**			**329 646**

** Other provisions includes provisions for complaints, returns of empty wagons, damages and other provisions.*

After having considered all existing legal analyses and results of negotiations in existing legal disputes and having assessed all potential risks, current developments in legal disputes and in accordance with the inherent level of prudence, management has decided to decrease the amount of the non-tax deductible provision to cover potential expenses relating to potential risks for business transactions. The total balance of the provision as of 31 December 2014 is CZK 23,704 thousand.

The provision for business risks was decreased by CZK 916,518 thousand primarily due to:

- Conclusion of an agreement on out-of-court settlement with SŽDC regarding the consumed traction energy during 2009 and settlement of damage due to traffic closures caused by SŽDC. The out-of-court settlement agreement was concluded for the total amount of CZK 375,811 thousand, of which CZK 61,786 thousand relates to the settlement of damage caused by the traffic closures and CZK 314,025 thousand relates to the price of purchased traction energy for 2009. Payables arising from these out-of-court settlements were recognised as "Other payables", divided into short-term and long-term parts (refer to Note 25); and
- Court ruling dated 15 January 2014 regarding the legal dispute over the damage due to SŽDC's traffic closures based on which ČD Cargo, a.s. is obliged to settle the payable of CZK 164,152 thousand to SŽDC.

As of 31 December 2012, management of the Company has decided to make organisational changes pursuant to the prepared restructuring plan, the main features of which were communicated within the Company. The future cash outflows associated with the restructuring were estimated at CZK 535,000 thousand in the plan. During the year ended 31 December 2013, the amount of the provision decreased by the use by CZK 285,027 thousand to the balance of CZK 249,973 thousand as of 31 December 2013. During the year ended 31 December 2014, this provision was used and specified, it amounted to CZK 180,321 thousand as of 31 December 2014. These funds will continue to be available to the Company to cover the costs relating to the restructuring in the following reporting period.

During the year, the Company recognised a provision for loss-making transactions. The amount of the provision is determined on the basis of a reasonable estimate as equal to the future liability arising from the loss. The amount includes the difference between the discounted net anticipated income and discounted anticipated expenses. The provision amounts to CZK 525,450 thousand as of 31 December 2014.

The provision for employee benefits includes the claim of employees for a financial contribution for life jubilees, financial contribution upon retirement and payment of treatment costs including the salary refund in wellness stays. The amount of the provision was calculated at CZK 113,946 thousand using an actuarial model. For details on this model, refer to Note 4.6.

24. Trade Payables

Cost	Category	Before due date	Past due date(days)					Total past due date	Total
(CZK ʼ000)			1 - 30	31 – 90	91- 180	181 -365	365 and more		
31 Dec 2014	Short-term	1 887 159	120 197	2982	93	1379	0	124 651	**2 011 810**
31 Dec 2013	Short-term	1 879 606	68 115	0	7	235	0	68 357	**1 947 963**

Supplier invoices typically mature in 90 days.

25. Other Financial Liabilities

(CZK '000)	31 Dec 2014	31 Dec 2013
Long-term other financial liabilities	**640 852**	**157 756**
Financial derivative instruments	29 181	50 661
Other	611 671	107 095
Short-term other financial liabilities	**443 283**	**303 779**
Financial derivative instruments	94 750	139 240
Other	348 533	164 539
Total other financial liabilities	**1 084 135**	**461 535**

Long-term other financial liabilities primarily include liabilities to SŽDC of CZK 331,966 thousand and consist of the long-term portion of a payable arising from the concluded out-of-court agreement regarding the dispute over the price of traction energy during 2009 and settlement of damage due to SŽDC's traffic closures. Another long-term liability to SŽDC of CZK 77,522 thousand relates to the settlement of the damage due to SŽDC's traffic closures pursuant to a court ruling dated 15 January 2014 (refer to Note 23 Provisions).

As of 31 December 2014, short-term other financial liabilities primarily include a short-term portion of a payable to SŽDC of CZK 98,562 thousand. The amount of CZK 43,845 thousand is the short-term portion of the payable arising from the conclusion of the out-of-court agreement regarding the dispute over the price of the consumed traction energy during 2009 and settlement of damage due to SŽDC's traffic closures. The amount of CZK 54,717 thousand relates to the settlement of the payable arising from the settlement of damage due to SŽDC's traffic closures pursuant to the court ruling dated 15 January 2014 (refer to Note 23 Provisions).

'Other' additionally includes a liability arising from supplier loans divided into a short-term and long-term portion.

26. Other Liabilities

(CZK '000)	31 Dec 2014	31 Dec 2013
Other long-term liabilities	**569 727**	**462 944**
Received prepayments	1 257	1 224
Payables to employees	213 519	290 856
Social security and health insurance payables	101 354	116 313
Other	59 153	126 251
Total short-term liabilities	**375 283**	**534 644**
Total other liabilities	**945 010**	**997 588**

The line item 'Other long-term liabilities' primarily includes deferred leaseback gains. The line item 'Other' predominantly includes payables arising from VAT and deferred leaseback gains.

The Company records no liabilities past their due dates to taxation authorities, social security institutions and health insurers.

27. Related Party Transactions

27.1. INCOME GENERATED WITH RELATED PARTIES

2014 (CZK '000)	Sale of tangible FA	Sale of inventory	Sale of services	Other income	Financial income	Total
České dráhy a.s.	0	1 383	17 915	1 886	0	21 184
ČD - Telematika, a.s.	20	0	311	0	0	331
ČD - Informační Systémy, a.s.	0	0	0	0	0	0
DPOV, a.s.	0	4	4 528	731	0	5 263
ČD Travel, s.r.o.	0	0	0	0	0	0
Dopravní vzdělávací institut, a.s.	0	0	0	0	0	0
Výzkumný Ústav Železniční, a.s.	0	0	11 462	0	0	11 462
RAILREKLAM, spol. s r.o.	0	0	0	0	0	0
Jídelní a lůžkové vozy, a.s.	0	0	0	0	0	0
Smíchov Station Development, a.s.	0	0	0	0	0	0
Žižkov Station Development, a.s.	0	0	0	0	0	0
Masaryk Station Development, a.s.	0	0	0	0	0	0
Centrum Holešovice, a.s.	0	0	0	0	0	0
ČD Generalvertretung GmbH	0	0	274 369	0	924	275 293
ČD Generalvertretung Wien GmbH	0	0	558	0	1	559
Koleje Czeskie Sp. z o.o.	0	7 659	86 381	6 727	630	101 397
Generálne zastúpenie ČD Cargo,s.r.o.	0	0	46 258	0	60	46 318
ČD Logistics, a.s.	0	0	554 853	0	374	555 227
ČD-DUSS Terminal, a.s.	0	0	137	0	0	137
Terminal Brno, a.s.	0	0	167	0	0	167
Auto Terminal Nymburk, s.r.o.	0	0	0	0	0	0
RAILLEX, a.s.	0	0	79 370	21	136	79 527
BOHEMIAKOMBI, spol. s r.o.	0	0	10 595	0	13	10 608
Ostravská dopravní společnost, a.s.	0	0	137 548	0	616	138 164
Total	**20**	**9 046**	**1 224 452**	**9 365**	**2 754**	**1 245 637**

2013 (CZK '000)	Sale of tangible FA	Sale of inventory	Sale of services	Other income	Financial income	Total
České dráhy a.s.	64	208	22 679	1 786	0	24 737
ČD - Telematika, a.s.	0	0	130	0	0	130
ČD - Informační Systémy, a.s.	0	0	0	0	0	0
DPOV, a.s.	0	0	4 578	308	0	4 886
ČD Travel, s.r.o.	0	0	0	0	0	0
Dopravní vzdělávací institut, a.s.	0	0	0	0	0	0
Výzkumný Ústav Železniční, a.s.	0	0	10 213	0	0	10 213
RAILREKLAM, spol. s r.o.	0	0	0	0	0	0
Jídelní a lůžkové vozy, a.s.	0	0	0	0	0	0
Smíchov Station Development, a.s.	0	0	0	0	0	0
Žižkov Station Development, a.s.	0	0	0	0	0	0
Masaryk Station Development, a.s.	0	0	0	0	0	0
Centrum Holešovice, a.s.	0	0	0	0	0	0
ČD Generalvertretung GmbH	0	0	243 174	0	2 315	245 489
ČD Generalvertretung Wien GmbH	0	0	236	0	1	237
Koleje Czeskie Sp. z o.o.	975 937	5 174	115 926	0	7 344	1 104 381
Generálne zastúpenie ČD Cargo,s.r.o.	0	0	8 575	0	2	8 577
ČD Logistics, a.s.	0	0	545 598	0	316	545 914
ČD-DUSS Terminal, a.s.	0	0	19	0	0	19
Terminal Brno, a.s.	0	0	337	0	0	337
Auto Terminal Nymburk, s.r.o.	0	0	0	0	0	0
RAILLEX, a.s.	0	0	55 556	3	351	55 910
BOHEMIAKOMBI, spol. s r.o.	0	0	13 487	0	91	13 578
Ostravská dopravní společnost, a.s.	0	0	149 563	0	1 722	151 285
Total	**976 001**	**5 382**	**1 170 071**	**2 097**	**12 142**	**2 165 693**

27.2. PURCHASES FROM RELATED PARTIES

2014 (CZK '000)	Assets	Material	Services	Other expenses	Financial income	Total
České dráhy a.s.	33 297	672 434	971 024	8 593	34	1 685 382
ČD - Telematika, a.s.	47 915	1 645	13 696	579	0	63 835
ČD - Informační Systémy, a.s.	41 838	1 273	107 545	0	0	150 656
DPOV, a.s.	78 233	1 432	17 586	65	0	97 316
ČD travel, s.r.o.	0	0	14 833	0	0	14 833
Dopravní vzdělávací institut, a.s.	0	0	17 106	0	0	17 106
Výzkumný Ústav Železniční, a.s.	0	0	0	0	0	0
RAILREKLAM, spol. s r.o.	0	0	0	0	0	0
Jídelní a lůžkové vozy, a.s.	0	0	1 156	0	0	1 156
Smíchov Station Development, a.s.	0	0	0	0	0	0
Žižkov Station Development, a.s.	0	0	0	0	0	0
Masaryk Station Development, a.s.	0	0	0	0	0	0
Centrum Holešovice, a.s.	0	0	0	0	0	0
ČD Generalvertretung GmbH	0	0	64 794	0	191	64 985
ČD Generalvertretung Wien GmbH	0	0	0	0	0	0
Koleje Czeskie Sp. z o.o.	0	2 406	191 261	953	40	194 660
Generálne zastúpenie ČD Cargo, s.r.o.	0	28	4 986	0	1	5 015
ČD Logistics, a.s.	0	0	8 522	0	0	8 522
ČD-DUSS Terminal, a.s.	0	0	2	0	0	2
Terminal Brno, a.s.	0	0	13 902	0	0	13 902
Auto Terminal Nymburk, s.r.o.	0	0	0	0	0	0
RAILLEX, a.s.	0	0	1 387	0	1	1 388
BOHEMIAKOMBI, spol. s r.o.	0	0	0	2	0	2
Ostravská dopravní společnost, a.s.	0	0	39 147	0	0	39 147
Total	**201 283**	**679 218**	**1 466 947**	**10 192**	**267**	**2 357 907**

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2013 (CZK '000)	Assets	Material	Services	Other expenses	Financial income	Total
České dráhy a.s.	10 896	667 754	1 280 381	8 907	477	1 968 415
ČD - Telematika, a.s.	96	813	15 816	7	0	16 732
ČD - Informační Systémy, a.s.	41 074	1 321	100 253	0	0	142 648
DPOV, a.s.	103 381	870	17 118	0	0	121 369
ČD travel, s.r.o.	0	0	13 955	0	0	13 955
Dopravní vzdělávací institut, a.s.	0	2	16 202	0	0	16 204
Výzkumný Ústav Železniční, a.s.	0	0	0	0	0	0
RAILREKLAM, spol. s r.o.	0	0	5 230	0	0	5 230
Jídelní a lůžkové vozy, a.s.	0	0	1 146	0	0	1 146
Smíchov Station Development, a.s.	0	0	0	0	0	0
Žižkov Station Development, a.s.	0	0	0	0	0	0
Masaryk Station Development, a.s.	0	0	0	0	0	0
Centrum Holešovice, a.s.	0	0	0	0	0	0
ČD Generalvertretung GmbH	0	0	14 471	0	0	14 471
ČD Generalvertretung Wien GmbH	0	0	66	0	0	66
Koleje Czeskie Sp. z o.o.	0	5 174	93 887	0	254	99 315
Generálne zastúpenie ČD Cargo, s.r.o.	0	0	977	0	0	977
ČD Logistics, a.s.	0	0	5 568	0	0	5 568
ČD-DUSS Terminal, a.s.	0	0	0	0	0	0
Terminal Brno, a.s.	0	0	13 113	0	0	13 113
Auto Terminal Nymburk, s.r.o.	0	0	0	0	0	0
RAILLEX, a.s.	0	0	890	112	0	1 002
BOHEMIAKOMBI, spol. s r.o.	0	0	0	0	0	0
Ostravská dopravní společnost, a.s.	0	0	44 073	0	0	44 073
Total	**155 447**	**675 934**	**1 623 146**	**9 026**	**731**	**2 464 284**

27.3. PURCHASES AND SALES OF FIXED ASSETS AND FINANCIAL ASSETS WITH RELATED PARTIES

Sales
In the year ended 31 December 2014, the Company sold tangible fixed assets of CZK 20 thousand to ČD Telematika, a.s.

In the year ended 31 December 2013, the Company sold tangible fixed assets to České dráhy, a.s. in the amount of CZK 64 thousand and to Koleje Czeskie, Sp. z o. o. in the amount of CZK 975,937 thousand.

Purchases

Purchases (CZK '000)	Intangible assets	Property, plant and equipment	Intangible assets	Property, plant and equipment
	2014	2014	2013	2013
ČD, a.s.	54	33 243	118	17 650
ČD - Telematika a. s.	0	47 915	0	96
ČD - Informační Systémy, a.s.	41 439	399	41 074	0
DPOV, a.s.	0	78 233	0	103 381
Total	**41 493**	**159 790**	**41 192**	**121 127**

Purchases of fixed assets from DPOV, a.s. include purchases of railway vehicle components – performance of significant periodical repairs.

27.4. OUTSTANDING TRADE BALANCES AT THE END OF THE REPORTING PERIOD

31 December 2014 (CZK '000)	Receivables	Payables
České dráhy a.s.	4 032	203 574
ČD - Telematika, a.s.	9	5 359
ČD - Informační Systémy, a.s.	0	79 050
DPOV, a.s.	1 293	69 597
ČD travel, s.r.o.	0	5 989
Dopravní vzdělávací institut, a.s.	0	2 147
Výzkumný Ústav Železniční, a.s.	1 474	0
RAILREKLAM, spol. s r.o.	0	0
Jídelní a lůžkové vozy, a.s.	0	131
Smíchov Station Development, a.s.	0	0
Žižkov Station Development, a.s.	0	0
Masaryk Station Development, a.s.	0	0
Centrum Holešovice, a.s.	0	0
CD Generalvertretung GmbH	21 037	2 580
CD Generalvertretung Wien GmbH	152	0
Koleje Czeskie Sp. z o.o.*	9 236	23 142
Generálne zastúpenie ČD Cargo, s.r.o.	12 231	128
ČD Logistics, a.s.	81 469	2 219
ČD-DUSS Terminal, a.s.	15	0
Terminal Brno, a.s.	13	938
Auto Terminal Nymburk, s.r.o.	0	0
RAILLEX, a.s.	5 012	218
BOHEMIAKOMBI, spol. s r.o.	949	0
Ostravská dopravní společnost, a.s.	24 202	7 565
Total	**161 124**	**402 637**

31 December 2014 (CZK '000)	Receivables	Payables
České dráhy a.s.	6 130	266 127
ČD - Telematika, a.s.	18	6 631
ČD - Informační Systémy, a.s.	0	59 753
DPOV, a.s.	1 586	42 595
ČD travel, s.r.o.	0	2 993
Dopravní vzdělávací institut, a.s.	0	2 028
Výzkumný Ústav Železniční, a.s.	1 959	0
RAILREKLAM, spol. s r.o.	0	0
Jídelní a lůžkové vozy, a.s.	0	104
Smíchov Station Development, a.s.	0	0
Žižkov Station Development, a.s.	0	0
Masaryk Station Development, a.s.	0	0
Centrum Holešovice, a.s.	0	0
CD Generalvertretung GmbH	31 984	2 993
CD Generalvertretung Wien GmbH	230	0
Koleje Czeskie Sp. z o.o.*	285 907	1 851
Generálne zastúpenie ČD Cargo, s.r.o.	7 903	275
ČD Logistics, a.s.	103 448	513
ČD-DUSS Terminal, a.s.	12	0
Terminal Brno, a.s.	25	375
Auto Terminal Nymburk, s.r.o.	0	0
RAILLEX, a.s.	3 622	120
BOHEMIAKOMBI, spol. s r.o.	1 713	0
Ostravská dopravní společnost, a.s.	10 087	5 457
Total	**454 624**	**391 815**

* *receivables reclassified to loan disclosed in Note 27.5.*

Related party transactions were conducted on an arm's length basis reflecting the amount of purchased goods and relationships between parties.

Outstanding balances are not collateralised and are paid in cash. No guarantees were received or provided. In the reporting period and prior reporting periods, the Company reported no expenses relating to bad or doubtful receivables from related parties.

27.5. LOANS TO RELATED PARTIES

On 17 December 2014, the Company concluded a loan contract with Koleje Czeskie Sp. Z. o.o. for the payment of the remaining purchase price of Eas 51 and Falls 11 wagons. The loan amounts to CZK 234,958 thousand as of 31 December 2014. The loan will mature as of 31 December 2016.

In the past, ČD Cargo, a.s. concluded a loan contract and contract for the sale of a railway siding with RAILLEX, a.s. (in which ČD Cargo holds 50%). The below table shows the current balance of outstanding receivables.

Balance as of 31 December 2014

Loan (CZK '000)	Long-term part of the loan	Short-term part of the loan	Total
Principal	0	2 400	2 400
Interest	0	36	36
Total	**0**	**2 436**	**2 436**
Sale of the railway siding	**Long-term part of the loan**	**Short-term part of the loan**	**Total**
Principal	0	1 548	1 548
Interest	0	39	39
Total	**0**	**1 587**	**1 587**

Balance as of 31 December 2013

Loan (CZK '000)	Long-term part of the loan	Short-term part of the loan	Total
Principal	t2 400	4 800	7 200
Interest	36	216	252
Total	**2 436**	**5 016**	**7 452**
Sale of the railway siding	**Long-term part of the loan**	**Short-term part of the loan**	**Total**
Principal	0	3 096	3 096
Interest	0	116	116
Total	**0**	**3 212**	**3 212**

27.6. BONUSES TO KEY MANAGEMENT MEMBERS

Directors and other members of key management received the following bonuses in the reporting period:

(CZK '000)	2014	2013
Short-term employee benefits	18 182	9 855
Total	**18 182**	**9 855**

Members of the statutory, supervisory and initiative bodies were not provided with discounted fares. Management of the Company has the possibility to use in-kind remuneration in the form of the use of Company cars for private purposes.

27.7. RELATIONSHIPS WITH SŽDC

The costs incurred in relation to Správa železniční dopravní cesty, s.o. predominantly include the fees for the allocation of capacity and use of the railway route in the years ended 31 December 2013 and 2014. The costs for the years ended 31 December 2013 and 2014 are disclosed in Note 7.

The income of the Company predominantly includes sales from the intrastate vehicle transports of CZK 11,364 thousand.

The Company conducted a legal dispute with Správa železniční dopravní cesty, s.o. regarding the price of the purchased traction electricity during the 2009 reporting period. This dispute was settled by agreement in early 2015. For detailed information refer to Note 33.

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In addition, the Company conducted a legal dispute with Správa železniční dopravní cesty, s.o. (hereinafter "SŽDC") regarding the method of settlement arising from the damages due to traffic closures of SŽDC, s.o. This dispute was also settled by agreement. For detailed information refer to Note 33.

Expenses and income resulting from the transactions conducted with SŽDC for the years ended 31 December 2013 and 2014 were as follows:

31 Dec 2014 (CZK '000)	Expenses	Income
Operation of the railway route	2 320	0
Use of railway route and allocated capacity of the railway route	1 505 001	0
Consumed traction electricity	240 449	0
Other	115 054	10 139
Total	**1 862 824**	**10 139**

31 Dec 2013 (CZK '000)	Expenses	Income
Operation of the railway route	3 106	0
Use of railway route and allocated capacity of the railway route	1 800 251	0
Other	63 440	22 764
Total	**1 866 797**	**22 764**

Given the above activities, the Company records receivables from and payables to SŽDC:

(CZK '000)	31 Dec 2014	31 Dec 2013
Receivables	4 716	17 330
Payables	980 692	546 940
Prepayments made	1 494	1 494
Estimated payables	17 589	6 220
Estimated receivables	3 828	2 290

27.8. TRANSACTIONS WITH THE ČEZ GROUP
The costs incurred in relation to the ČEZ Group in the years ended 31 December 2013 and 2014 primarily include the payments for electricity and amounted to CZK 8,291 thousand and CZK 6,269 thousand as of 31 December 2013 and 2014, respectively.

The income generated by the Company primarily includes the sales of freight transportation. The income generated from transactions with the ČEZ Group amounted to CZK 747,829 thousand and CZK 509,625 thousand as of 31 December 2013 and 2014, respectively.

Given the above activities, the Company records the following receivables from and payables to the ČEZ Group:

(CZK '000)	31 Dec 2014	31 Dec 2013
Receivables	67 126	64 765
Payables	166	167
Prepayments made	1 897	1 897
Received Prepayments	0	142
Estimated payables	0	1 374

28. Cash and Cash Equivalents

For cash flow statement purposes, cash and cash equivalents include cash on hand, cash at bank and investments in the money market instruments after reflecting negative balances on overdraft accounts. Cash and cash equivalents at the end of the reporting period reported in the cash flows statement can be reconciled to the relevant items in the statement of financial position as follows:

(CZK '000)	31 Dec 2014	31 Dec 2013
Cash on hand and cash in transit	1 754	1 584
Cash at bank	678 169	438 990
Cash on the cash-pooling account	4 026	380
Total	**683 949**	**440 954**

29. Contracts for Operating Leases

29.1. THE COMPANY AS A LESSEE
Assets under operating leases which are reported off balance sheet as of 31 December 2014 and 2013 amount to CZK 37,882 thousand and CZK 38,829 thousand, respectively. Assets include the leased computer technology (end equipment – desktops, laptops) concluded with ČD - Informační systémy, a.s. Payments recognised in expenses in the years ended 31 December 2014 and 2013 amounted to CZK 10,875 thousand and CZK 10,749 thousand, respectively.

The Company as a lessee has not concluded any irrevocable lease contracts, contingent lease contracts, or onerous contracts.

29.2. THE COMPANY AS A LESSOR
Operating leases applies to the lease of traction vehicles, wagons and cisterns owned by the Company with various lease periods.

Income from operating leases of movable assets in 2014 amounts to CZK 298,179 thousand (2013: CZK 304,304 thousand).

The Company as a lessor concluded no irrevocable contracts for operating leases.

30. Contractual Obligations Relating to Expenses

As of the balance sheet date, the Company concluded contracts for the purchase of fixed assets in the amount of CZK 1,741,653 thousand, of which CZK 1,274,703 thousand relates to supplies agreed for 2015 and CZK 270,043 thousand relates to supplies agreed for the following years. The remaining amount of CZK 196,907 thousand was paid as of 31 December 2014. A significant part of the obligations relating to expenses (CZK 1,352,649 thousand) include investments in railway vehicles.

31. Contingent Liabilities and Contingent Assets

31.1. BANK GUARANTEES ISSUED

Bank guarantees as of 31 December 2014 issued by Komerční banka, a.s. from the liability limit of CZK 50 million.

- **List of active bank guarantees provided by ČD Cargo, a. s. as of 31 December 2014**

In favour of	Type of guarantee	Amount	Currency	Until	Reason for the issuance of a bank guarantee
WestInvest Waterfront Towers, s.r.o., Jankovcova 1569/2c, 170 00 Prague 7, Holešovice, Corporate ID 26178338	Lease guarantee	227 267,17	EUR	30 Sept 2015	Bank guarantee for the fulfilment of all liabilities and obligations of the Lessee arising from the Lease Contract with WestInvest Waterfront Towers s.r.o. - Lighthouse.
HYPARKOS, s.r.o., Rohanské nábřeží 670/19, Karlín, 186 00 Prague 8 Corporate ID 27626130	Lease guarantee	16 517 056	CZK	30 June 2014	Bank guarantee in the event that ČD Cargo, a.s. does not comply with the obligations stipulated by the Contract for the Lease of Buildings and Land in the Logistics Centre in Lovosice.
Celní úřad pro Jihočeský kraj, Kasárenská 6, 370 21 České Budějovice	Customs guarantee	2 000 000	CZK	unlimited	Letter of guarantee – transactions other than transit (comprehensive guarantee), reg. number 1401798029 to secure the customs and tax debt, which means payment of the customs duty, taxes and fees collected upon import, including accrued interest, with the exception of fines.

31.2. PROVIDED SECUREMENT FROM ORDERS

Name of the order	Applicant - name	Required securements	Securement paid on
Inspection repairs of Eas 11 wagons	Legios Loco, a.s.	CZK 3 500 000	10 Jan 2014
Inspection repairs of Eas Eas 11 wagons	Ostravské opravny a strojírny, s.r.o.	CZK 3 500 000	8 Jan 2014
Inspection repairs of Falls 11 wagons	Ostravské opravny a strojírny, s.r.o.	CZK 12 000 000	8 Jan 2014
Inspection repairs of Falls 11 wagons	Legios Loco, a.s.	CZK 12 000 000	10 Jan 2014
Inspection repairs of Eas 52 wagons	Ostravské opravny a strojírny, s.r.o.	CZK 4 000 000	8 Jan 2014
Inspection repairs of Eas 52 wagons	Legios Loco, a.s.	CZK 4 000 000	10 Jan 2014
Inspection repairs of Eas 53 wagons	Ostravské opravny a strojírny, s.r.o.	CZK 4 000 000	8 Jan 2014
Inspection repairs of Eas 53 wagons	Legios Loco, a.s.	CZK 4 000 000	10 Jan 2014
Technical inspection of Eas 53 wagons	Ostravské opravny a strojírny, s.r.o.	CZK 1 225 000	29 Aug 2014
Technical inspection of Falls 11 wagons	Ostravské opravny a strojírny, s.r.o.	CZK 1 400 000	29 Aug 2014
Technical inspection of Eas 53 wagons	Legios Loco, a.s.	CZK 1 225 000	9 Sept 2014
Technical inspection of Falls 11 wagons	Legios Loco, a.s.	CZK 1 400 000	9 Sept 2014

32. Financial Instruments

32.1. CAPITAL RISK MANAGEMENT

The Company manages its capital to ensure that it is able to continue as an ongoing concern while optimising the debt and equity balance.

The capital structure of the Company consists of net debt (borrowings offset by cash and bank balances) and equity of the Company (comprising share capital, funds, retained earnings).

The Company is not subject to any externally imposed capital requirements.

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

32.2. SIGNIFICANT ACCOUNTING POLICIES

Details of the significant accounting policies and methods adopted for each class of financial asset, financial liability, and equity instrument are disclosed in Note 2.

32.3. CATEGORIES OF FINANCIAL INSTRUMENTS

Financial assets (CZK '000)	31 Dec 2014	31 Dec 2013
Cash and bank accounts	679 923	440 573
Financial derivative instruments used in hedge accounting	0	8 159
Other financial derivative instruments	0	3 904
Loans and receivables	1 795 893	1 907 118
Total	**2 475 816**	**2 359 754**

Financial liabilities (CZK '000)	31 Dec 2014	31 Dec 2013
Financial derivative instruments used in hedge accounting	101 645	165 581
Other financial derivative instruments	22 285	24 930
Trade payables, finance leases measured at amortised cost	8 008 019	8 295 986
Total	**8 131 949**	**8 485 887**

Other financial derivative instruments are classified as financial assets/liabilities at fair value reported in profit or loss.

Income from individual categories of financial assets is as follows:

Category of financial assets (CZK '000)	2014	2013	Reported in the income statement line
Interest on cash in bank accounts	6 957	875	Other gains
Settlement of hedging instruments	-131 812	-21 177	Income fromtransport, interest expense, consumed energy
Revaluation of non-hedging instruments	-1 869	21 217	
Total	**-126 724**	**915**	

Impairment losses on financial assets are presented in the Notes 'Trade receivables' (Note 18) and 'Other financial assets' (Note 19). No impairment was noted in respect of any other class of financial assets.

32.4. FINANCIAL RISK MANAGEMENT OBJECTIVES

The Treasury function and cash flow management function provide services to the Company, monitors and manages the financial risks relating to the operations of the Company. Financial risks include market risk (including currency risk, interest rate risk and commodity risk), credit risk and liquidity risk.

32.5. CURRENCY RISK MANAGEMENT

The Company undertakes transactions denominated in foreign currencies; consequently exposures to exchange rate fluctuations arise. These transactions predominantly include income from international transportation of goods and received loans. The Company seeks to maintain the share of long-term loans and borrowings in foreign currency at the maximum level of 70%.

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 2014 (CZK '000)	EUR	USD	Other	Total
Financial assets	1 465 420	2 788	133	1 468 341
Financial liabilities	480 377	1	2 590	482 968

31 Dec 2013 (CZK '000)	EUR	USD	Other	Total
Financial assets	1 519 211	2 440	34	1 521 685
Financial liabilities	537 556	0	1 647	539 203

32.5.1. Foreign Currency Sensitivity Analysis

The exposure to currency risks is measured by a sensitivity analysis. The Company is exposed to the currency risk due to:

- Changes in the value of unhedged cash items denominated in foreign currencies; and
- 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 in respect of the relevant foreign currencies would have on the profit and other comprehensive income. A positive number indicates an increase in the profit and other comprehensive income, a negative number indicates a decline in the profit and other comprehensive income:

(CZK '000)	2014	2013
Translation of unhedged items denominated in foreign currencies at the end of the period	0	0
Change in the fair value of derivatives at the end of the period	0	0
Total impact on the profit for the period	**0**	**0**
Change in the fair value of derivatives at the end of the period	54 961	99 995
Total impact on other comprehensive income	**54 961**	**99 995**

32.5.2. Currency Forwards and Options

In according with its principles, the Company concludes currency forwards and options to cover received payments denominated in foreign currencies.

The table presents foreign currency forwards and options for the sale of foreign currency as of:

- **Foreign currency forwards**

Sale (CZK '000)	Average foreign currency	Foreign currency	Nominal value	Fair value
31 Dec 2014	27,182	EUR	55 000	-31 271
31 Dec 2013	26,066	EUR	86 000	-117 642

- **Foreign currency options - collar**

Sale (CZK '000)	Average foreign currency	Foreign currency	Nominal value	Fair value
31 Dec 2014	-	-	-	-
31 Dec 2013	26,45 - 27,25	EUR	24 000	-8 603

The Company concluded no outstanding foreign currency forwards and options for the purchase of a foreign currency in the years ended 31 December 2013 and 2014.

The loss from hedging instruments used to hedge the fair value amounts to CZK 115,860 thousand and CZK 10,410 thousand for the years ended 31 December 2014 and 2013, respectively. The hedging was fully effective.

32.6. INTEREST RATE RISK MANAGEMENT

The Company is exposed to the risk of interest rate changes because it borrows funds at both fixed and floating interest rates. The Company manages the interest rate risk by maintaining an appropriate mix between fixed and floating rate financing.

Concurrently, 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.

32.6.1. 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:

- Changes in interest expenses from loans and lease with a variable rate;
- Changes in the present value of long-term provisions resulting from the change in the discount rate; and
- 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 '000)	2014	2013
Interest from loans and lease with variable rate for the period	917	1 295
Change in the present value of long-term provisions at the end of the period	63 462	7 687
Change in the fair value of derivatives at the end of the period	26 760	45 161
Total impact on the profit for the period	**91 139**	**54 143**
Change in the fair value of derivatives at the end of the period	20 846	32 656
Total impact on other comprehensive income	**20 846**	**32 656**

32.6.2. Interest Rate Swap Contracts

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. The discount rate is determined using the curves at the end of the reporting period and the credit risk inherent in the contract. The following table shows the fair value of interest rate swaps. The average interest rate is based on the outstanding balances at the end of the reporting period.

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

- **IRS**

31 Dec 2014	Average contracted fixed interest rate	Principal (CZK '000)	Fair value of assets (liabilities) (CZK '000)
Less than 1 year	3,265%	102 938	-13 158
1 to 5 years	3,265%	327 521	-22 221
5 years and more	3,265%	95 018	-1 387
Total			**-36 766**

31 Dec 2013	Average contracted fixed interest rate	Principal (CZK '000)	Fair value of assets (liabilities) (CZK '000)
Less than 1 year	3,265%	102 391	-14 847
1 to 5 years	3,265%	318 920	-22 853
5 years and more	3,265%	201 282	-1 636
Total			**-39 336**

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.

- **Hedging of the Bonds Rate**

31 Dec 2014	Average contracted fixed interest rate	Principal (CZK '000)	Fair value of assets (liabilities) (CZK '000)
Less than 1 year	2,94%	1 000 000	-13 466
1 to 5 years			0
5 years and more			0
Total			**-13 466**

31 Dec 2013	Average contracted fixed interest rate	Principal (CZK '000)	Fair value of assets (liabilities) (CZK '000)
Less than 1 year	2,94%	1 000 000	-11 721
1 to 5 years	2,94%	1 000 000	-10 014
5 years and more			0
Total			**-21 735**

32.6.3. Interest Rate Options

In 2011, the Company concluded hedging of interest rates in three lease transactions with variable interest rate. The hedging took the form of a collar, in three individual tranches. The hedging is effective from 2013 to 2019. These are trading derivatives.

(CZK '000)	Hedged range	Principal in CZK thousand	Fair value of assets (liabilities) in CZK thousandas of 31 Dec 2014	Fair value of assets (liabilities) in CZK thousandas of 31 Dec 2013
Less than 1 year	1,13% - 3,13%	88 337	-3 246	-2 585
1 to 5 years	1,13% - 3,13%	300 854	-5 283	3 242
5 years and more	1,13% - 3,13%	64 233	-291	662
Total			**-8 820**	**1 319**

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.

32.7. COMMODITY RISK MANAGEMENT

The Company is exposed to the risk of changes in the price of commodities, as the use of commodities, specifically oil 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 oil purchase;
- The Company has a possibility to ask regions and the state for an increase in the refunds for transportation when the prices of the above commodities increase by more than 10%; and
- The risk arising from the purchase of electricity from the relevant supplier is eliminated by the purchase of the annual consumption for a fixed price.

32.7.1. Analysis of Sensitivity to Changes in Commodity Prices

The exposure to the change in the price of commodities is measured by the sensitivity analysis. The Company is exposed to the risk of changes in prices of commodities due to:

- Change in the fair value of concluded financial derivatives; and
- Changes in prices of purchases of unhedged use of commodities.

The following table shows the impact that an increase in the oil 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 '000)	2014	2013
Costs of oil consumption for the period	505 664	517 916
Change in the fair value of derivatives at the end of the period	0	0
Total impact on the profit for the period	0	0
Change in the fair value of derivatives at the end of the period	10 684	13 472
Total impact on other comprehensive income	**10 684**	**13 472**

32.7.2. Commodity Derivatives

The Company used a commodity swap to hedge the price of oil.

The table shows outstanding commodity contracts for the purchase of oil as of 31 December 2014:

Purchase of oil (CZK '000)	Hedged value (USD/mt)	Volume of contracts (mt)	Fair value (CZK thousand)
31 Dec 2014	16 751,43	8 400	-33 609
31 Dec 2013	17 637,17	7 200	8 159

The loss from hedging instruments used for the fair value hedging amounts to CZK 1,142 thousand and CZK 4,137 thousand for the years ended 31 December 2014 and 2013, respectively. The hedging was fully effective.

32.8. Credit Risk Management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Company.

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.

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).

The carrying amount of financial assets recognised in the financial statements on a net basis, which is net of impairment losses, represents the Company's maximum exposure to credit risk. The credit quality of receivables that are not past their due dates or otherwise impaired is good and corresponds to the carrying value.

32.9. Liquidity Risk Management

The liquidity risk in the Company is managed in respect of the permanent provision of the sufficient volume of available funds necessary for the settlement of financial liabilities.

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 increases long-term financial sources on a continuous basis. In order to further increase the cash flow stability, the Company used a leaseback for ten modernised 363.5 series traction vehicles in 2014. The Company issued bonds in the aggregate volume of CZK 2,158.3 million and has available a bill of exchange programme in the aggregate amount of CZK 1.5 billion which, however, was not used during 2014.

32.9.1. 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 interest rate at the end of the reporting period. The contractual maturity is based on the earliest date on which the Company may be required to pay.

31 Dec 2014 (CZK '000)	Less than 1 month	1 - 3 months	months to 1 year	1 year – 5 years	5 years and more	Total
Non-interest bearing	1 242 956	887 969	340 625	708 638	68	3 180 256
Finance lease liabilities	46 014	91 984	409 245	2 005 825	845 186	3 398 254
Variable interest rate instruments	0	0	1 065 735	672 707	0	1 738 442
Fixed interest rate instruments	0	0	19 694	519 722	0	539 416
Total	**1 288 970**	**979 953**	**1 835 299**	**3 906 892**	**845 254**	**8 856 368**

31 Dec 2013 (CZK '000)	Less than 1 month	1 - 3 months	months to 1 year	1 year – 5 years	5 years and more	Total
Non-interest bearing	1 191 623	821 423	238 697	156 120	1 636	2 409 499
Finance lease liabilities	69 952	99 939	375 148	1 787 596	899 111	3 231 746
Variable interest rate instruments	845 242	1 102	1 085 648	1 108 979	0	3 040 971
Fixed interest rate instruments	0	0	19 668	539 416	0	559 084
Total	**2 106 817**	**922 464**	**1 719 161**	**3 592 111**	**900 747**	**9 241 300**

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. The disclosure of the information on financial assets is necessary for understanding of how the Company manages its liquidity risks as it manages the liquidity based on net assets and liabilities.

31 Dec 2014 (CZK '000)	Less than 1 month	1 - 3 months	months to 1 year	1 year – 5 years	5 years and more	Total
Non-interest bearing	1 844 194	323 223	69 846	0	0	2 237 263
Fixed interest rate instruments	0	0	0	238 553	0	238 553
Total	**1 844 194**	**323 223**	**69 846**	**238 553**	**0**	**2 475 816**

31 Dec 2013 (CZK '000)	Less than 1 month	1 - 3 months	months to 1 year	1 year – 5 years	5 years and more	Total
Non-interest bearing	2 060 408	276 200	11 603	5 106	662	2 353 979
Fixed interest rate instruments	0	0	0	5 775	0	5 775
Total	**2 060 408**	**276 200**	**11 603**	**10 881**	**662**	**2 359 754**

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.

32.9.2. Financing Facilities

The Company has access to the following loan facilities::

(CZK '000)	31 Dec 2014	31 Dec 2013
Cashpool:		
loan facility at	600 000	600 000
balance at	600 000	600 000
Overdraft loans:		
loan facility at	1 200 000	1 200 000
balance at	1 200 000	355 309
Bill of exchange programme:		
loan facility at	1 500 000	1 500 000
balance at	1 500 000	1 500 000

32.10. Strategy for the Company's Funding in Subsequent Years

32.10.1. Lease-Back

In 2014, the Company made the third tranche of the leaseback of modernised 363.5 rail vehicles.

32.10.2. Operating Bank Loans

In funding its operating needs, ČD Cargo uses overdraft loans in the maximum amount of CZK 1.2 billion provided by four banks and the limit of possible drawings as part of the involvement of the Company in the group cash-pooling in the amount of CZK 600 million. The increase in competition among the banks allowed the Company to secure lower interest rates. The stratification of the lending to several financing entities results in the risk of the termination of the funding being sufficiently diversified.

32.10.3. Bill of Exchange Programme

The Company has the possibility to use the approved bill of exchange programme if needed. This programme is currently not used.

32.10.4. Possibility of a Loan Being Provided by the Parent Company, a.s.

In addition to the cash-pool limit presented as part of operational loans, the Company has additionally contracted the possibility of drawing funds of up to CZK 400 million from the parent company ČD, a.s. During the year ended 31 December 2014, this loan was not used.

32.10.5. Bonds

With a view to securing the mid-term and long-term sources of funding to increase the stability of the Company's cash flows, the relevant bodies of ČD Cargo approved the bond programme in the aggregate amount of CZK 6 billion for 10 years. In 2011, three issues were gradually placed up with the total nominal value of CZK 2 billion. In 2012, another two issues of bonds in the aggregate nominal value of CZK 500 million were placed. This form of funding increases liquidity and financial stability of the Company. In 2015, the Company anticipates refinancing the due bonds by a new issue of bonds with the same nominal amount.

32.10.6. Supplier Loans

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

32.10.7. Summary
The structure of funding above creates a desired framework that allows the Company to maintain financial stability with the possibility of flexibly using individual forms as deemed appropriate or necessary.

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.).

32.11. FAIR VALUE OF FINANCIAL INSTRUMENTS

32.11.1. Fair Values of Financial Instruments Carried at Amortised Cost
The Company considers that the carrying amounts of financial assets and financial liabilities recognised at amortised cost in the financial statements approximate their fair values except for leases and bonds.

The fair value of the lease as of 31 December 2014 amounts to CZK 3,356,385 thousand. The fair value of leases calculated with the fixed rate is determined by the recalculation according to the current rate. This up-to-date rate is generated 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.

The fair value of ČD Cargo, a.s.'s bonds as of 31 December 2014 amounts to CZK 2,132,715 thousand. The fair value of bonds is recalculated based on the up-to-date issue rate communicated by individual banks.

32.11.2. 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
- 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 option valuation model is used for derivatives that include an option.

32.11.3. Fair Value Measurements Recognised in the Statement of Financial Position
Financial instruments measured at fair value are grouped into Levels 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); and
- 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 2014, 31 December 2013, and 1 January 2013 are included in Level 2.

33. Post Balance Sheet Events

In January 2015, the Company signed an out-of-court agreement regarding the dispute over the price of consumed traction energy during 2009 and settlement of damage due to traffic closures caused by SŽDC. The out-of-court agreement was concluded in the total amount of CZK 375,811 thousand, of which CZK 61,786 thousand relates to the settlement of damage due to traffic closures and CZK 314,025 thousand relates to the price of the consumed traction energy for 2009. Payables arising from these out-of-court settlements were recognised as other payables, divided into the short-term portion and long-term portion. Concurrently, the provision for business risks was reduced by this amount.

The sole shareholder České dráhy, a.s., acting in the capacity of the general meeting of ČD Cargo, a.s., appointed Jan Hart a member of the Supervisory Board with effect from 3 February 2015 and consequently increased the number of members to six; one position in the Supervisory Board remains vacant.

34. Approval of the Financial Statements

The financial statements were approved by the Board of Directors and authorised for issue on 31 March 2015.

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Consolidated Financial Statements (IFRS)

Consolidated Financial Statements for the Year Ended 31 December 2014

Prepared under IFRS as adopted by the EU

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STATEMENT OF FINANCIAL POSITION (BALANCE SHEET) AS OF 31 DECEMBER 2014

(CZK '000)		31 Dec 2014	31 Dec 2013
Property, plant and equipment	14	14 622 323	14 510 283
Intangible assets	15	328 353	263 585
Investments in subsidiaries and associates	16	40 484	56 445
Deferred tax asset	13	231	6 190
Other financial assets	19	3 595	11 543
Other assets	20	53 296	601
Total non-current assets		**15 048 282**	**14 848 647**
Inventories	17	121 298	110 279
Trade receivables	18	1 633 421	1 777 638
Tax receivables	13	60	620
Other financial assets	19	19 361	36 956
Other assets	20	192 231	296 275
Cash and cash equivalents	28	839 878	588 681
Total current assets		**2 806 249**	**2 810 449**
TOTAL ASSETS		**17 854 531**	**17 659 096**
Share capital	21	8 494 000	8 494 000
Reserve and other funds	21	215 340	157 261
Accumulated loss		-2 245 195	-3 151 116
Equity attributable to owners of the Company		6 464 145	5 500 144
Non-controlling interests		36 489	39 676
Total equity		**6 500 634**	**5 539 820**
Loans and borrowings	22	4 036 070	4 279 025
Deferred tax liability	13	659 160	440 442
Provisions	23	635 323	64 100
Other financial liabilities	25	641 241	158 350
Other liabilities	26	578 151	462 945
Total non-current payables		**6 549 945**	**5 404 862**
Trade payables	24	2 007 959	2 063 568
Loans and borrowings	22	1 524 423	2 328 189
Tax payables	13	73 981	51 574
Provisions	23	348 372	1 345 906
Other financial payables	25	450 407	308 945
Other payables	26	398 810	616 232
Total current payables		**4 803 952**	**6 714 414**
TOTAL LIABILITIES		**17 854 531**	**17 659 096**

STATEMENT OF PROFIT OR LOSS FOR THE YEAR ENDED 31 DECEMBER 2014

(CZK '000)		Year ended 31 Dec 2014	Year ended 31 Dec 2013
CONTINUING OPERATIONS			
Revenue from principal operations	5	12 352 488	13 023 134
Other operating income	6	491 343	552 499
Purchased consumables and services	7	-6 438 350	-7 006 859
Employee benefit costs	8	-3 808 541	-4 245 665
Depreciation and amortisation	9	-994 647	-1 135 360
Other operating losses	10	-34 044	-472 131
Profit (loss) before interest and tax		**1 568 249**	**715 618**
Financial expenses	11	-281 854	-268 275
Other gains (losses)	12	-28 977	144 213
Share in the profit of associates and joint ventures	16	2 214	5 581
Profit (loss) before tax		**1 259 632**	**597 137**
Income tax expense	13	-330 061	-260 791
Profit (loss) for the period from continuing operations		**929 571**	**336 346**
DISCONTINUED OPERATIONS			
Profit (loss) from discontinued operations		0	0
Profit (loss) for the period		**929 571**	**336 346**
Attributable to equity holders of the parent company		925 990	329 555
Attributable to non-controlling interests		3 581	6 791

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2014

(CZK '000)	Year ended 31 Dec 2014	Year ended 31 Dec 2013
Profit (loss) for the year	929 571	336 346
Foreign currency translation reserve	-13 936	27 375
Cash flow hedging	55 777	-116 480
Relating deferred income tax	-10 598	22 131
Other comprehensive income (loss) for the year	**31 243**	**-66 974**
Total comprehensive income (loss) for the year	**960 814**	**269 372**
Attributable to equity holders of the parent company	957 233	262 581
Attributable to non-controlling interests	3 581	6 791

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STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2014

(CZK '000)	Share capital	Reserve and other funds	Accumulated loss	Equity attributable to equity holders of the parent company	Non-controlling interests	Total equity
Balance as of 31 December 2012	**8 494 000**	**224 156**	**-3 480 555**	**5 237 601**	**32 847**	**5 270 448**
Share capital change				0		**0**
Cash flows hedging		-116 480		-116 480		**-116 480**
Relating deferred income tax		22 131		22 131		**22 131**
Profit for the year			329 555	329 555	6 791	**336 346**
Allocation to the reserve fund		79	-79	0		**0**
Foreign currency translation fund		27 375		27 375		**27 375**
Use of other funds			-38	-38	38	**0**
Balance as of 31 December 2013	**8 494 000**	**157 261**	**-3 151 117**	**5 500 144**	**39 676**	**5 539 820**
Share capital change				0		**0**
Cash flows hedging		55 777		55 777		**55 777**
Relating deferred income tax		-10 598		-10 598		**-10 598**
Profit for the year			925 990	925 990	3 581	**929 571**
Allocation to the reserve fund		26 836	-26 275	561	-561	**0**
Foreign currency translation fund		-13 936		-13 936		**-13 936**
Impacts of the change in the consolidation group			6 207	6 207	-6 207	**0**
Balance as of 31 December 2014	**8 494 000**	**215 340**	**-2 245 195**	**6 464 145**	**36 489**	**6 500 634**

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CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2014

(CZK ‘000)	Year ended 31 Dec 2014	Year ended 31 Dec 2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit (loss) for the year before tax	1 259 632	597 137
Financial expenses	280 373	266 437
Profit from the sale and disposal of non-current assets	-12 164	-71 630
Depreciation and amortisation of non-current assets	994 647	1 135 359
Impairment (increase in the value) of non-current assets	-67 422	186 123
Impairment of trade receivables	74 090	27 573
Foreign exchange rate (gains) losses	-14 376	-32 962
Other	46 748	4 192
Cash flow from operating activities before changes in working capital	**2 561 528**	**2 112 229**
Decrease (increase) in trade receivables	85 113	102 753
Decrease (increase) in inventories	-4 444	-22 341
Decrease (increase) in other assets	91 265	101 053
Increase (decrease) in trade payables	-182 686	342 730
Increase (decrease) in provisions	-426 311	88 947
Increase (decrease) in other payables	403 785	-344 877
Total changes in working capital	**-33 278**	**268 265**
Cash flows from operating activities	**2 528 250**	**2 380 494**
Interest paid	-258 319	-256 703
Income tax paid	-109 004	-29 384
Net cash flow from operating activities	**2 160 927**	**2 094 407**
CASH FLOWS FROM INVESTMENT ACTIVITIES		
Payments for property, plant and equipment	-666 191	-1 963 663
Proceeds from the sale of property, plant and equipment	11 101	60 973
Costs of acquisition of intangible assets	-120 363	-71 361
Received interest	2 108	1 065
Repayments of loans from related parties	5 792	8 575
Net cash flows (used in) from investment activities	**-767 553**	**-1 964 411**
CASH FLOWS FROM FINANCING ACTIVITIES		
Use of loans and borrowings	739 329	3 527 480
Repayments of loans and borrowings	-1 877 860	-3 307 451
Net cash flow from financing activities	**-1 138 531**	**220 029**
Net increase in cash and cash equivalents	**254 843**	**350 025**
Cash and cash equivalents at the beginning of the reporting period	589 061	239 036
Cash and cash equivalents at the end of the reporting period	**843 904**	**589 061**

1. General Information

1.1. GENERAL INFORMATION

ČD Cargo, a.s. (hereinafter the “Parent Company”) was formed following its registration in the Register of Companies 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 Parent Company’s registered office is located at Jankovcova 1569/2c, Prague 7, Holešovice.

As of 31 December 2014, the Parent Company’s reported share capital of CZK 8,494,000 thousand which was fully paid in.

The sole shareholder of the Parent Company is České dráhy, a.s.

The company is the Parent Company of the ČD Cargo Group (the ‘Group’). The consolidated financial statements have been prepared as of and for the year ended 31 December 2014. The reporting period is the calendar year, i.e. from 1 January 2014 to 31 December 2014.

1.2. PRINCIPAL OPERATIONS

The principal activities of the Group include the provision of railway transportation of goods with the set of relating services. The aim of the Group involves improving its leading position and being the driving force on the freight transportation market both in the Czech Republic and in the Central European region.

The principal business activity – railway transportation of goods – is structured into two principal segments:

- Transportation of complete trains; and
- Transportation of individual wagon loads.

The above segments are structured by the type of transportation as follows:

- Local;
- Export;
- Import; and
- Transit.

Pursuant to the structure referred to 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 shipments:

- Transportation of solid fuels;
- Transportation of ores, metals and machinery products;
- Transportation of chemical products and liquid fuels;
- Transportation of construction material;
- Transportation of wood and paper;
- Transportation of food and agricultural products;
- Combined transportation – logistical solutions for transportation of shipments using intermodal transportation units, predominantly containers;
- Automotive; and
- Transportation of other non-classified commodities.

In terms of the volume of transportation, the Parent Company is one of the ten most significant railway companies in Europe and the European Union.

1.3. ORGANISATIONAL STRUCTURE

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

- Sales Director division
- Operations Director division
- Finance Director division

In addition, the organisational structure includes operational units and repair centres for rail vehicles.

The internal organisation of the Parent Company (principles of the organisational 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.

1.4. STATUTORY BODIES OF THE PARENT COMPANY

The sole owner of the Parent Company of the ČD Cargo Group is České dráhy, a.s. which in the capacity as the sole shareholder acts as the general meeting, the supreme body of the Parent Company and the Group. The statutory body of the Group is the three-member Board of Directors, the supervisory body is the seven-member Supervisory Board. The Group established a three-member Audit Committee, the members of which were appointed by the sole shareholder.

The composition of Company's Bodies as of 31 December 2013:

Board of Directors

- Chairman: Ivan Bednárik
- Member: Zdeněk Škvařil
- Member: Bohumil Rampula

On 27 January 2014, České dráhy, a.s., as the sole shareholder of the Company, acting in the capacity of the general meeting, decided to change the Articles of Association of ČD Cargo, a.s. which defined that the Board of Directors will newly have three members. The change took effect on 17 February 2014.

On 4 February 2014, České dráhy, a.s., as the sole shareholder of the Company, acting in the capacity of the general meeting, recalled Václav Andrýsek as a member of the Board of Directors with effect from 4 February 2014.

On 4 February 2014, České dráhy, a.s., as the sole shareholder of the Company, acting in the capacity of the general meeting, recalled Pavel Lamacz as a member of the Board of Directors with effect from 16 February 2014.

On 4 February 2014, České dráhy, a.s., as the sole shareholder of the Company, acting in the capacity of the general meeting, appointed Karel Adam a member of the Board of Directors with effect from 17 February 2014.

On 30 October 2014, České dráhy, a.s., as the sole shareholder of the Company, acting in the capacity of the general meeting, recalled Oldřich Mazánek, Zdeněk Meidl and Karel Adam as members of the Board of Directors with effect from 31 October 2014.

On 30 October 2014, České dráhy, a.s., as the sole shareholder of the Company, acting in the capacity of the general meeting, appointed Ivan Bednárik, Bohumil Rampula and Zdeněk Škvařil as members of the Board of Directors with effect from 1 November 2014.

At its meeting held on 3 November 2014, the Board of Directors elected Ivan Bednárik

Chairman of the Board of Directors.

- Supervisory Board
- Chairman: Pavel Krtek
- Member: Ludvík Urban
- Member: Jan Kasal
- Member: Radek Nekola
- Member: Jindřich Nohal
- sixth member – vacant as of 31 December 2014
- seventh member – vacant as of 31 December 2014

On 21 February 2014, České dráhy, a.s., as the sole shareholder of the Company, acting in the capacity of the general meeting, recalled Dalibor Zelený as a member and Chairman of the Company's Supervisory Board and Zdeněk Žemlička as a member of the Company's Supervisory Board with immediate effect.

On 21 February 2014, České dráhy, a.s., as the sole shareholder of the Company, acting in the capacity of the general meeting, appointed Daniel Kurucz and Michal Zděnek members of the Company's Supervisory Board with effect from 22 February 2014.

On 11 March 2014, České dráhy, a.s., as the sole shareholder of the Company, acting in the capacity of the general meeting, decided to change the Articles of Association of ČD Cargo, a.s. which defined that the Supervisory Board will newly have seven members of which five members elected by the general meeting and two members elected by the employees of the Company in line with the election rules approved by the Board of Directors after discussion with labour unions. The change took effect on 15 March 2014.

On 11 March 2014, České dráhy, a.s., as the sole shareholder of the Company, acting in the capacity of the general meeting, recalled Miroslav Zámečník and Dušan Svoboda as members of the Supervisory Board with immediate effect.

On 11 March 2014, České dráhy, a.s., as the sole shareholder of the Company, acting in the capacity of the general meeting, appointed Ludvík Urban and Jan Kasal as members of the Supervisory Board with immediate effect.

On 11 March 2014, České dráhy, a.s., as the sole shareholder of the Company, acting in the capacity of the general meeting, appointed Pavel Krtek a member of the Supervisory Board with effect from 16 March 2014.

At its meeting held on 19 March 2014, the Supervisory Board appointed Daniel Kurucz Chairman of the Supervisory Board.

On 25 November 2014, České dráhy, a.s., as the sole shareholder of the Company, acting in the capacity of the general meeting, recalled Daniel Kurucz and Michal Zděnek as members of the Company's Supervisory Board with immediate effect.

At its meeting held on 19 December 2014, the Supervisory Board appointed Pavel Krtek Chairman of the Supervisory Board.

Audit Committee

- Chairman: Oldřich Vojíř
- Member: Miroslav Zámečník
- Member: Libor Joukl

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On 2 December 2014, České dráhy, a.s., as the sole shareholder of the Company, acting in the capacity of the general meeting, decided to appoint Oldřich Vojíř, Libor Joukl and Miroslav Zámečník members of the Audit Committee of ČD Cargo, a.s. with effect from 16 December 2014.

1.5. DEFINITION OF THE CONSOLIDATION GROUP

1.5.1. Entities Included in the Consolidation

Name of the entity	Registered office	Corporate ID	Ownership percentage*)	Degree of influence
ČD Cargo, a. s.	Prague 7, Jankovcova 1569/2c	28196678		Parent company
CD Generalvertretung GmbH	Kaiserstrasse 60, 60329 Frankfurt am Main, Germany	DE814191687	100,00	Control
CD - Generalvertretung Wien GmbH	Rotenturmstraße 22/24, 1010 Vienna, Austria	FN291407s	100,00	Control
Koleje Czeskie Sp. z o.o.	Ul. Grzybowska nr. 4, lok. 3, 00-131 Warsaw, Poland	140769114	100,00	Control
Generálne zastúpenie ČD Cargo, s.r.o.	Prievozská 4/B, 82109 Bratislava, Slovak Republic	44349793	100,00*	Control
Auto Terminal Nymburk, s.r.o.	Jankovcova 1569/2c, 170 00 Prague 7	24234656	100,00	Control
Terminal Brno, a.s.	Brno, K terminálu 614/11, 619 00	28295374	66,93	Control
ČD-DUSS Terminál, a.s.	Lovosice, Lukavecká 1189, 410 02	27316106	51,00	Control
ČD Logistics, a.s.	Prague 1, Nové Město, Opletalova 1284/37, 110 00	27906931	78,00*	Control
RAILLEX, a.s.	Prague 5, Hlubočepy, Trnkovo náměstí 3/ 1112, 152 00	27560589	50,00	Significant
BOHEMIAKOMBI,spol. s r.o.	Prague 1, Opletalova 6, 110 00	45270589	30,00	Significant
Ostravská dopravní společnost, a.s..	Ostrava, Přívoz, U Tiskárny 616/9, 702 00	60793171	20,00	Significant

** Changes in equity investments did not take legal effect at the end of the reporting period. They were recorded in the Register of Companies in January 2015.*

Name of the entity	Principal activities
CD Generalvertretung GmbH	Mediation of services in freight transportation on behalf of and for ČD Cargo,a.s.
Koleje Czeskie Sp. z o.o.	Mediation of services in freight transportation on behalf of and for ČD Cargo, a.s.
CD Generalvertretung Wien GmbH	Mediation of services in freight transportation on behalf of and for ČD Cargo, a.s. and shipping.
Generálne zatúpenie ČD Cargo, s.r.o.	Mediation of services in freight transportation on behalf of and for ČD Cargo, a.s. and shipping.
Terminal Brno, a.s.	Operations of the combined transport terminal in Brno.
ČD-DUSS Terminál, a.s.	Operations of the container terminal in Lovosice.
ČD Logistics, a.s.	Shipping.
Auto Terminal Nymburk, s.r.o	Shipping and technical services in transportation.
RAILLEX, a.s.	Cargo handling and technical services in transportation.
BOHEMIAKOMBI, spol. s r.o.	Mediation of services in transportation except for the transportation by own vehicles.
Ostravská dopravní společnost, a.s.	Railway transportation and lease of locomotives.

The consolidation group is hereinafter referred to as the “Group”.

2. Significant Accounting Policies

2.1. GENERAL INFORMATION

The Group prepares the separate financial statements under International Financial Reporting Standards as adopted by the European Union (IFRS). The separate and consolidated financial statements under IFRS are prepared on a voluntary basis.

The separate financial statement of ČD Cargo, a.s. prepared under Czech Accounting Standards are the statutory financial statements.

2.2. STATEMENT OF COMPLIANCE

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union.

2.3. BASIS OF PREPARATION

The consolidated financial statements have been prepared on a historical cost basis except for the revaluation of certain financial instruments. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

2.4. BASIS OF CONSOLIDATION

The consolidated financial statements incorporate the financial statements of the Parent Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Parent Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition and up to the effective date of disposal, as appropriate. The total comprehensive income is allocated to owners of the Company and non-controlling interests even if the result is a negative balance of non-controlling interests.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

2.5. BUSINESS COMBINATIONS

Acquisitions of businesses 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 the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree, and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- Deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with IAS 12 Income Taxes and IAS 19 Employee Benefits respectively;
- Liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2 Share-based Payment at the acquisition date; and
- Assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that Standard.

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 acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests of third parties and which entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another IFRS.

When 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 its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with IAS 39, or IAS 37 Provisions, Contingent Liabilities and Contingent Assets, as appropriate, with the corresponding gain or loss being recognised in profit or loss.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control) and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date.

The above procedure is used in all business combinations made on or after 1 January 2010.

2.6. REVENUE RECOGNITION

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

Revenue from the sale of goods and other assets is recognised when the Group has transferred to the buyer the significant risks and rewards of ownership.

Sales of services are recognised when services are rendered to counterparties. Revenues related to transportation services are recognised in the period in which the services are provided by reference to the stage of completion of the service contract (e.g. period of validity of long-term travel documents).

Dividend revenue from investments is recognised when the Group's right to receive payment has been established.

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

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2.7. LEASES

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

In all finance lease, entities in the Group are lessees.

Assets held under finance leases are initially recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs. Contingent rentals are recognised as expenses in the periods in which they are incurred.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

2.8. FOREIGN CURRENCIES

Each entity in the Group determines its functional currency according to the environment in which it operates. Given the economic substance of transactions and the environment in which the Group operates, the presentation currency used in the consolidated financial statements is the Czech crown (CZK). The Czech crown is also the functional currency of the parent company.

Transactions denominated in foreign currencies are recorded at the ruling fixed exchange rate announced by the Czech National Bank. If the ruling exchange rate does not significantly change over time, the Group uses the foreign exchange rate promulgated as of the first day of the period for a longer period of time – one month. At the balance sheet date, assets and liabilities denominated in foreign currencies are translated at the exchange rate of the Czech National Bank ruling as of that date. Income and expenses are retranslated on the basis outlined above, i.e. using the fixed exchange rate. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

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

For the purposes of presenting the consolidated financial statements, the monetary items denominated in foreign currencies are translated into CZK as of the balance sheet date using the exchange rate of the Czech National Bank ruling as of that date. Income and expenses are retranslated on the basis outlined above, i.e. using the fixed exchange rate. With regard to foreign subsidiaries, income and expenses denominated in foreign currencies are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in the statement of comprehensive income and accumulated in equity (attributed to non-controlling interests as appropriate).

2.9. BORROWING COSTS

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

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

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

2.10. GOVERNMENT GRANTS

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

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

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

2.11. EMPLOYEE BENEFIT COSTS

Employee benefit costs predominantly include payroll costs, payments of the employer portion of statutory health insurance, social security, pension insurance, and costs of other employee benefits resulting from the collective agreement.

The employee benefit obligations and provisions reported in the statement of financial position represent their present value as adjusted for unrecognised actuarial gains and losses. Additions to these obligations and provisions are reported as part of expenses after the employees render services for which they will have the right for such benefits.

2.12. TAXATION

The income tax includes current tax payable and deferred tax.

2.12.1. Current Tax Payable

The tax currently payable is based on taxable profit for the year. The taxable profit differs from the profit as reported in the consolidated statement of profit or loss because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

2.12.2. Deferred Tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised.

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

2.12.3. Current Tax Payable and Deferred Tax for the Period

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

2.13. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are carried at cost reduced by accumulated losses from impairment, and by accumulated depreciation in respect of property and equipment. Freehold land is not depreciated.

Properties in the course of construction are carried at cost, less any recognised impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Depreciation is recognised so as to write off the cost of assets (other than freehold land and properties under construction) less their residual values over their useful lives, using the straight-line method. Railway vehicles are depreciated using the components depreciation. Wagons and traction vehicles without components are depreciated to the estimated residual value. Components of these railway vehicles are depreciated based on the actual mileage. The estimated useful lives, residual values, and depreciation method are reviewed at each year-end, with the effect of any changes in estimates accounted for on a prospective basis.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets. If there is no sufficient certainty that the lessee will acquire the ownership of an asset at the end of the lease, this asset is depreciated over the lease period if it is shorter than the anticipated useful life.

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

The Group capitalises major (periodical) repairs of rail vehicles. The costs of repairs are recorded as a separate asset item (component) and are depreciated over the useful life of repairs. The depreciation period of the components is determined individually for each series of rail vehicles and type of the components (periodical repairs – major and general).

2.14. INTANGIBLE ASSETS

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

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

2.15. 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 that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing the value in use, the estimated 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 for which the estimates of future cash flows have not been adjusted.

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

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

2.16. INVESTMENTS IN JOINT VENTURES AND ASSOCIATES

A joint venture is a contractual arrangement whereby the Company and other parties undertake an economic activity that is subject to joint control (i.e. when the strategic financial and operating policy decisions relating to the activities of the joint venture require the unanimous consent of the parties sharing control).

Joint venture arrangements that involve the establishment of a separate entity in which each venturer 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.

The results and assets and liabilities of joint ventures and associates are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, an investment in a joint venture or an associate is initially recognised in the consolidated statement of financial position at cost and subsequently adjusted to recognise the Group's share of the profit or loss and other comprehensive income of the associate or joint venture. When the Group's share of losses of an associate or a joint venture exceeds the Group's interest in that associate, the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or a joint venture.

When a Group entity transacts with a joint venture or associate of the Group, profits and losses arising from the transactions with the joint venture or associate are reported in the Group's consolidated financial statements to the extent of the interest in the relevant associate that is not owned by the Group.

2.17. INVENTORIES

Inventories are measured at the lower of cost and net realisable value. Costs of inventories are determined using the weighted arithmetic average method. The net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

2.18. PROVISIONS

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

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

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

2.18.1. Restructuring Provision

A restructuring provision is recognised when the Group has developed a detailed formal plan for the restructuring and has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement the plan or announcing its main features to those affected by it. The measurement of a restructuring provision includes only the direct expenditures arising from the restructuring, which are those amounts that are both necessarily entailed by the restructuring and not associated with the ongoing activities of the entity.

2.19. FINANCIAL INSTRUMENTS

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

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets are classified into the following four categories: financial assets 'at fair value through profit or loss' (FVTPL), 'held-to-maturity' investments, 'available-for-sale' (AFS) financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements.

Financial liabilities are classified as either financial liabilities 'at FVTPL' or 'other financial liabilities'.

2.19.1. Effective Interest Method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

Income and expenses are recognised on an effective interest basis for debt instruments other than those financial assets and liabilities classified as at FVTPL.

2.19.2. Held-to-maturity Investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity dates that the Company has the positive intent and ability to hold to maturity. Subsequent to initial recognition, held-to-maturity investments are measured at amortised cost using the effective interest method less any impairment.

2.19.3. Financial Assets Available for Sale

Financial assets available for sale are non-derivatives that are either designated as available for sale or are not classified as (a) loans and receivables, (b) held-to-maturity investments, or (c) financial assets at fair value through profit or loss.

The Group holds equity investments that are not traded on an active market, classified as financial assets available for sale, and carried at cost less any impairment losses as their fair value cannot be reliably determined.

Dividends on the AFS equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established.

2.19.4. Loans and Receivables

Loans and receivables are non-derivative financial assets that have fixed or determinable payments that are not quoted in an active market. Loans and receivables (including trade receivables and bank balances) are measured at amortised cost using the effective interest method, less any impairment.

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

2.19.5. Impairment of Financial Assets
Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

The amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

As of the balance sheet date, assets are impaired depending on the anticipated recoverability of receivables based on an individual assessment of a receivable.

With the exception of the AFS equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

With regard to the AFS equity securities, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income.

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

If the Group neither transfers nor retains substantially all the 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 have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

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

2.19.7. Equity Instruments
An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

2.19.8. Financial at Fair Value through Profit and Loss
Financial liabilities are classified as at FVTPL when the financial liability is either held for trading or it is designated as at FVTPL.

In this category, the Group reports derivatives that are not effective hedging instruments.

Financial liabilities at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss.

2.19.9. Other Financial Liabilities
Other financial liabilities are subsequently measured at amortised cost using the effective interest method.

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

2.19.11. Derivative Financial Instruments
The Group enters into a variety of derivative financial instruments to manage its exposure to currency and commodity risks.

Derivatives are initially recognised at fair value at the date the derivative contracts are entered into and are subsequently remeasured at their fair value at the end of each reporting period. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

2.19.12. Hedge Accounting
The Group designates certain hedging instruments as either fair value hedges or cash flow hedges.

At the inception of the hedge relationship, the Group documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Company documents 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.

2.19.13. Cash Flow Hedges
The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income and accumulated under the heading of the cash flow hedging reserve. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss.

Amounts previously recognised in other comprehensive income and accumulated in equity are reclassified to profit or loss in the periods when the hedged item is recognised in profit or loss, in the same line of the statement of profit or loss as the recognised hedged item. However, when the hedged forecast transaction results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously recognised in other comprehensive income and accumulated in equity are transferred from equity and included in the initial measurement of the cost of the non-financial asset or non-financial liability.

Hedge accounting is discontinued when the Group revokes the hedging relationship, when the hedging instrument expires or is sold, terminated, or exercised, or when it no longer qualifies for hedge accounting. Any gain or loss recognised in other comprehensive income and accumulated in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss.

When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognised immediately in profit or loss.

2.19.14. Financial Derivatives Held for Trading

All derivative transactions that the Group concludes are agreed on economic terms for hedging purposes, but some of them are not classified as hedging instruments for formal reasons.

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

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

3. Adoption of New and Revised International Financial Reporting Standards

3.1. STANDARDS AND INTERPRETATIONS EFFECTIVE FOR ANNUAL PERIODS ENDED 31 DECEMBER 2013

During the year ended 31 December 2014, the following standards, revised standards and interpretations took effect:

Amended, new and revised standards and interpretations	Effective for annual periods beginning on or after
IFRS 10 – Consolidated Financial Statements *)	1 January 2013
IFRS 11 – Joint Arrangements *)	1 January 2013
IFRS 12 - Disclosure of Interests in Other Entities *)	1 January 2013
IFRS 10, 11, 12 – Amendments to IFRS 10, IFRS 11 and IFRS 12: Transition Guidance *)	1 January 2013
IFRS 10, 12, IAS 27 – Amendments to IFRS 10, IFRS 12 and IAS 27 Investment Entities	1 January 2014
IAS 27 (2011) – Separate Financial Statements *)	1 January 2013
IAS 28 (2011) - Investments in Associates and Joint Ventures *)	1 January 2013
IAS 32 – Amendments to IAS 32 Offsetting Financial Assets and Financial Liabilities	1 January 2014
IAS 36 – Amendments to IAS – Recoverable Amount Disclosures for Non-Financial Assets	1 January 2014
IAS 39 – Amendments to IAS 39 Novation of Derivatives and Continuation of Hedge Accounting	1 January 2014

) effective since 1 January 2014 in the EU

The adoption of IFRS 12 has no significant impact on the amounts reported in the financial statements of the Group except for additional disclosures. IFRS 10 changes the definition of control as compared to the definition in the original IAS 27; however, the adoption of IFRS 10 has no impact on the reporting of equity investments in the Group's financial statements. Other standards and interpretations referred to above have no impact on recognition and presentation.

3.2. STANDARDS AND INTERPRETATIONS USED BEFORE THEIR EFFECTIVE DATES

The Group used no standards or interpretations before their effective dates.

3.3. STANDARDS AND INTERPRETATIONS IN ISSUE NOT YET ADOPTED

At the balance sheet date, the following standards and interpretations were issued but not yet effective and the Group did not adopt them in advance of their effective dates.

Amended, new and revised standards and interpretations	Effective for annual periods beginning on or after
IFRS 9 – Financial Instruments (2014)	1 January 2018
IFRS 10, IAS 28 – Amendments to IFRS 10 and IAS 28 – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	1 January 2016
IFRS 10, IFRS 12 a IAS 28 - Amendment to IFRS 10, IFRS 12 and IAS 28 Investment Entities: Applying the Consolidation Exception	1 January 2016
IFRS 11 – Amendments to IFRS 11 Accounting for Acquisitions of Interests in Joint Operations	1 January 2017
IFRS 14 – Regulatory Deferral Accounts	1 January 2016
IFRS 15 – Revenue from Contracts with Customers	1 January 2017
IAS 1 – Amendment to IAS 1 Disclosure Initiative	1 January 2016
IAS 16, IAS 38 - Amendments toIAS 16 and IAS 38 – Clarification of Acceptable Methods of Depreciation and Amortisation	1 January 2016
IAS 16, IAS 41 - Amendments to IAS 16 and IAS 41 – Bearer Plants	1 January 2016
IAS 19 – Amendments to IAS 19 Defined Benefit Plans: Employee Contributions	1 July 2014
IAS 27 – Amendment to IAS 27 – Equity Method in Separate Financial Statements	1 January 2016
IFRIC 21 Levies*)	1 January 2014
Improvements to IFRSs – cycle 2010 - 2012 (published in December 2013)	1 July 2014
Improvements to IFRSs – cycle 2011 - 2013 (published in December 2013)	1 July 2014
Improvements to IFRSs – cycle 2012 - 2014 (published in September 2014)	1 January 2016

) effective for periods starting on 17 June 2014 in the EU

Management of the Group anticipates that the adoption of these standards, revised standards, and interpretations will have no material impact on the Group in the following periods, except for IFRS 9 and IFRS 15 where the impact cannot be reliably estimated given the remote effective date.

3.4. STANDARDS AND INTERPRETATIONS THAT ARE ISSUED BY THE INTERNATIONAL ACCOUNTING STANDARD BOARD (IASB) BUT NOT YET ADOPTED BY THE EUROPEAN UNION

At the balance sheet date, some of the standards and interpretations disclosed in the prior note have not been adopted by the European Union:

Amended, new and revised standards and interpretations	Effective for annual periods beginning on or after
IFRS 9 – Financial Instruments (2014)	1 January 2018
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	1 January 2016
IFRS 10, IFRS 12 a IAS 28 - Amendment to IFRS 10, IFRS 12 and IAS 28 Investment Entities: Applying the Consolidation Exception	1 January 2016
IFRS 11 – Amendments to IFRS 11 Accounting for Acquisitions of Interests in Joint Operations	1 January 2017
IFRS 14 – Regulatory Deferral Accounts	1 January 2016
IFRS 15 – Revenue from Contracts with Customers	1 January 2017
IAS 1 – Amendment to IAS 1 Disclosure Initiative	1 January 2016
IAS 16, IAS 38 – Amendments toIAS 16 and IAS 38 – Clarification of Acceptable Methods of Depreciation and Amortisation	1 January 2016
IAS 16, IAS 41 – Amendments to IAS 16 and IAS 41 – Bearer Plants	1 January 2016
IAS 19 - Amendments to IAS 19 Defined Benefit Plans: Employee Contributions	1 July 2014
IAS 27 – Amendment to IAS 27 – Equity Method in Separate Financial Statements	1 January 2016
Improvements to IFRSs –cycle 2010 - 2012 (published in December 2013)	1 July 2014
Improvements to IFRSs – cycle 2012 - 2014 (issued in September 2014)	1 January 2016

4. Critical Accounting Judgments 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 readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

The following are 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.

4.1. USEFUL LIVES OF PROPERTY, PLANT AND EQUIPMENT

The Group reviews the estimated useful lives of depreciated property, plant and equipment at the end of each annual reporting period. Although the Group identified no changes in the useful lives of property, plant and equipment, the situation may change in the following periods.

4.2. IMPAIRMENT OF ASSETS

The Group 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 as the situation evolves and information is available.

4.3. REVENUE AND EXPENSES FROM INTERNATIONAL TRANSPORTATION

Given the long intervals of settlement of mutual payments between transporters in the international transportation, the Parent Company has to estimate the amount of these expenses and revenues. The actual value confirmed by an international settlement institution may be different.

4.4. MEASUREMENT OF FINANCIAL DERIVATIVES

The Group uses financial derivatives for cash flow hedging. The measurement of derivatives in the financial statements performed by the Company using its own measurement model is based on appropriate measurement techniques using identifiable market assumptions. If these assumptions changed, the measurement of financial derivatives would be different.

4.5. INCOME TAXATION

The Group records significant deferred tax assets. The determination of the recoverable value of these assets depends on the estimate of their future realisation.

4.6. PROVISION FOR EMPLOYEE BENEFITS

The provision for employee benefits includes the claim of employees for a financial contribution when they celebrate important birthdays, financial contribution upon retirement, and payment of treatment fees including salary refunds in wellness stays.

In calculating the provision, the Group used an actuarial model which is based on the 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 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 10-year government bonds.

4.7. PROVISIONS FOR LEGAL DISPUTES AND BUSINESS RISKS

The Group is involved in a number of court and out-of-court commercial disputes. Where the criteria for the recognition of provisions are met, the Group creates provisions for these disputes on the basis of the best available information and estimates. However, the actual outcome of the disputes may differ from these estimates.

4.8. RESTRUCTURING PLAN

In 2012, management of the parent company ČD Cargo, a.s. undertook a series of measures designed to strengthen the liquidity of the Company in the short-term and create conditions for achieving more favourable economic results in the medium-term and consequently ensure the stability of the Company in the following years. The implemented measures have served a basis for preparing a medium-term business plan of the Company. The restructuring plan continues to be effective.

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5. Revenue from Principal Operations

All of the below additional information on the statement of profit or loss relates to continuing operations.

(CZK '000)	2014	2013
Revenue from freight transportation:	**11 699 082**	**12 427 926**
Revenue from freight transportation - local	4 292 86	4 544 57
Revenue from freight transportation – foreign	7 406 218	7 883 346
Other revenue from freight transportation:	**508 740**	**504 022**
Other revenue from freight transportation - local	302 219	332 796
Other revenue from freight transportation - foreign	206 521	171 226
Other revenue related to transportation	**144 666**	**91 186**
Total revenue from principal operations – continuing operations	**12 352 488**	**13 023 134**

Other revenue from freight transportation predominantly includes the revenue from freight transportation from other transporters and owners of railways and revenue from other transportation.

With respect to the volume of billed services, the principal local customers include the following:

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

Foreign customers predominantly include railway transportation companies (national transporters) and other entities. With respect to the volume of billed services, the principal companies are as follows:

Railway transportation companies (national transporters)

- DB Schenker Rail Deutschland AG
- Železničná spoločnosť´ Cargo Slovakia, a.s.
- Rail Cargo Austria AG
- PKP Cargo S.A.

Other companies

- A.P. Möller - Maersk A/S
- STVA S.A
- ČD Generalvertretung GmbH
- METRANS
- BLG AutoRail GmbH

6. Other Operating Income

(CZK '000)	2014	2013
Gain from disposal of property, plant and equipment and investment property	12 235	71 985
Gain from the sale of inventory	17 516	3 064
Rental income	342 172	400 338
Compensations for deficits and damage	99 425	41 231
Other	19 995	35 881
Total other operating income – continuing operations	**491 343**	**552 499**

Other operating income predominantly includes income from contractual penalties and default interest.

7. Purchased Consumables and Services

(CZK '000)	2014	2013
Traction costs	**-1 648 800**	**-1 694 480**
Traction fuel (diesel)	-506 655	-513 376
Traction electricity	-1 142 145	-1 181 104
Payment for the use of railway route	**-1 516 611**	**-1 814 037**
Other purchased consumables and services	**-3 272 939**	**-3 498 342**
Consumed material	-262 832	-273 150
Consumed other energy	-95 821	-110 479
Consumed fuel	-11 700	-12 141
Repairs and maintenance	-233 942	-231 675
Travel costs	-35 664	-37 965
Telecommunication, data and postal services	-55 419	-62 467
Other rental	-191 759	-204 295
Rental for rail vehicles	-708 364	-670 069
Transportation charges	-1 114 660	-1 295 908
Services associated with the use of buildings	-38 984	-36 190
Operational cleaning of rail vehicles	-5 224	-7 153
Border area services	-181 905	-171 403
Advertising and promotion costs	-12 202	-15 425
Leases	1 279	1 556
Other services	-325 742	-371 578
Total purchased consumables and services – continuing operations	**-6 438 350**	**-7 006 859**

Traction electricity in the year ended 31 December 2014 includes consumed traction energy of the Parent Company ČD Cargo, a.s. purchased from České dráhy, a.s. in the amount of CZK 933,105 thousand. Consumed energy for the year ended 31 December 2014 additionally includes the costs of CZK 209,039 thousand pursuant to a concluded out-of-court agreement with SŽDC regarding the dispute over the price of consumed traction energy for 2009. Consumed energy in the year ended 31 December 2013 includes consumed traction energy purchased from České dráhy, a.s. in the amount of CZK 1,181,104 thousand.

Other services predominantly include the costs of education, IT, healthcare, advisory, fire protection, and security and costs of commissions paid for cross-border representation.

8. Employee Benefit Costs

(CZK '000)	2014	2013
Payroll costs	-2 651 989	-2 769 293
Severance pay	-30 113	-284 447
Statutory social security and health insurance	-878 199	-952 747
Benefits resulting from the collective agreement	-44 793	-42 469
Statutory social costs	-166 855	-177 123
Other employee benefit costs	-36 592	-19 586
Total employees benefit costs – continuing operations	**-3 808 541**	**-4 245 665**

9. Depreciation and Amortisation

(CZK '000)	2014	2013
Depreciation of property, plant and equipment	-939 052	-1 093 392
Amortisation of intangible assets	-55 595	-41 968
Total depreciation and amortisation – continuing operations	**-994 647**	**-1 135 360**

10. Other Operating Income (Losses)

(CZK '000)	2014	2013
Change in provisions	446 332	-70 783
Losses from impaired receivables	-27 403	-27 576
Change in allowances for property, plant and equipment	71 426	-186 123
Costs of contractual fines and default interest	-95 384	-1 426
Taxes and fees	-4 782	-20 752
Other operating expenses	-424 233	-166 471
Total other operating losses – continuing operations	**-34 044**	**-472 131**

Other operating expenses include the expenses from the agreement on out-of-court settlement with SŽDC regarding the dispute over the price of consumed traction energy during 2009 and settlement of damage due to traffic closures caused by SŽDC. The expenses arising from the out-of-court settlement with SŽDC amounted to CZK 59,835 thousand. The principal item of operating expenses are expenses for the settlement of payables arising from the court ruling dated 15 January 2014 regarding the dispute over damage from traffic closures caused by SŽDC. These expenses amounted to CZK 127,184 thousand.

Other operating expenses additionally include damages of CZK 86,463 thousand, insurance of assets and liability insurance of CZK 68,751 thousand, costs of written-off and assigned receivables of CZK 46,687 thousand and membership fees of CZK 15,192 thousand.

Costs of contractual fines and default interest of CZK 95,384 thousand primarily include interest based on the concluded agreement on out-of-court settlement with SŽDC regarding the dispute over the price of consumed traction energy during 2009 and settlement of damage from traffic closures caused by SŽDC. Total interest amounted to CZK 29,841 thousand. In addition, it includes interest arising from the court ruling dated 15 January 2014 regarding the legal dispute over the compensation of damage from traffic closures caused by SŽDC. This interest amounted to CZK 36,968 thousand.

11. Financial Expenses

(CZK '000)	2014	2013
Interest on bank overdraft accounts and loans	-6 478	-12 964
Interest on finance lease payables	-175 204	-146 710
Interest expenses - bonds	-84 349	-89 510
Other interest expenses	-15 268	-21 458
Unwinding of the discount of provisions	-541	2 756
Other financial expenses	-14	-389
Total financial expenses – continuing operations	**-281 854**	**-268 275**

12. Other Gains (Losses)

(CZK '000)	2014	2013
Net foreign exchange gains (losses)	-21 101	157 120
Loss from the sale of securities and equity investments	-1 001	0
Received interest	2 108	1 065
Banking fees	-2 190	-1 754
Actuarial losses	-13 275	-11 129
Other	6 482	-1 089
Total other gains (losses)- continuing operations	**-28 977**	**144 213**

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13 Income Taxation

13.1. INCOME TAX REPORTED IN PROFIT OR LOSS

(CZK '000)	2014	2013
Current income tax for the period reported in the statement of profit or loss	-115 981	-73 603
Deferred tax recognised in the statement of profit or loss	-214 080	-187 188
Total tax charge relating to continuing operations	**-330 061**	**-260 791**

13.2. INCOME TAX RECOGNISED IN OTHER COMPREHENSIVE INCOME

(CZK '000)	2014	2013
Remeasurement of financial instruments recognised as cash flow hedging	-10 596	22 131
Total income tax recognised in other comprehensive income	**-10 596**	**22 131**

13.3. DEFERRED TAX

(CZK '000)	Unutilised tax losses	Non-current assets	Provisions	Leases	Receivables	Derivatives	Other	Total
Balance at 1 Jan 2013	**-7 096**	**299 719**	**-250 938**	**232 653**	**-7 693**	**-7 779**	**10 696**	**269 562**
Deferred tax recognised in profit or loss	7 096	158 084	-18 693	54 985	-15 905	0	620	187 187
Deferred tax recognised in other comprehensive income	0	0	0	0	0	-22 131	0	-22 131
Revaluation	0	0	0	0	0	0	-366	-366
Balance as of 31 Dec 2013	**0**	**458 803**	**-269 631**	**287 638**	**-23 598**	**-29 910**	**10 950**	**434 252**
Deferred tax recognised in profit or loss	-106	162 848	19 696	53 193	-6 308	0	-15 241	214 082
Deferred tax recognised in other comprehensive income	0	0	0	0	0	10 596	0	10 596
Revaluation	0	0	0	0	0	0	0	0
Balance as of 31 Dec 2014	**-106**	**621 651**	**-249 935**	**340 831**	**-29 906**	**-19 314**	**-4 291**	**658 930**

14. Property, Plant and Equipment

Cost (CZK '000)	Balance as of 1 Jan 2013	Additions	Disposals	Reclassi-fication	Revaluation	Balance as of 31 Dec 2013	Additions	Disposals	Reclassi-fication	Revaluation	Balance as of 31 Dec 2014
Land	126 194	0	0	0	0	126 194	4 621	0	0	0	130 815
Structures	1 379 689	98 611	337	0	404	1 478 367	32 865	891	0	-98	1 510 243
Individual movable assets	38 106 586	1 110 403	2 281 504	1 119 623	60 545	38 115 653	960 963	414 654	-19 871	-12 070	38 630 021
Machinery, equipment, and furniture and fixtures	*570 863*	*9 171*	*7 117*	*1 689*	*2*	*574 608*	*40 308*	*8 950*	*-2 326*	*12*	*603 652*
Vehicles	*30 743 055*	*1 061 795*	*2 226 961*	*597 008*	*32 605*	*30 207 502*	*773 508*	*382 403*	*263 961*	*-7 818*	*30 854 750*
Vehicles acquired under finance leases	*6 781 730*	*39 313*	*46 367*	*520 926*	*27 937*	*7 323 539*	*147 086*	*22 134*	*-281 189*	*-4 333*	*7 162 969*
Other	*10 938*	*124*	*1 059*	*0*	*1*	*10 004*	*61*	*1 167*	*-317*	*69*	*8 650*
Other assets	0	0	0	52	0	52	24	0	0	0	76
Assets under construction	164 536	1 002 714	25 025	-1 008 469	5 336	139 092	880 916	12 250	-798 994	-1 118	207 646
Prepayments	105 730	147 414	231 137	0	-488	21 519	-20 569	940	0	0	10
Total	**39 882 735**	**2 359 142**	**2 538 003**	**111 206**	**65 797**	**39 880 877**	**1 858 820**	**428 735**	**-818 865**	**-13 286**	**40 478 811**

Accumulated depreciation (CZK '000)	Balance as of 1 Jan 2013	Additions	Disposals	Reclassification	Revaluation	Balance as of 31 Dec 2013	Additions	Disposals	Reclassification	Revaluation	Balance as of 31 Dec 2014
Structures	709 164	36 008	280	0	-31	744 861	37 871	780	0	72	782 024
Individual movable assets	24 268 603	1 131 916	1 877 907	857 931	40	24 380 583	912 515	395 601	0	3 233	24 900 730
Machinery, equipment, and furniture and fixtures	*385 699*	*39 901*	*6 927*	*188*	*-8*	*418 853*	*40 100*	*8 843*	*-2 335*	*40*	*447 815*
Vehicles	*21 985 480*	*773 750*	*1 826 930*	*488 075*	*54*	*21 420 329*	*624 601*	*363 536*	*46 227*	*534*	*21 728 155*
Vehicles acquired under finance leases	*1 887 791*	*318 095*	*43 007*	*369 668*	*0*	*2 532 547*	*247 594*	*22 061*	*-43 596*	*2 592*	*2 717 076*
Other	*9 633*	*270*	*1 043*	*0*	*-6*	*8 854*	*220*	*1 161*	*-296*	*67*	*7 684*
Other assets	0	26	0	23	0	49	11	0	0	0	60
Total	**24 977 767**	**1 167 950**	**1 878 187**	**857 954**	**9**	**25 125 493**	**950 397**	**396 381**	**0**	**3 305**	**25 682 814**

Impairment (CZK '000)	Balance as of 1 Jan 2013	Additions	Disposals	Reclassification	Revaluation	Balance as of 31 Dec 2013	Additions	Disposals	Reclassification	Revaluation	Balance as of 31 Dec 2014
Land	0	0	0	0	0	0	273	0	0	0	273
Buildings	0	441	0	0	0	441	393	441	0	0	393
Individual movable assets	58 977	185 682	0	0	0	244 659	173 008	244 659	0	0	173 008
Vehicles	*58 977*	*185 682*	*0*	*0*	*0*	*244 659*	*158 686*	*244 659*	*0*	*0*	*158 686*
Vehicles acquired under finance leases	*0*	*0*	*0*	*0*	*0*	*0*	*14 322*	*0*	*0*	*0*	*14 322*
Total	**58 977**	**186 123**	**0**	**0**	**0**	**245 100**	**173 674**	**245 100**	**0**	**0**	**173 674**

Reclassifications predominantly include transfers of asset items between individual groups (IAS 16, IAS 17) relating to the financial leaseback of wagons and traction vehicles.

Net book value (CZK '000)	Balance as of 1 Jan 2013	Balance as of 31 Dec 2013	Balance as of 31 Dec 2014
Land	126 194	126 194	130 542
Buildings	670 525	733 065	727 826
Individual movable assets	13 779 006	13 490 411	13 556 283
Machinery, equipment, and furniture and fixtures	*185 164*	*155 755*	*155 837*
Vehicles	*8 698 598*	*8 542 514*	*8 967 909*
Vehicles acquired under finance leases	*4 893 939*	*4 790 992*	*4 431 571*
Other	*1 305*	*1 150*	*966*
Other assets	0	3	16
Assets under construction	164 536	139 092	207 646
Prepayments	105 730	21 519	10
Total	**14 845 991**	**14 510 283**	**14 622 323**

Real estate predominantly includes buildings and land. Land and buildings exclude the assets forming the railway route which are owned by the state. One of the items is provisioned as equal to the difference between the accounting net book value and the actually estimated value of CZK 393 thousand.

Vehicles predominantly include rail vehicles (traction vehicles, freight cars) used for the operations of the railway freight transportation. These items are provisioned as equal to the difference between the net book value and the recoverable value of CZK 173,008 thousand.

Principal additions to individual tangible movable assets in the year ended 31 December 2014 included the modernisation of wagons of CZK 310,946 thousand, inspection repairs (components) of wagons of CZK 196,812 thousand, major and general repairs (components) of traction vehicles of CZK 217,674 thousand and technical improvements on wagons of CZK 41,546 thousand.

In the years ended 31 December 2014 and 2013, the Parent Company acquired tangible assets recognised in expenses in the amounts of CZK 25,663 thousand and CZK 25,908 thousand, respectively. These assets are low value tangible assets comprising other movable assets and sets of movable assets with an estimated useful life greater than one year not reported within fixed assets. These assets are accounted for as inventory and they are expensed.

Prepayments made for tangible fixed assets amount to CZK 10 thousand and CZK 54 thousand as of 31 December 2014 and 2013, respectively.

In the year ended 31 December 2014, the Parent Company carried out the first stage of wagon scrapping – 299 wagons were scrapped. In respect of other wagons and traction vehicles intended for scrapping, the Parent Company mapped the current physical condition, recorded parts that could be used as spare parts for repairs and the remaining parts of wagons intended for direct scrapping. Management of the Parent Company anticipates that the scrapping process will continue in the following years.

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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 other depreciation, the following useful lives were used:

	Number of years
Buildings	20 – 50
Structures	20 – 50
Locomotives (without components)	20 – 25
Wagons (without components)	30
Machinery and equipment	8 – 20

14.1. ASSETS PLEDGED AS COLLATERAL
As of 31 December 2014 and 2013, no assets of the Group were pledged as collateral.

15. Intangible Assets

Cost (CZK '000)	Balance as of 1 Jan 2013	Additions	Disposals	Reclassification	Balance as of 31 Dec 2013	Additions	Disposals	Reclassification	Revaluation	Balance as of 31 Dec 2014
Software	359 651	109 444	27 103	4	441 996	56 782	89 046	0	12	409 743
Valuable rights	123 104	1 531	422	0	124 213	300	17 298	0	0	107 215
Assets under construction	93 017	70 568	112 787	0	50 798	136 148	56 893	0	-25	130 028
Total	**575 772**	**181 543**	**140 312**	**4**	**617 007**	**193 230**	**163 237**	**0**	**-13**	**646 986**

Accumulated Amortisation (CZK '000)	Balance as of 1 Jan 2013	Additions	Disposals	Reclassification	Balance as of 31 Dec 2013	Additions	Disposals	Reclassification	Revaluation	Balance as of 31 Dec 2014
Software	270 462	30 791	27 103	0	274 150	45 400	87 570	0	13	231 993
Valuable rights	68 279	11 414	422	0	79 271	11 462	4 093	0	0	86 640
Total	**338 741**	**42 205**	**27 525**	**0**	**353 421**	**56 862**	**91 663**	**0**	**13**	**318 633**

Reclassifications predominantly include transfers of asset items between individual groups of assets (IAS 38) relating to software and valuable rights.

Net book value (CZK '000)	Balance as of 1 Jan 2013	Balance as of 31 Dec 2013	Balance as of 31 Dec 2014
Software	89 188	167 845	**177 750**
Valuable rights	54 825	44 942	**20 575**
Assets under construction	93 017	50 798	**130 028**
Total	**237 030**	**263 585**	**328 353**

Amortisation costs were reported in the statement of profit or loss line 'Depreciation and amortisation'. The amortisation was calculated using useful lives of 3 to 8 years.

Intangible fixed assets predominantly include the SAP system and the operational business information system – PROBIS. In the year ended 31 December 2014, the Company continued the second phase of the implementation of PROBIS that was acquired for CZK 104,428 thousand of total investments in intangible assets of CZK 134,302 thousand. The upgrade of the IS in the second phase of the PROBIS implementation will be completed and the IS put into use in 2015. Intangible assets additionally include the information system supporting the activities of the freight transporter, development of the SAP information systems, the Microsoft Enterprise Agreement licence, OPT information system, the system for the support of office work, and other systems used by ČD Cargo, a.s. In 2014, the Group received no subsidies from the Transport Operational Programme for financing intangible assets.

Intangible fixed assets under construction predominantly include a further extension of software for the railway transportation and financial management of the Group.

16. Investments in Associates

16.1. INFORMATION ON ASSOCIATES

Name of the entity (CZK '000)	Registered office	Value of investment as of 31 Dec 2014	Value of investment as of 31 Dec 2013
BOHEMIAKOMBI, spol. s r.o.	Opletalova 6, 11000 Prague 1	3 286	2 837
Ostravská dopravní společnost, a.s.	U Tiskárny 616/9, 70200 Ostrava, Přívoz	20 984	30 127
RAILLEX a.s.	Trnkovo nám. 3, 15200 Prague 5	985	985
Total		**25 255**	**33 949**

Name of the entity	Principal activities	Investment as of 31 Dec 2014	Investment as of 31 Dec 2013
BOHEMIAKOMBI, spol. s r.o.	Mediation of transportation services except for the transportation by own vehicles.	30 %	30 %
Ostravská dopravní společnost, a.s.	Railway transportation and lease of locomotives.	20 %	20 %
RAILLEX a.s.	Cargo handling and technical services in transportation.	50 %	50 %

16.2. SUMMARY OF FINANCIAL INFORMATION ON ASSOCIATES

(CZK '000)	31 Dec 2014	31 Dec 2013
Total assets	465 692	578 132
Total liabilities	317 390	336 787
Net assets	148 302	241 345
Share of the Company in associates' net assets	**40 484**	**56 445**

(CZK '000)	2014	2013
Total income	1 643 364	1 598 434
Profit for the period	27 449	27 069
Share of the Company in associates' profit for the period	**8 285**	**5 581**

17. Inventories

(CZK '000)	31 Dec 2014	31 Dec 2013
Spare parts and other components for rail vehicles and locomotives	38 213	19 282
Other machinery, tools and equipment and their spare parts	65 941	74 415
Fuels, lubricants and other oil products	3 685	3 880
Work clothes, work shoes, protective devices	1 249	805
Other	12 211	11 897
Total cost	**121 298**	**110 279**
Write-down of inventories to their net realisable value	0	0
Total net book value	**121 298**	**110 279**

The inventory was not impaired based on the inventory count in 2014 and 2013.

18. Trade Receivables

(CZK '000)	31 Dec 2014	31 Dec 2013
Long-term	0	0
Short-term	1 633 421	1 777 638
Total	**1 633 421**	**1 777 638**

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18.1. AGING OF TRADE RECEIVABLES

(CZK ‘000)	Category	Before due date	Past due date					past due date	Total
			1 - 30 days	31 – 90 days	91- 180 days	181 -365 days	365 and more		
31 Dec 2014	Gross	1 525 334	86 234	23 967	10 331	14 481	131 337	266 350	**1 791 684**
	Opr. položky	-20 785	0	-2 901	-863	-16 484	-117 230	-137 478	**-158 263**
	Netto	**1 504 549**	**86 234**	**21 066**	**9 468**	**-2 003**	**14 107**	**128 872**	**1 633 421**
31 Dec 2013	Brutto	1 570 401	54 791	137 288	53 927	10 247	155 340	411 593	**1 981 994**
	Opr. položky	-68 604	-603	-151	-18 933	-2 004	-114 061	-135 752	**-204 356**
	Netto	**1 501 797**	**54 188**	**137 137**	**34 994**	**8 243**	**41 279**	**275 841**	**1 777 638**

19. Other Financial Assets

(CZK ‘000)	31 Dec 2014	31 Dec 2013
Other non-current financial assets	3 595	11 543
Other current financial assets	19 361	36 956
Total	**22 956**	**48 499**

Other financial assets predominantly include loans provided to RAILEX, a.s., receivables for deficits and damage and receivables registered for recovery with the courts. Receivables registered for recovery through the courts in the years ended 31 December 2014 and 2013 decreased by CZK 84,122 thousand and CZK 2,931 thousand, respectively.

20. Other Assets

(CZK ‘000)	31 Dec 2014	31 Dec 2013
Total non-current assets	**53 296**	**601**
Prepayments made	48 707	84 986
Tax receivables (except for the corporate income tax)	103 393	174 817
Prepaid expenses	32 501	35 164
Other	7 630	1 308
Total current assets	**192 231**	**296 275**
Total	**245 527**	**296 876**

21. Equity

21.1. SHARE CAPITAL

As of 31 December 2009, the share capital of the Parent Company is composed of the non-cash investment of a business part of České dráhy, a.s. as the sole shareholder and amounted to CZK 8,800,000 thousand.

On 2 June 2009, České dráhy, a.s., acting in the capacity of the General Meeting, adopted the resolution on the decrease in the share capital of ČD Cargo, a.s. in accordance with Section 213a of the Commercial Code, from CZK 8,800,000 thousand to CZK 8,494,000 thousand. As of 31 December 2014, the Company reports the share capital of CZK 8,494,000 thousand fully paid.

21.2. RESERVE AND OTHER FUNDS

(CZK ‘000)	31 Dec 2014	31 Dec 2013
Share premium	197 658	197 658
Statutory reserve fund	88 621	61 814
Cash flow hedging reserve	-82 331	-127 511
Foreign currency translation fund	11 298	25 211
Other	94	89
Total	**215 340**	**157 261**

Allocations to the statutory reserve fund are made in accordance with the internal policies.

21.2.1. Cash Flow Hedging Reserve

(CZK ‘000)	2014	2013
Balance at the beginning of the year	-127 511	-33 163
Loss from revaluation	-62 862	-113 551
Reclassifications to profit or loss upon settlement	118 639	-2 928
Total change in the cash flow hedging reserve	**55 777**	**-116 479**
Relating income tax	-10 597	22 131
Balance at the year-end	**-82 331**	**-127 511**

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

22. Loans and Borrowings

(CZK '000)	31 Dec 2014	31 Dec 2013
Short-term bank loans	0	0
Payables from finance leases	464 476	472 468
Overdraft accounts	53	844 691
Issued bonds	1 000 000	1 000 000
Other received short-term loans and borrowings	59 894	11 030
Total short-term	**1 524 423**	**2 328 189**
Issued bonds	1 175 695	1 505 813
Other – received loans and borrowings – long-term	42 055	51 170
Payables from finance leases	2 818 320	2 722 042
Total long-term	**4 036 070**	**4 279 025**
Total	**5 560 493**	**6 607 214**

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

The Parent Company or subsidiaries breached no loan covenants in the reporting period.

22.1. ISSUED BONDS

On 4 May 2011, the resolution of the Czech National Bank, ref. no 2011/4833/570, File no. Sp/2011/50/572, 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.

In 2011 and 2012, the following issues of bonds were placed under the bond programme:

Administrator	Komerční banka, a.s.
Date of issue	20 June 2011
Total nominal value	CZK 1,000,000,000
Total nominal value after exercising the option	CZK 658,300,000
Interest rate	Fixed interest income
Interest rate (1-3 year); coupon	3.183 % p.a.
Interest rate (4-5 year); coupon	5 % p.a.
Issue rate	98.025 %
Payment of interest income	Annually retrospectively
Date of the interest payment	20 June each year
Date of the final maturity	20 June 2016
Date of the final maturity (use of the put option)	20 June 2014

Administrator	Československá obchodní banka, a.s.
Date of issue	22 Dec2011
Total nominal value	CZK 500,000,000
Nominal value of the bond	CZK 1
Interest rate	variable interest income
Reference rate	6M PRIBOR
6M PRIBOR (first yield period); coupon	1.45 % p.a.
Hedged value for all other periods	1.64 % p.a.
Margin	1.30 % p.a.
Issue rate	97.464 %
Payment of interest income	on six months basis, retrospectively
Date of the interest payment	22 June and 22 December each year
Date of the final maturity	22 Dec 2015

Administrator	Raiffeisenbank, a.s.
Date of issue	21 Dec 2011
Total nominal value	CZK 500,000,000
Interest rate; coupon	Fixed interest income, 3.8 % p.a.
Issue rate	99.941 %
Payment of interest income	annually retrospectively
Date of the interest payment	21 Dec each year
Date of the final maturity	21 Dec 2016

Manager	Československá obchodní banka, a.s.
Date of issue	12 January 2012
Total nominal value	CZK 200,000,000
Nominal value of the bond	CZK 1
Interest rate	Variable interest income
Reference rate	6M PRIBOR
6M PRIBOR (first yield period); coupon	1.45 % p.a.
Hedged value for all the following periods	1.64 % p.a.
Mark-up	1.30 % p.a.
Issue rate	97.506 %
Payment of interest income	Bi-annually retrospectively
Date of the interest payment	22 June and 22 Dec each year
Date of final maturity	22 Dec 2015

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Manager	Československá obchodní banka, a.s.
Date of issue	19 January 2012
Total nominal value	CZK 300,000,000
Nominal value of the bond	CZK 1
Interest rate	Variable interest income
Reference rate	6M PRIBOR
6M PRIBOR (first yield period); coupon	1.45 % p.a.
Hedged value for all the following periods	1.64 % p.a.
Mark-up	1.30 % p.a.
Issue rate	97.518 %
Payment of interest income	Bi-annually retrospectively
Date of the interest payment	22 June and 22 Dec each year
Date of final maturity	22 Dec 2015

The Parent Company, ČD Cargo, a.s., recorded calls for a premature redemption of part of the first issue of the bonds placed through KB, a.s. with the total nominal value of CZK 341.7 million within the due period. This amount was redeemed as of 20 June 2014. Bonds with a total nominal value of CZK 2,158.3 million are currently issued.

The bonds issue at Československá obchodní banka of CZK 1 billion was reclassified as a result of the maturity on 22 December 2015 from the long-term portion to the short-term portion.

22.2. FINANCE LEASE PAYABLES

The finance lease applies to railway vehicles, software, vehicles and equipment for computers and servers. The value of finance leases is as follows:

(CZK '000)	Minimum lease payments			Present value of minimum lease payments		
	31 Dec 2014	**31 Dec 2013**	**1 Jan 2013**	**31 Dec 2014**	**31 Dec 2013**	**1 Jan 2013**
Less than 1 year	606 407	605 767	879 815	464 476	472 468	756 610
From 1 to 5 years	2 409 783	2 039 156	1 658 070	2 050 347	1 688 405	1 359 357
5 years and more	845 186	1 111 903	918 159	767 973	1 033 637	845 617
Total	**3 861 376**	**3 756 826**	**3 456 044**	**3 282 796**	**3 194 510**	**2 961 584**
Less future finance expenses	-578 580	-562 316	-494 460			
Present value of minimum lease payments	**3 282 796**	**3 194 510**	**2 961 584**	**3 282 796**	**3 194 510**	**2 961 584**
In the statement of financial position as:						
short-term loans				*464 476*	*472 468*	*756 610*
long-term loans				*2 818 320*	*2 722 042*	*2 204 974*
Total				**3 282 796**	**3 194 510**	**2 961 584**

The fair value of finance lease payables is calculated in Note 32.11.1.

23. Provisions

(CZK '000)	Balance as of 1 Jan 2013	Charge	Use	Balance as of 31 Dec 2013	Charge	Use	Balance as of 31 Dec 2014
Provision for legal disputes	53 373	52 921	16 650	89 644	22 714	52 189	60 169
Provision for outstanding vacation days	28 309	27 817	28 405	27 721	21 745	28 182	21 285
Provisions for employees benefits	539 988	362 959	0	902 947	37 275	916 518	23 704
Provisions for business risks	108 787	36 541	35 381	109 947	58 882	54 468	114 361
Provisions for restructuring	535 125	0	285 152	249 973	0	69 652	180 321
Provision for loss-making transactions	0	0	0	0	525 450	0	525 450
Other provisions*	55 507	66 634	92 368	29 773	91 466	62 834	58 405
Total provisions	**1 321 089**	**546 872**	**457 956**	**1 410 006**	**757 532**	**1 183 843**	**983 695**
long-term	*70 070*			*64 100*			*635 323*
short-term	*1 251 019*			*1 345 906*			*348 372*

Other provisions includes provisions for complaints, returns of empty wagons, damages and other provisions.

After having considered all existing legal analyses and results of negotiations in existing legal disputes and having assessed all potential risks, current developments in legal disputes and in accordance with the inherent level of prudence, management of the Parent Company has decided to decrease the amount of the non-tax deductible provision to cover potential expenses relating to potential risks for business transactions. The total balance of the provision as of 31 December 2014 is CZK 23,704 thousand.

The provision for business risks was decreased by CZK 916,518 thousand primarily for the following reasons attributable to the Parent Company:

- Conclusion of an agreement on out-of-court settlement with SŽDC regarding the consumed traction energy during 2009 and settlement of damage due to traffic closures caused by SŽDC. The out-of-court settlement agreement was concluded for the total amount of CZK 375,811 thousand, of which CZK 61,786 thousand relates to the settlement of damage caused by the traffic closures and CZK 314,025 thousand relates to the price of purchased traction energy for 2009. Payables arising from these out-of-court settlements were recognised as "Other payables", divided into short-term and long-term parts (refer to Note 25); and
- Court ruling dated 15 January 2014 regarding the legal dispute over the damage due to SŽDC's traffic closures based on which ČD Cargo, a.s. is obliged to settle the payable of CZK 164,152 thousand to SŽDC.

As of 31 December 2012, management of the Parent Company has decided to make organisational changes pursuant to the prepared restructuring plan, the main features of which were communicated within the Company. The future cash outflows associated with the restructuring were estimated at CZK 535,000 thousand in the plan. During the year ended 31 December 2013, the amount of the provision decreased by the use by CZK 285,027 thousand to the balance of CZK 249,973 thousand as of 31 December 2013. During the year ended 31 December 2014, this provision was used and specified, it amounted to CZK 180,321 thousand as of 31 December 2014. These funds will continue to be available to the Company to cover the costs relating to the restructuring in the following reporting period.

During the year, the Parent Company recognised a provision for loss-making transactions. The amount of the provision is determined on the basis of a reasonable estimate as equal to the future liability arising from the loss. The amount includes the difference between the discounted net anticipated income and discounted anticipated expenses. The provision amounts to CZK 525,450 thousand as of 31 December 2014.

The provision of the Parent Company for employee benefits includes the claim of employees for a financial contribution for life jubilees, financial contribution upon retirement and payment of treatment costs including the salary refund in wellness stays. The amount of the provision was calculated at CZK 113,946 thousand using an actuarial model. For details on this model, refer to Note 4.6.

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24. Trade Payables

Cost (CZK '000)	Category	Before due date	Past due date (days) 1 – 30 days	31 – 90 days	91- 180 days	181 -365 days	365 and more	Total past due date	Total
31 Dec 2014	Short-term	1 860 971	129 086	7 070	4 291	5 708	833	146 988	**2 007 959**
31 Dec 2013	Short-term	1 984 250	9 844	68 823	331	235	85	79 318	**2 063 568**

Supplier invoices typically mature in 94 days.

25. Other Financial Liabilities

(CZK '000)	31 Dec 2014	31 Dec 2013
Hedging derivatives	29 181	50 661
Other	612 060	107 689
Long-term other financial liabilities	**641 241**	**158 350**
Hedging derivatives	94 750	139 240
Other	355 657	169 705
Short-term other financial liabilities	**450 407**	**308 945**
Total other financial liabilities	**1 091 648**	**467 295**

Long-term other financial liabilities primarily include the Parent Company's liabilities to SŽDC of CZK 331,966 thousand and consist of the long-term portion of a payable arising from the concluded out-of-court agreement regarding the dispute about the price of traction energy during 2009 and settlement of damage due to SŽDC's traffic closures. Another long-term liability to SŽDC of CZK 77,522 thousand relates to the settlement of the damage due to SŽDC's traffic closures pursuant to a court ruling dated 15 January 2014 (refer to Note 23 Provisions).

As of 31 December 2014, short-term other financial liabilities primarily include a short-term portion of a payable to SŽDC of CZK 98,562 thousand. The amount of CZK 43,845 thousand is the short-term portion of the payable arising from the conclusion of the out-of-court agreement regarding the dispute over the price of the consumed traction energy during 2009 and settlement of damage due to SŽDC's traffic closures. The amount of CZK 54,717 thousand relates to the settlement of the payable arising from the settlement of damage due to SŽDC's traffic closures pursuant to the court ruling dated 15 January 2014 (refer to Note 23 Provisions).

"Other" primarily includes a liability arising from supplier loans divided into a short-term and long-term portion.

26. Other Liabilities

(CZK '000)	31 Dec 2014	31 Dec 2013
Long-term other liabilities	**578 151**	**462 945**
Received prepayments	2 015	-1 319
Payables to employees	225 324	304 527
Social security and health insurance payables	102 234	117 206
Other	69 237	195 818
Short-term other liabilities	**398 810**	**616 232**
Total other liabilities	**976 961**	**1 079 177**

The line item 'Long-term other liabilities' primarily includes deferred leaseback gains. The line item 'Other' predominantly includes payables arising from VAT and deferred leaseback gains.

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

27. Related Party Transactions

27.1. INCOME GENERATED WITH RELATED PARTIES

2014 (CZK ’000)	Sale of tangible FA	Sale of inventory	Sale of services	Other income	Financial income	Total
České dráhy a.s.	0	1 383	17 915	1 886	0	21 184
ČD - Telematika, a.s.	20	0	311	0	0	331
ČD - Informační Systémy, a.s.	0	0	0	0	0	0
DPOV, a.s.	0	4	4 528	731	0	5 263
ČD Travel, s.r.o.	0	0	0	0	0	0
Dopravní vzdělávací institut, a.s.	0	0	0	0	0	0
Výzkumný Ústav Železniční, a.s.	0	0	11 462	0	0	11 462
RAILREKLAM, spol. s r.o.	0	0	0	0	0	0
Jídelní a lůžkové vozy, a.s.	0	0	0	0	0	0
Smíchov Station Development, a.s.	0	0	0	0	0	0
Žižkov Station Development, a.s.	0	0	0	0	0	0
Masaryk Station Development, a.s.	0	0	0	0	0	0
Centrum Holešovice, a.s.	0	0	0	0	0	0
Total	**20**	**1 387**	**34 216**	**2 617**	**0**	**38 240**

2013 (CZK ’000)	Sale of tangible FA	Sale of inventory	Sale of services	Other income	Financial income	Total
České dráhy a.s.	64	208	22 679	1 786	0	24 737
ČD - Telematika, a.s.	0	0	130	0	0	130
ČD - Informační Systémy, a.s.	0	0	0	0	0	0
DPOV, a.s.	0	0	4 578	308	0	4 886
ČD Travel, s.r.o.	0	0	0	0	0	0
Dopravní vzdělávací institut, a.s.	0	0	0	0	0	0
Výzkumný Ústav Železniční, a.s.	0	0	10 213	0	0	10 213
RAILREKLAM, spol. s r.o.	0	0	0	0	0	0
Jídelní a lůžkové vozy, a.s.	0	0	0	0	0	0
Smíchov Station Development, a.s.	0	0	0	0	0	0
Žižkov Station Development, a.s.	0	0	0	0	0	0
Masaryk Station Development, a.s.	0	0	0	0	0	0
Centrum Holešovice, a.s.	0	0	0	0	0	0
Total	**64**	**208**	**37 600**	**2 094**	**0**	**39 966**

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27.2. PURCHASE FROM RELATED PARTIES

2014 (CZK '000)	Assets	Material	Services	Other expenses	Fin. expenses	Total
České dráhy a.s.	33 297	672 434	971 024	8 593	34	1 685 382
ČD - Telematika, a.s.	47 915	1 645	13 696	579	0	63 835
ČD - Informační Systémy, a.s.	41 838	1 273	107 545	0	0	150 656
DPOV, a.s.	78 233	1 432	17 586	65	0	97 316
ČD Travel, s.r.o.	0	0	14 833	0	0	14 833
Dopravní vzdělávací institut, a.s.	0	0	17 106	0	0	17 106
Výzkumný Ústav Železniční, a.s.	0	0	0	0	0	0
RAILREKLAM, spol. s r.o.	0	0	0	0	0	0
Jídelní a lůžkové vozy, a.s.	0	0	1 156	0	0	1 156
Smíchov Station Development, a.s.	0	0	0	0	0	0
Žižkov Station Development, a.s.	0	0	0	0	0	0
Masaryk Station Development, a.s.	0	0	0	0	0	0
Centrum Holešovice, a.s.	0	0	0	0	0	0
Total	**201 283**	**676 784**	**1 142 946**	**9 237**	**34**	**2 030 284**

2013 (CZK '000)	Assets	Material	Services	Other expenses	Fin. expenses	Total
České dráhy a.s.	10 896	667 754	1 280 381	8 907	477	1 968 415
ČD - Telematika, a.s.	96	813	15 816	7	0	16 732
ČD - Informační Systémy, a.s.	41 074	1 321	100 253	0	0	142 648
DPOV, a.s.	103 381	870	17 118	0	0	121 369
ČD Travel, s.r.o.	0	0	13 955	0	0	13 955
Dopravní vzdělávací institut, a.s.	0	2	16 202	0	0	16 204
Výzkumný Ústav Železniční, a.s.	0	0	0	0	0	0
RAILREKLAM, spol. s r.o.	0	0	5 230	0	0	5 230
Jídelní a lůžkové vozy, a.s.	0	0	1 146	0	0	1 146
Smíchov Station Development, a.s.	0	0	0	0	0	0
Žižkov Station Development, a.s.	0	0	0	0	0	0
Masaryk Station Development, a.s.	0	0	0	0	0	0
Centrum Holešovice, a.s.	0	0	0	0	0	0
Total	**155 447**	**670 760**	**1 450 101**	**8 914**	**477**	**2 285 699**

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

Sales

In the year ended 31 December 2014, the Group sold tangible fixed assets to ČD Telematika, a.s. of CZK 20 thousand.

In the year ended 31 December 2013, the Group sold tangible fixed assets to České dráhy, a.s. in the amount of CZK 64 thousand.

Purchases

Purchases (CZK '000)	Intangible assets	Property, plant and equipment	Intangible assets	Property, plant and equipment
	2014	2014	2013	2013
ČD, a.s.	54	33 243	118	17 650
ČD - Telematika a. s.	0	47 915	0	96
ČD – Informační Systémy, a.s.	41 439	399	41 074	0
DPOV, a.s.	0	78 233	0	103 381
Total	**41 493**	**159 790**	**41 192**	**121 127**

Purchases of fixed assets from DPOV, a. s. include purchases of railway vehicle components – performance of significant periodical repairs.

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

31 Dec 2014 (CZK '000)	Receivables	Payables
České dráhy a.s.	4 032	203 574
ČD - Telematika, a.s.	9	5 359
ČD - Informační Systémy, a.s.	0	79 050
DPOV, a.s.	1 293	69 597
ČD Travel, s.r.o.	0	5 989
Dopravní vzdělávací institut, a.s.	0	2 147
Výzkumný Ústav Železniční, a.s.	1 474	0
RAILREKLAM, spol. s r.o.	0	0
Jídelní a lůžkové vozy, a.s.	0	131
Smíchov Station Development, a.s.	0	0
Žižkov Station Development, a.s.	0	0
Masaryk Station Development, a.s.	0	0
Centrum Holešovice, a.s.	0	0
Total	**6 808**	**365 847**

31 Dec 2013(CZK '000)	Receivables	Payables
České dráhy a.s.	6 130	266 069
ČD - Telematika, a.s.	18	6 631
ČD - Informační Systémy, a.s.	0	59 753
DPOV, a.s.	1 586	42 595
ČD Travel, s.r.o.	0	2 993
Dopravní vzdělávací institut, a.s.	0	2 028
Výzkumný Ústav Železniční, a.s.	1 959	0
RAILREKLAM, spol. s r.o.	0	0
Jídelní a lůžkové vozy, a.s.	0	104
Smíchov Station Development, a.s.	0	0
Žižkov Station Development, a.s.	0	0
Masaryk Station Development, a.s.	0	0
Centrum Holešovice, a.s.	0	0
Total	**9 693**	**377 180**

Related party transactions were conducted on an arm's length basis reflecting the amount of purchased goods and relationships between parties.

Outstanding balances are not collateralised and are paid in cash. No guarantees were received or provided. In the reporting period and prior reporting periods, the Company reported no expenses relating to bad or doubtful receivables from related parties.

27.5. LOANS TO RELATED PARTIES

In the past, ČD Cargo, a.s. concluded a loan contract and contract for the sale of a railway siding with RAILLEX, a.s. (in which ČD Cargo holds 50%). The below table shows the current balance of outstanding receivables.

■ Balance as of 31 December 2014

Loan (CZK '000)	Long-term part of the loan	Short-term part of the loan	Total
Principal	0	2 400	2 400
Interest	0	36	36
Total	**0**	**2 436**	**2 436**
Sale of the railway siding	**Long-term part of the loan**	**Short-term part of the loan**	**Total**
Principal	0	1 548	1 548
Interest	0	39	39
Total	**0**	**1 587**	**1 587**

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Balance as of 31 December 2013

Loan (CZK '000)	Long-term part of the loan	Short-term part of the loan	Total
Principal	2 400	4 800	7 200
Interest	36	216	252
Total	**2 436**	**5 016**	**7 452**
Sale of the railway siding	**Long-term part of the loan**	**Short-term part of the loan**	**Total**
Principal	0	3 096	3 096
Interest	0	116	116
Total	**0**	**3 212**	**3 212**

27.6. BONUSES TO KEY MANAGEMENT MEMBERS

Directors and other members of key management received the following bonuses in the reporting period:

(CZK '000)	2014	2013
Short-term employee benefits	45 656	32 017
Post-employment benefits	11 953	0
Total	**57 609**	**32 017**

Members of the statutory and supervisory bodies of the Parent Company were not provided with discounted fares. Management of individual entities of the ČD Cargo Group have the possibility to use in-kind remuneration in the form of the use of Group cars for private purposes.

27.7. RELATIONSHIPS WITH SŽDC

The costs incurred in relation to Správa železniční dopravní cesty, s.o. predominantly include the fees for the allocation of capacity and use of the railway route in the years ended 31 December 2013 and 2014. The costs for the years ended 31 December 2013 and 2014 are disclosed in Note 7.

The income of the Company predominantly includes sales from intrastate vehicle transports of CZK 11,364 thousand.

The Company conducted a legal dispute with Správa železniční dopravní cesty, s.o. regarding the price of the purchased traction electricity during the 2009 reporting period. This dispute was settled by agreement in early 2015. For detailed information refer to Note 33.

In addition, the Company conducted a legal dispute with Správa železniční dopravní cesty, s.o. ("SŽDC") regarding the method of settlement arising from the damages due to traffic closures of SŽDC, s.o. This dispute was also settled by agreement. For detailed information refer to Note 33.

Expenses and income of the Group resulting from the transactions conducted with SŽDC for the years ended 31 December 2014 and 2013 were as follows:

2014 (CZK '000)	Expenses	Income
Operation of the railway route	2 455	0
Use of the railway route and allocated route capacity – freight transportation	1 505 017	0
Use of traction electricity	240 812	0
Other	115 123	10 139
Total	**1 863 407**	**10 139**

2013 (CZK '000)	Expenses	Income
Operation of the railway route	3 131	0
Use of the railway route and allocated route capacity – freight transportation	1 800 251	0
Use of traction electricity	226	0
Other	63 527	22 764
Total	**1 867 135**	**22 764**

Given the above activities, the Group records receivables from and payables to SŽDC:

(CZK '000)	31 Dec 2014	31 Dec 2013
Receivables	4 716	17 330
Payables	980 691	547 020
Prepayments made	1 615	1 531
Estimated payables	17 602	6 226
Estimated receivables	3 828	2 290

27.8. TRANSACTIONS WITH THE ČEZ GROUP

The costs of the Group incurred in relation to the ČEZ Group in the years ended 31 December 2013 and 2014 primarily include the payments for electricity and amounted to CZK 8,291 thousand and CZK 6,269 thousand as of 31 December 2013 and 2014, respectively.

The income generated by the Group primarily includes the sales of freight transportation. The income generated from transactions with the ČEZ Group amounted to CZK 747,829 thousand and CZK 509,625 thousand as of 31 December 2013 and 2014, respectively.

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

(CZK '000)	31 Dec 2014	31 Dec 2013
Receivables	67 126	64 765
Payables	166	167
Prepayments made	1 897	1 897
Estimated payables	0	142
Estimated receivables	0	1 374

28. Cash and Cash Equivalents

For cash flow statement purposes, cash and cash equivalents include cash on hand, cash at bank and investments in the money market instruments after reflecting negative balances on overdraft accounts. Cash and cash equivalents at the end of the reporting period reported in the cash flows statement can be reconciled to the relevant items in the statement of financial position as follows: :

(CZK '000)	31 Dec 2014	31 Dec 2013
Cash on hand and cash in transit	1 910	2 327
Cash at bank	837 968	586 354
Cash on the cash-pooling account	4 026	380
Total	**843 904**	**589 061**

29. Contracts for Operating Leases

29.1. THE GROUP AS A LESSEE

Assets under operating leases which are reported off balance sheet as of 31 December 2014 and 2013 amount to CZK 37,882 thousand and CZK 38,829 thousand, respectively. Assets include the leased computer technology (end equipment – desktops, laptops) concluded with ČD - Informační systémy, a.s. Payments recognised in expenses in the years ended 31 December 2014 and 2013 amounted to CZK 10,875 thousand and CZK 10,749 thousand, respectively.

The Group as a lessee has not concluded any irrevocable lease contracts, contingent lease contracts, or onerous contracts.

29.2. THE GROUP AS A LESSOR

Operating leases applies to the lease of traction vehicles, wagons, and cisterns owned by the Group with various lease periods.

Income of the Group from operating leases of movable assets in 2014 amounts to CZK 339,729 thousand.

The Group as a lessor concluded no irrevocable contracts for operating leases.

30. Contractual Obligations Relating to Expenses

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 1,741,653 thousand, of which CZK 1,274,703 thousand relates to supplies agreed for 2015 and CZK 270,043 thousand relates to supplies agreed for the following years. The remaining amount of CZK 196,907 thousand was paid as of 31 December 2014. A significant part of the obligations relating to expenses of CZK 1,352,649 thousand include investments in railway vehicles.

31. Contingent Liabilities and Contingent Assets

31.1. BANK GUARANTEES ISSUED

Bank guarantees as of 31 December 2014 issued by Komerční banka, a.s. from the liability limit of CZK 50 million.

In favour of	Type of guarantee	Amount	Currency	Until	Reason for the issuance of a bank guarantee
WestInvest Waterfront Towers s.r.o., Jankovcova 1569/2c, 170 00 Prague 7, Holešovice, Corporate ID 26178338	Lease guarantee	227 267,17	EUR	30 Sept 2015	Bank guarantee for the fulfilment of all liabilities and obligations of the Lessee arising from the Lease Contract with WestInvest Waterfront Towers s.r.o. - Lighthouse.
HYPARKOS, s.r.o., Rohanské nábřeží 670/19, 186 00 Prague 2, Corporate ID 27626130	Lease guarantee	16 517 056	CZK	30 June 2014	Bank guarantee in the event that ČD Cargo, a.s. does not comply with the obligations stipulated by the Contract for the Lease of Buildings and Land in the Logistics Centre in Lovosice.
Customs Authority for the South Bohemian region, Kasárenská 6, 370 21 České Budějovice	Customs guarantee	2 000 000	CZK	unlimited	Letter of guarantee –transactions other than transit (comprehensive guarantee), reg. number 1401798029 to secure the customs and tax debt, which means payment of the customs duty, taxes and fees collected upon import, including accrued interest, with the exception of fines.

31.2. PROVIDED SECUREMENT FROM ORDERS

Name of the order	Applicant - name	Required securements	Securement paid on
Inspection repairs of Eas 11 wagons	Legios Loco, a.s.	CZK 3 500 000	10 Jan 2014
Inspection repairs of Eas Eas 11 wagons	Ostravské opravny a strojírny, s.r.o.	CZK 3 500 000	8 Jan 2014
Inspection repairs of Falls 11 wagons	Ostravské opravny a strojírny, s.r.o.	CZK 12 000 000	8 Jan 2014
Inspection repairs of Falls 11 wagons	Legios Loco, a.s.	CZK 12 000 000	10 Jan 2014
Inspection repairs of Eas 52 wagons	Ostravské opravny a strojírny, s.r.o.	CZK 4 000 000	8 Jan 2014
Inspection repairs of Eas 52 wagons	Legios Loco, a.s.	CZK 4 000 000	10 Jan 2014
Inspection repairs of Eas 53 wagons	Ostravské opravny a strojírny, s.r.o.	CZK 4 000 000	8 Jan 2014
Inspection repairs of Eas 53 wagons	Legios Loco, a.s.	CZK 4 000 000	10 Jan 2014
Technical inspection of Eas 53 wagons	Ostravské opravny a strojírny, s.r.o.	CZK 1 225 000	29 Aug 2014
Technical inspection of Falls 11 wagons	Ostravské opravny a strojírny, s.r.o.	CZK 1 400 000	29 Aug 2014
Technical inspection of Eas 53 wagons	Legios Loco, a.s.	CZK 1 225 000	9 Sept 2014
Technical inspection of Falls 11 wagons	Legios Loco, a.s.	CZK 1 400 000	9 Sept 2014

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32. Financial Instruments

32.1. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that it is able to continue as an ongoing concern while optimising the debt and equity balance.

The capital structure of the Group consists of net debt (borrowings offset by cash and bank balances) and equity of the Group (comprising share capital, funds, retained earnings).

The Parent Company is not subject to any externally imposed capital requirements.

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.

32.2. SIGNIFICANT ACCOUNTING POLICIES

Details of the significant accounting policies and methods adopted for each class of financial asset, financial liability and equity instrument are disclosed in Note 2.

32.3. CATEGORIES OF FINANCIAL INSTRUMENTS

Financial assets (CZK '000)	31 Dec 2014	31 Dec 2013
Cash and bank accounts	839 878	588 681
Financial derivative instruments used in hedge accounting	0	8 159
Other financial derivative instruments	0	3 904
Loans and receivables	1 656 377	1 814 074
Total	**2 496 255**	**2 414 818**

Financial liabilities (CZK '000)	31. 12. 2014	31. 12. 2013
Financial derivative instruments used in hedge accounting	101 645	165 581
Other financial derivative instruments	22 285	24 930
Trade payables, finance leases measured at amortised cost	8 536 171	8 948 176
Total	**8 660 101**	**9 138 077**

Other financial derivative instruments are classified as financial assets/liabilities at fair value reported in profit or loss.

Income from individual categories of financial assets is as follows:

Financial assets (CZK '000)	2014	2013	Reported in the statement of profit or loss line
Interest on cash in bank accounts	2 105	1 065	Other gains
Settlement of hedging instruments	-131 812	-21 177	Income fromtransport, interest expense, consumed energy
Revaluation of non-hedging instruments	-1 869	21 217	
Total	**-131 576**	**1 105**	

Impairment losses on financial assets are presented in the Note 'Trade receivables' (Note 18) and 'Other financial assets' (Note 19). No impairment was noted in respect of any other class of financial assets.

32.4. FINANCIAL RISK MANAGEMENT OBJECTIVES

The Treasury function and cash flow management function provides services to the Parent Company, monitors and manages the financial risks relating to the operations of the Parent Company. Financial risks include market risk (including currency risk, interest rate risk and commodity risk), credit risk and liquidity risk.

32.5. CURRENCY RISK MANAGEMENT

The Group undertakes transactions denominated in foreign currencies; consequently exposures to exchange rate fluctuations arise. These transactions predominantly include income from international transportation of goods and provision of services. The Group seeks to maintain the proportion of long-term funding in the foreign currency unhedged against the currency risk at the maximum level of 70%.

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 2014 (CZK '000)	EUR	USD	Other	Total
Financial assets	1 344 030	2 797	3 917	1 350 744
Financial liabilities	999 132	1	6 705	1 005 838

31 Dec 2013 (CZK '000)	EUR	USD	Other	Total
Financial assets	1 323 353	2 552	212 964	1 538 869
Financial liabilities	535 470	0	137 523	672 993

1 Jan 2013 (CZK '000)	EUR	USD	Other	Total
Financial assets	921 619	75	58 240	979 934
Financial liabilities	327 797	0	107 308	435 105

32.5.1. Foreign Currency Sensitivity Analysis

The exposure to currency risks is measured by a sensitivity analysis. The Group is exposed to the currency risk due to:

- Changes in the value of unhedged cash items denominated in foreign currencies; and
- 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 in respect of the relevant foreign currencies would have on the profit and other comprehensive income. A positive number indicates an increase in the profit and other comprehensive income:

(CZK '000)	2014	2013
Translation of unhedged items denominated in foreign currencies at the end of the period	0	0
Change in the fair value of derivatives at the end of the period	0	0
Total impact on the profit for the period	**0**	**0**
Change in the fair value of derivatives at the end of the period	54 961	99 995
Total impact on other comprehensive income	**54 961**	**99 995**

32.5.2. Currency Forwards and Options

In line with its principles, the Group enters into currency forwards and options to cover the future received payments denominated in foreign currencies.

The table shows outstanding foreign currency forwards and options for the sale of the foreign currency as of:

- **Foreign currency forwards**

Sale (CZK '000)	Average currency exchange rate	Foreign currency	Nominal value	Fair value
31 Dec 2014	27,182	EUR	55 000	-31 271
31 Dec 2013	26,066	EUR	86 000	-117 642

- **Foreign currency options – collar**

Sale (CZK '000)	Average currency exchange rate	Foreign currency	Nominal value	Fair value
31 Dec 2014	-	-	-	-
31 Dec 2013	26,45 - 27,25	EUR	24 000	-8 603

The Group concluded no outstanding foreign currency forwards and options for the purchase of foreign currency in the years ended 31 December 2013 and 2014.

The loss from hedging instruments used to hedge the fair value amounts to CZK 115,860 thousand and CZK 10,410 thousand for the years ended 31 December 2014 and 2013, respectively. The hedging was fully effective.

32.6. INTEREST RATE RISK MANAGEMENT

The Group is exposed to the risk of interest rate changes because it borrows funds at both fixed and floating interest rates. The Group manages the interest rate risk by maintaining an appropriate mix between fixed and floating rate financing.

Concurrently, 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.

32.6.1. 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;
- Changes in the present value of long-term provisions resulting from the change in the discount rate; and
- 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 '000)	2014	2013
Interest from loans and lease with variable rate for the period	987	1 358
Change in the present value of long-term provisions at the end of the period	63 462	7 687
Change in the fair value of derivatives at the end of the period	26 760	45 161
Total impact on the profit for the period	**91 209**	**54 206**
Change in the fair value of derivatives at the end of the period	20 846	32 656
Total impact on other comprehensive income	**20 846**	**32 656**

32.6.2. Interest Rate Swaps

Based on interest rate swap contracts, the Group 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 using the curves at the end of the reporting period and the credit risk inherent in the contract, and is disclosed below. The average interest rate is based on the outstanding balances at the end of the reporting period.

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

- **IRS**

31 Dec 2014	Average contracted fixed interest rate	Principal (CZK '000)	Fair value of assets (CZK '000)
Less than 1 year	3,265%	102 938	-13 158
1 to 5 years	3,265%	327 521	-22 221
5 years and more	3,265%	95 018	-1 387
Total			**-36 766**

31 Dec 2013	Average contracted fixed interest rate	Principal (CZK '000)	Fair value of assets (CZK '000)
Less than 1 year	3,265%	102 391	-14 847
1 to 5 years	3,265%	318 920	-22 853
5 years and more	3,265%	201 282	-1 636
Total			**-39 336**

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.

Hedging of the Bonds Rate

31 Dec 2014	Average contracted fixed interest rate	Principal (CZK '000)	Fair value of assets (CZK '000)
Less than 1 year	2,94%	1 000 000	-13 466
1 to 5 years			0
5 years and more			0
Total			**-13 466**

31 Dec 2013	Average contracted fixed interest rate	Principal (CZK '000)	Fair value of assets (CZK '000)
Less than 1 year	2,94%	1 000 000	-11 721
1 to 5 years	2,94%	1 000 000	-10 014
5 years and more			0
Total			**-21 735**

32.6.3. Interest Rate Options

In 2011, the Group concluded hedging of interest rates in respect of three lease transactions with floating interest rates. The hedging took the form of a collar, in three individual tranches. The hedging will be effective from 2013 to 2019. These are trading derivatives.

(CZK '000)	Hedged range	Principal (CZK '000)	Fair value of assets (liabilities) as of 31 Dec 2014 (CZK '000)	Fair value of assets (liabilities) as of 31 Dec 2013 (CZK '000)
Less than 1 year	1,13% - 3,13%	88 337	-3 246	-2 585
1 to 5 years	1,13% - 3,13%	300 854	-5 283	3 242
5 years and more	1,13% - 3,13%	64 233	-291	662
Total			**-8 820**	**1 319**

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.

32.7. COMMODITY RISK MANAGEMENT

The Group is exposed to the risk of changes in the price of commodities, as the use of commodities, specifically oil 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 oil purchase;
- The Company has a possibility to ask regions and the state for an increase in the refunds for transportation when the prices of the above commodities increase by more than 10%; and
- The risk arising from the purchase of electricity from the relevant supplier is eliminated by the purchase of the annual consumption for a fixed price.

32.7.1. Analysis of Sensitivity to Changes in Commodity Prices

The exposure to the change in the price of commodities is measured by the sensitivity analysis. The Group is exposed to the risk of changes in prices of commodities due to:

- Change in the fair value of concluded financial derivatives; and
- Changes in prices of purchases of unhedged use of commodities.

The following table shows the impact that an increase in the oil 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 '000)	2014	2013
Costs of oil consumption for the period	505 664	517 916
Change in the fair value of derivatives at the end of the period	0	0
Total impact on the profit for the period	**0**	**0**
Change in the fair value of derivatives at the end of the period	10 684	13 472
Total impact on other comprehensive income	**10 684**	**13 472**

32.7.2. Commodity Derivatives

The Parent Company used a commodity swap to hedge the price of oil.

The table shows outstanding commodity contracts for the purchase of oil as of 31 December 2014:

Purchase of oil	Hedged average price (USD/mt)	Volume of contracts (mt)	Fair value (CZK '000)
31 Dec 2014	16 751,43	8 400	-33 609
31 Dec 2013	17 637,17	7 200	8 159

The loss from hedging instruments used for the fair value hedging amounts to CZK 1,142 thousand and CZK 4,137 thousand for the years ended 31 December 2014 and 2013, respectively. The hedging was fully effective.

32.8. Credit Risk Management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group.

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.

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).

The carrying amount of financial assets recognised in the financial statements on a net basis, which is net of impairment losses, represents the Group's maximum exposure to credit risk. The credit quality of receivables that are not past their due dates or otherwise impaired is good and corresponds to the carrying value.

32.9. LIQUIDITY RISK MANAGEMENT

The liquidity risk in the Group is managed in respect of the permanent provision of a sufficient volume of available funds necessary for the settlement of financial liabilities.

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 increases long-term financial sources on a continuous basis. In order to further increase the cash flow stability, the Group used a lease-back for ten modernised 363.5 series traction vehicles in 2013. The Group issued bonds in the aggregate volume of CZK 2,158.3 billion and has available a bill of exchange programme in the aggregate amount of CZK 1.5 billion which, however, was not used during 2014.

32.9.1. 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 interest rate valid at the end of the reporting period. The contractual maturity is based on the earliest date on which the Group may be required to pay.

31 Dec 2014 (CZK '000)	Less than 1 month	1 - 3 months	3 months to 1 year	1 year – 5 years	5 years and more	Total
Non-interest bearing	1 207 761	909 821	340 784	641 173	68	3 099 607
Finance lease liabilities	51 009	101 975	453 423	2 409 785	845 186	3 861 378
Variable interest rate instruments	48 801	2 720	1 077 659	690 102	0	1 819 282
Fixed interest rate instruments	0	0	19 694	566 259	0	585 953
Total	**1 307 571**	**1 014 516**	**1 891 560**	**4 307 319**	**845 254**	**9 366 220**

31 Dec 2013 (CZK '000)	Less than 1 month	1 - 3 months	3 months to 1 year	1 year – 5 years	5 years and more	Total
Non-interest bearing	1 312 216	821 455	238 843	156 714	1 636	2 530 864
Finance lease liabilities	75 016	110 067	420 684	2 039 156	1 111 903	3 756 826
Variable interest rate instruments	846 420	3 454	1 096 323	1 108 979	0	3 055 176
Fixed interest rate instruments	0	0	19 668	605 045	75	624 788
Total	**2 233 652**	**934 976**	**1 775 518**	**3 909 894**	**1 113 614**	**9 967 654**

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. The disclosure of the information on financial assets is necessary for understanding of how the Company manages its liquidity risks as it manages the liquidity based on net assets and liabilities.

31 Dec 2013 (CZK '000)	Less than 1 month	1 - 3 months	3 months to 1 year	1 year – 5 years	5 years and more	Total
Non-interest bearing	2 115 472	276 200	11 603	5 106	662	2 409 043
Fixed interest rate instruments	0	0	0	5 775	0	5 775
Total	**2 115 472**	**276 200**	**11 603**	**10 881**	**662**	**2 414 818**

31 Dec 2014 (CZK '000)	Less than 1 month	1 - 3 months	3 months to 1 year	1 year – 5 years	5 years and more	Total
Non-interest bearing	2 051 756	371 058	69 846	0	0	2 492 660
Fixed interest rate instruments	0	0	0	3 595	0	3 595
Total	**2 051 756**	**371 058**	**69 846**	**3 595**	**0**	**2 496 255**

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.

32.9.2. Financing Facilities

The Group uses the following financing facilities:

(CZK '000)	31 Dec 2014	31 Dec 2013
Cashpool:		
loan facility at	600 000	600 000
balance at	600 000	600 000
Overdraft loans:		
loan facility at	1 200 000	1 200 000
balance at	1 200 000	355 309
Bill of exchange programme:		
loan facility at	1 500 000	1 500 000
balance at	1 500 000	1 500 000

32.10. STRATEGY FOR THE GROUP'S FUNDING IN SUBSEQUENT YEARS

32.10.1. Lease-Back

In 2014, the Parent Company made the third tranche of the leaseback of modernised 363.5 rail vehicles.

32.10.2. Operating Bank Loans
In funding its operating needs, ČD Cargo uses overdraft loans in the maximum amount of CZK 1.2 billion provided by four banks and the limit of possible drawings as part of the involvement of the Company in the group cash-pooling in the amount of CZK 600 million. The increase in competition among the banks allowed the Company to secure lower interest rates. The stratification of the lending to several financing entities results in the risk of the termination of the funding being sufficiently diversified.

32.10.3. Bill of Exchange Programme
The Group has the possibility to use the approved bill of exchange programme if needed. This programme is currently not used.

32.10.4. Bonds
With a view to securing the mid-term and long-term sources of funding to increase the stability of the Parent Company's cash flows, the relevant bodies of the Parent Company ČD Cargo, a.s. approved the bond programme in the aggregate amount of CZK 6 billion for 10 years. In 2011, three issues were gradually placed up with the total nominal value of CZK 2 billion. In 2012, another two issues of bonds in the aggregate nominal value of CZK 500 million were placed. This form of funding increases liquidity and financial stability of the Parent Company. In 2015, the Parent Company anticipates refinancing the due bonds by a new issue of bonds with the same nominal amount.

32.10.5. Lease
The Parent Company plans to use supplier loans for individual investments for which this form of funding will be effective.

32.10.6. Summary
The structure of funding above creates a desired framework that allows the Group to maintain financial stability with the possibility of flexibly using individual forms as deemed appropriate or necessary.

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.).

32.11. FAIR VALUE OF FINANCIAL INSTRUMENTS

32.11.1. Fair Values of Financial Instruments Carried at Amortised Cost
The Group considers that the carrying amounts of financial assets and financial liabilities recognised at amortised cost in the consolidated financial statements approximate their fair values.

The fair value of the lease as of 31 December 2014 amounts to CZK 3,778,872 thousand. The fair value of leases calculated with the fixed rate is determined by the recalculation according to the current rate. This up-to-date rate is generated 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.

The fair value of bonds of the Parent Company ČD Cargo, a.s. as of 31 December 2014 amounts to CZK 2,132,715 thousand. The fair value of bonds is recalculated based on the up-to-date issue rate communicated by individual banks.

32.11.2. 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 option valuation model is used for derivatives that include an option.

32.11.3. Fair Value Measurements Recognised in the Statement of Financial Position
Financial instruments measured at fair value are grouped into Levels 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); and
- 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 2014, 31 December 2013, and 1 January 2013 are included in Level 2.

33. Post Balance Sheet Events

In January 2015, the Parent Company signed an out-of-court agreement regarding the dispute about the price of consumed traction energy during 2009 and settlement of damage due to traffic closures caused by SŽDC. The out-of-court agreement was concluded in the total amount of CZK 375,811 thousand, of which CZK 61,786 thousand relates to the settlement of damage due to traffic closures and CZK 314,025 thousand relates to the price of the consumed traction energy for 2009. Payables arising from these out-of-court settlements were recognised as other payables, divided into the short-term portion and long-term portion. Concurrently, the provision for business risks was reduced by this amount.

The sole shareholder České dráhy, a.s., acting in the capacity of the general meeting of ČD Cargo, a.s., appointed Jan Hart a member of the Supervisory Board with effect from 3 February 2015 and consequently increased the number of members to six; one position in the Supervisory Board remains vacant.

34. Approval of the Consolidated Financial Statements

The consolidated financial statements were approved by the Board of Directors and authorised for issue on 31 March 2015.

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Significant Post Balance Sheet Events

In December 2014, ČD Cargo, a.s. purchased a majority equity investment (98.39%) in Generálne zastúpenie ČD Cargo, s.r.o. from Koleje Czeskie Sp. z o.o., thereby acquiring the 100% equity investment in this entity. The change in the owner was recorded in the Register of Companies on 13 January 2015.

On 17 October 2014, ČD Cargo, a.s. filed an official notice to leave the X Rail alliance. With effect from 17 April 2015, the Company has no longer been a member of this alliance.

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Related Party Transactions Report

The report of the Statutory Body of the Company on relations between the related parties prepared pursuant to the provisions of Section 82 of Act No. 90/2012 Coll., on Business Corporations and Cooperatives, as amended.

The statutory body of ČD Cargo, a.s., with its registered office at Jankovcova 1569/2c, Prague 7 – Holešovice, 170 00, corporate ID: 281 96 678, recorded in the Register of Companies held by the Municipal Court in Prague, File B, Insert 12844, prepared this report for the reporting period from 1 January 2014 to 31 December 2014 in compliance with Section 82 of Act No. 90/2012 Coll., Act on Business Corporations and Cooperatives, as amended.

The report is attached to the annual report and the statutory body ensures its inclusion in the collection of documents held by the relevant Commercial 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.,
Having its registered office in: Prague 1, Nábřeží L. Svobody 1222, 110 15
Corporate ID: 709 94 226
Recorded at the Commercial Court held at the Municipal Court in Prague, Section B, File 8039.

Dalibor Zelený, Chairman of the Board of Directors before 20 February 2014
Daniel Kurucz, Chairman of the Board of Directors from 21 February 2014 to 10 November 2014
Pavel Krtek, Chairman of the Board of Directors since 10 November 2014
Ludvík Urban, Vice-Chairman of the Board of Directors since 10 November 2014
Daniel Kurucz, member of the Board of Directors before 20 February 2014
Karel Otava, member of the Board of Directors before 20 February 2014
Michal Štěpán, member of the Board of Directors since 21 February 2014
Pavel Krtek, member of the Board of Directors since 21 February 2014
František Bureš, member of the Board of Directors since 16 October 2014
Roman Štěrba, member of the Board of Directors since 10 November 2014
(hereinafter the "Controlling Entity")

2) Controlled Entity:

Entity: ČD Cargo, a. s.
Having its registered office in: Prague 7, Holešovice, Jankovcova 1569/2c, 170 00
Corporate ID: 281 96 678
Recorded at the Commercial Court in Prague, Section B, File 12844

Oldřich Mazánek, Chairman of the Board of Directors before 31 October 2014
Ivan Bednárik, Chairman of the Board of Directors since 3 November 2014
Pavel Lamacz, member of the Board of Directors before 16 February 2014
Zdeněk Meidl, member of the Board of Directors before 31 October 2014
Václav Andrýsek, member of the Board of Directors before 4 February 2014
Karel Adam, member of the Board of Directors from 17 February to 31 October 2014
Ivan Bednárik, member of the Board of Directors since 1 November 2014
Bohumil Rampula, member of the Board of Directors since 1 November 2014
Zdeněk Škvařil, member of the Board of Directors since 1 November 2014
(hereinafter the "Controlled Entity")

3) Entities Controlled by the Same Controlling Entity as the Controlled Entity

- ČD Cargo, a. s., with its registered office at Jankovcova 1569/2c, Prague 7, Holešovice, 170 00, Corporate ID-28196678, recorded at the Municipal Court in Prague, File B, Insert 12844
- ČD – Telematika a.s., with its registered office at Pernerova 2819/2a, Prague 3, 130 00, Corporate ID-61459445, recorded at the Municipal Court in Prague, File B, Insert 8938
- ČD - Informační Systémy, a.s., with its registered office in Prague 3, Žižkov, Pernerova 2819/2a, 130 00, Corporate ID-24829871, recorded at the Municipal Court in Prague, File B, Insert 17064
- ČD Reality a.s., with its registered office in Dejvice, Václavkova 169/1, Prague 6, 160 00, Corporate ID-27195872, recorded at the Municipal Court in Prague, File B, Insert 9656
- ČD travel, s.r.o., with its registered office at Perlová 370/3, Prague 1 – Staré Město, 110 00, Corporate ID-27364976, recorded at the Municipal Court in Prague, File C, Insert 108644
- Dopravní vzdělávací institut, a.s. with its registered office at Husitská 42/22, Prague 3-Žižkov, 130 00 (hereinafter "DVI"), Corporate ID-27378225, recorded at the Municipal Court in Prague, File B, Insert 10168
- DPOV, a.s., with its registered office at Husova 635/1b, Přerov, 751 52, Corporate ID-27786331, recorded at the Regional Court in Ostrava, File B, Insert 3147
- RailReal a.s., with its registered office at Olšanská 1a, Prague 3 - Žižkov, 130 00, Corporate ID-26416581, recorded at the Municipal Court in Prague, File B, Insert 6888
- RAILREKLAM, spol. s r.o., with its registered office in Prague 4 – Nusle, Štětkova 1638/18, 140 00, Corporate ID: 17047234, recorded at the Municipal Court in Prague, File C, Insert 2041
- Smíchov Station Development, a.s., with its registered office at U Sluncové 666/12a, Karlín, Prague 8, 180 00, Corporate ID-27244164, recorded at the Municipal Court in Prague, File B, Insert 9949
- Výzkumný Ústav Železniční, a.s., with its registered office at Novodvorská 1698, Prague 4 - Braník, 142 01, Corporate ID-27257258, recorded at the Municipal Court in Prague, File B, Insert 10025
- Centrum Holešovice a.s., with its registered office in Prague 1, Revoluční 767/25, 110 00, Corporate ID-27892646, recorded at the Municipal Court in Prague, File B, Insert 11830
- Žižkov Station Development, a.s., with its registered office in U Sluncové 666/12a, Karlín, Prague 8, 180 00, Corporate ID-28209915, recorded at the Municipal Court in Prague, File B, Insert 13233
- JLV, a.s., with its registered office in Chodovská 228/3, Michle, Prague 4, 141 00, corporate ID-45272298 recorded at the Municipal Court in Prague, File B, Insert 1430

(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 in respect of 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.

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 6,982,710 thousand of the Controlled Entity as identified from the most recent set of financial statements amounts to CZK 698,271 thousand, no such activities were noted in the year ended 31 December 2014.

ARTICLE III.
Contracts and Agreements Concluded between Related Entities

During the relevant reporting period (year ended 31 December 2014), the following trade agreements were concluded between the Controlled Entity and the Controlling Entity and other entities controlled by the Controlling Entity:

Name of the partner entity	Number of contracts concluded during the reporting period				
	Contract for work	Purchase contract	Lease	Othe	Total
Centrum Holešovice, a.s.	0	0	0	0	0
ČD-Informační Systémy, a.s.	15	1	0		16
České dráhy a.s.			5	32	37
ČD – Telematika, a.s.	1	0	0	0	1
ČD Reality, a.s.	0	0	0	0	0
ČD travel, s.r.o.	0	0	0	1	1
Dopravní vzdělávací institut, a.s.	0	0	0	1	1
DPOV, a.s.	1	0	1	2	4
RailReal a.s.	0	0	0	0	0
RAILREKLAM, spol. s r.o.	0	0	0	0	0
Smíchov Station Development, a.s.	0	0	0	0	0
Výzkumný Ústav Železniční, a.s.	0	0	0	1	1
JLV, a.s.	0	0	0	0	0
Žižkov Station Development, a.s.	0	0	0	0	0
TOTAL	**17**	**1**	**7**	**36**	**61**

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, 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 included business transactions arising from both contracts concluded in the reporting period (i.e. year ended 31 December 2014) 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 partner entity	Sales of ČD Cargo, a.s. (CZK '000)	Purchases of ČD Cargo, a.s. (CZK '000)
České dráhy a.s.	21 184	1 685 382
ČD Telematika, a.s.	331	63 835
Výzkumný Ústav Železniční, a.s.	11 462	0
DPOV, a.s.	5 263	97 316
ČD - Informační Systémy, a. s.	0	150 656
Dopravní vzdělávací institut, a.s.	0	17 106
ČD travel, s.r.o.	0	14 833
Smíchov Station Development, a.s.	0	0
Žižkov Station Development, a.s.	0	0
Centrum Holešovice a.s.	0	0
RailReal, a.s.	0	0
RAILREKLAM spol. s r.o.	0	0
JLV, a.s.	0	1 156
TOTAL	**38 240**	**2 030 284**

The Board of Directors declares that it identified relations between the relevant related parties 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 2014 to 31 December 2014:

- 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;
- 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 2014;
- In the reporting period from 1 January 2014 to 31 December 2014, 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; and

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- 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 2014 to 31 December 2014, 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
During the reporting period from 1 January 2014 to 31 December 2014, no measures were taken by the Controlled Entity in the interest or at the initiative of another related entity other than common measures implemented by the Controlling Entity as the shareholder in relation to the Controlled Entity. All contracted consideration, provided or received by the Controlled Entity (which prepared this report), was offset by contracted payments. These payments were contracted with volumes, places and times similar to common practice, at arm's length, and no advantages or disadvantages were provided. The Controlled Entity incurred no detriment from the concluded contracts, other legal acts or measures between the related entities pursuant to Section 71 of Act No. 90/2012 Coll., on Business Corporations and Cooperatives, 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 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. 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 was prepared by the Statutory Body of the Controlled Entity, ČD Cargo, a.s., and presented to the auditor, who audits the financial statements pursuant to specific legislation. The report will be filed in the Collection of Documents maintained by the Register of Companies held by the Municipal Court in Prague.

In Prague on 17 March 2015

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.:

Ivan Bednárik
Chairman of the Board of Directors

Bohumil Rampula
Member of the Board of Directors

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List of Abbreviations

AEO	Authorised Economic Operator
BOZP	health and safety protection at work
ČD	České dráhy, a.s.
ČDC	ČD Cargo, a.s.
ČIŽP	Czech Environmental Inspection
ČOV	Waste water treatment plant
Eas, Ea, Ealos,	business series of freight wagons
Falls, Sgg(m)rss	business series of freight wagons
GŘ	General directorate
HV	traction vehicles
HZS	fire brigade
IFRS	International Financial Reporting Standards
ISR	European central system for the monitoring of movements of freight wagons and consignments
KNV	wagon central file
MU	extraordinary events
OKV	Rail vehicle repair plant
OSŽ	Railway Workers Union
PJ	operating unit
PRIS	operational information system
PROBIS	operational and business information system
SOKV	Rail vehicle repair service centres
SŽDC	Správa železniční dopravní cesty, státní organizace
UIC	International Union of Railways
ÚDIV	Central forming of trains
ŽKV	railway vehicles
ŽP	environment

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Identification and Contact Details

Business name: ČD Cargo, a.s.

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

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Cargo

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