Annual Report 2013






Cargo

Czech Railways Group

Cargo

Czech Railways Group


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Cargo

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01
Mission, Vision and Goals

The joint stock company ČD Cargo, a.s. (hereinafter also referred to as the "Company") is the largest Czech freight railway transport operator. The Company provides transportation for industrial and agricultural commodities, raw materials, fuels, goods, containers and oversized loads. The Company also leases freight cars and provides rail siding services and other transportation services. The future activities of ČD Cargo, a.s. will be focused on investing in the development of infrastructure to support the linkage of industrial areas with railway transport by building combined transport terminals and logistics centres.

The business activities of ČD Cargo, a.s. contribute to the fulfilment of the goals of Czech transportation policy in respect of reducing the environmental impacts of transportation in the interest of securing sustainable development. For ČD Cargo, a.s., the unified internal EU market and the opening of the international railway transport market have become an incentive for seeking new business opportunities. With its volume of transport, ČD Cargo, a.s. is one of the ten most significant railway companies in Europe and one of the five largest railway companies in the EU. The Company's strategic goal 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.

02
Company Profile

ČD Cargo, a.s. was formed on 1 December 2007 following the investment of part of the business of České dráhy. 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 – railway transportation of goods – is structured into two keyl 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.

03

Basic Economic Indicators

Indicator	2013	2012	2011	2010	2009	2008*)	Index 13/12
Structure of assets and liabilities (CZK million)							
Total assets	14 693	14 932	15 664	15 652	15 672	15 987	0,98
Fixed assets	11 547	12 253	12 957	13 045	12 424	12 282	0,94
Equity	6 444	6 049	8 009	7 967	8 230	8 282	1,07
Structure of profit/loss (CZK million)							
Operating profit or loss	563	-1 408	314	-125	8	593	2,50
Profit or loss before tax	601	-2 047	11	-418	-378	474	3,41
Structure of revenues (CZK million)							
Total revenues	15 199	15 405	15 042	14 984	15 003	17 800	0,99
Sales of own products and services	12 559	13 928	14 404	14 121	13 272	17 109	0,90
Financial indicators							
Turnover of assets (total revenues/total assets)	1,03	1,03	0,96	0,96	0,96	1,11	1,00
Indebtedness (liabilities/total assets)	0,56	0,59	0,49	0,49	0,47	0,48	0,94
Liquidity (current financial assets/current liabilities)	0,12	0,05	0,03	0,07	0,05	0,05	2,55
Employees							
Average headcount recalculated to FTE (number of employees)	7 998	8 910	9 207	9 573	10 378	11 394	0,90
Total revenue per employee (CZK/employee)	1 900 405	1 728 954	1 633 736	1 565 198	1 445 675	1 562 209	1,10
Added value per employee (CZK/employee)	681 197	612 600	678 452	598 224	542 148	561 505	1,11

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

04
Major Events in 2013

January

- Operations at a new Metrans container transhipment point in Česká Třebová were initiated in cooperation with ČD Cargo, a.s. at the beginning of 2013.
- 17 January – completion of discussing the journeys of freight trains with 130 series locomotives between the Czech Republic and Poland without swapping locomotives – 130.018 and 130.019 series drove a complete train with black coal from Louky nad Olší through Petrovice u Karviné without swapping locomotives;
- 27 January – the 363.517 series locomotive of ČD Cargo went with a train composed of Shimms series wagons to the Slovenian border crossing point at Hodoš. From there, empty wagons continued on for loading at the Koper port;

February

- 27 February – first transportation with the CIM/SMGS consignment note from the Czech Republic to Kazakhstan – 42 40-foot HC containers from Mladá Boleslav to Zaščita station;
- End of February 2013 – transportation of burnt-out nuclear fuel by ČD Cargo, a.s. from the Czech Republic to Russia;

March

- 4 March – launch of new DISC, PRIS information systems;

April

- 7 April – arrival of the first combined transportation train comprised of road trailers with glass panes for AGC Teplice from Charleroi, Belgium, to Lovosice – common project with involvement from KD Bohemiakombi, s.r.o. and Kombiverkehr GmbH operators;
- 23 – 26 April – participation of ČD Cargo in the 18th year of the Trans Russia Trade Fair in Moscow;

May

- 12 May – the first regular combined transportation train with road trailers crossed the Czech Republic on its way from Rostock to Vienna, in cooperation with the operator of the ERS Railways;
- The second half of May 2013 – recertification of ČD Cargo, a.s. – successful audit of quality, environment, safety and health protection at work;
- 21 May – renewal of freight transportation through PPS Královec/Lubawka; transportations of coal slurry;
- 22 – 23 May, ČD Cargo, a.s. organised a Europe-wide meeting forrepresentatives of CER member railways and European customs authorities;

June

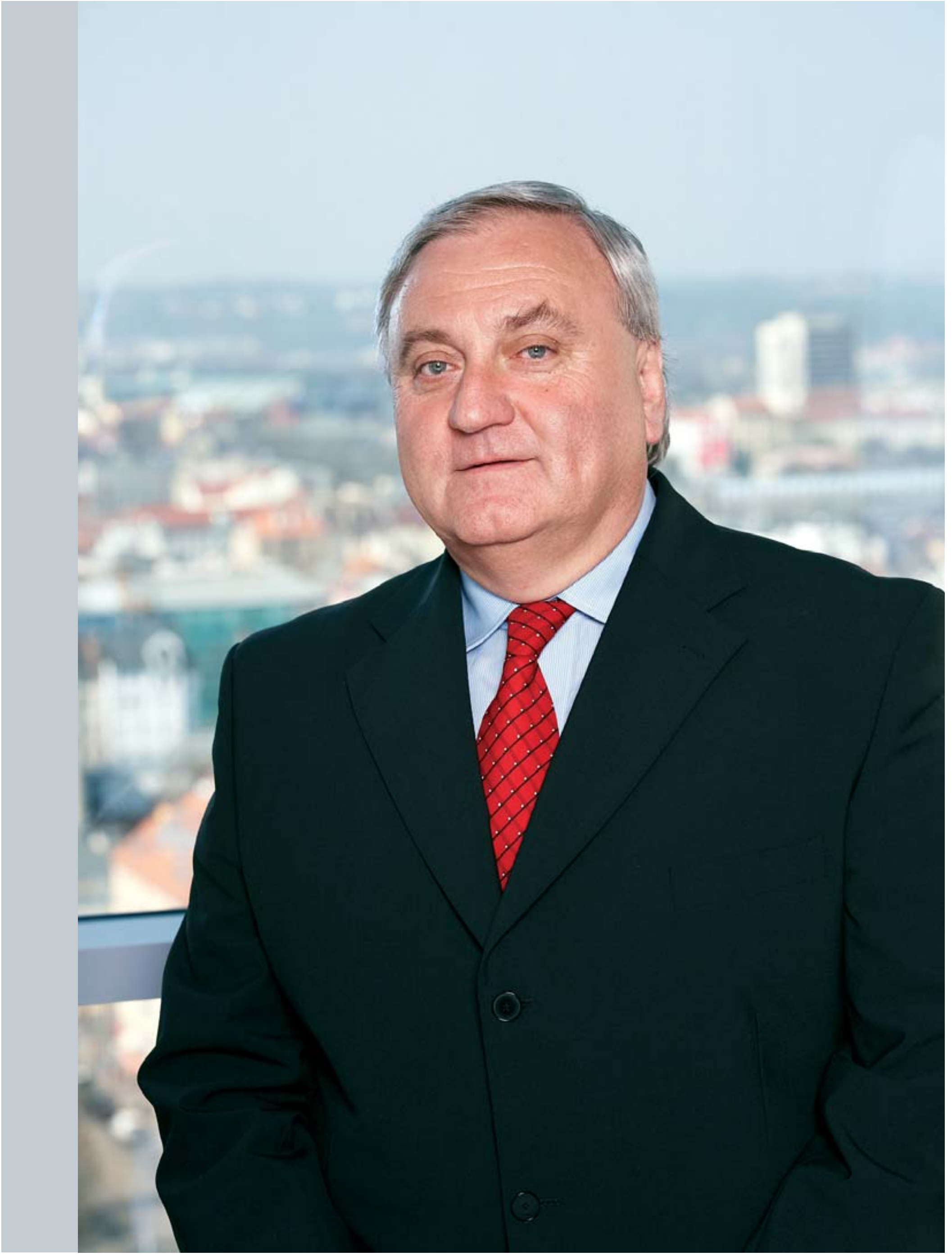
- 4 – 7 June – participation of ČD Cargo, a.s. in the Transport Logistic Munich Trade Fair;

September

- 15 September – transportation of the first ETR 400 high-speed unit of the Trenitalia transporter on the Summerau – České Budějovice – Jihlava – Kolín – Velim Railway Testing Circuit route;
- 24 – 27 September – participation in the TRAKO International Professional Railway Trade Fair in Gdańsk with the presentation of the subsidiary company Koleje Czeskie;

October

- 31 October 2013, the Company completed the implementation of a new Operating and Business Information System (PROBIS). The total value of the financial support from the Transport Operational Programme amounted to CZK 72.2 million (of which CZK 57.8 million was spent in 2013).



Oldřich Mazánek
Chairman of the Board of Directors

05

Opening Statement from the Chairman of the Board of Directors

Ladies and Gentlemen, Shareholders, Business Partners,

Let me present to you the Annual Report of ČD Cargo, a.s. for the year ended 31 December 2013, which is both a significant document providing comprehensive information on the Company's development and a certain symbolic conclusion and assessment of the last year.

The year ended 31 December 2013 definitely was not an easy or trouble-free one. For many years, we have been operating on a fully-liberalised transportation market – therefore, it is understandable that we had to face growing competition from other railway transporters. The process of savings and conservation measures continued with the visionto increase the effectiveness of our work. In addition, significant staff changes were made in the management of the Company. The priorities of the new management included halting the decline in the amount of transport and obtaining new transports; consequently the eliminating the impact of losses on certain significant business cases. It is important that these difficult tasks were fulfilled. As a result, we can assess that the year ended 31 December 2013 was rather successful in terms of both the fulfilment of planned transportation volumes and total results.

Our principal objectives for the following period include creating a balanced operational result and ensuring the liquidity and stabilised cash-flow. These objectives are real and achievable from the perspective of the current situation. Another key issue will involve resolving the situation in the division of individual vehicle shipments. We are the only railway transporter to offer both individual shipments and complete trains to customers and we will have to learn to benefit from this competitive advantage.

In conclusion, let me thank all our business partners for their trust and cooperation and our employees for their work.

I believe that ČD Cargo, a.s. will not only maintain, but strengthen its position on the transportation market and will continue to be a reliable partner to all its customers, whom it will provide with quality and comprehensive services in freight transportation.

Oldřich Mazánek
Chairman of the Board of Directors

06
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 is comprised of five members (the fifth position is vacant as of 31 December 2013); the Company's oversight body is the Supervisory Board, which has six members. Pursuant to Act No. 93/2009 Coll. on Auditors, a three-member Audit Committee was established as of 1 October 2009.

Board of Directors

1. Oldřich Mazánek
Chairman of the Board of Directors (member since 26 August 2013, Chairman since 26 August 2013), age: 61
Oldřich Mazánek graduated from the University of Transportation in Žilina. He has dedicated almost his entire career to railways and he has worked in almost all transportation and operations positions pertaining to railway stations. He initiated, and was actively involved in, the formation of the subsidiary company ČD Cargo, a.s. Between 2010 and 2012, he was the head of the Czech branch of the Rail Cargo Austria transportation company. In 2012, he started to work in a management capacity at SŽDC. In August 2013, he was appointed a member of the Board of Directors of ČD Cargo, a.s. and Chairman of the Board of Directors at its opening meeting.
Since 26 August 2013, he has been the Chairman and a member of the Board of Directors of ČD Cargo, a.s.

2. Václav Andrýsek
Member of the Board of Directors (since 26 August 2013); age: 40
Václav Andrýsek graduated from the VŠB – Technical University in Ostrava. He gained experience with railways as the head of logistics in Moravské chemické závody in Ostrava. Between 2007 and 2008, he was the CEO of the significant transport company NH-TRANS. Following this, he became the Executive Director of ČD Cargo, a.s. He left in 2010 to work as the Director for the Development of Sales for the private transportcompany AWT. In 2013, he returned to ČD Cargo in the position of Sales Director.
Since 26 August 2013, he has been a member of the Board of Directorsand the Sales Director.

3. Zdeněk Meidl
Member of the Board of Directors (since 26 August 2013); age: 55
Zdeněk Meidl graduated from the University of Transportation in Žilina. He has dedicated his career to railways and he worked in numerous operating and subsequent management positions. He has worked at ČD Cargo, a.s. since its formation. Since mid-2012, he has been the Operating Director. Since 26 August 2013, he has been a member of the Board of Directors of ČD Cargo, a.s.ČD Cargo, a.s.

4. Pavel Lamacz
Member of the Board of Directors (since 1 August 2013), age: 60
Pavel Lamacz has been a railway professional since his formative years. After graduating from a vocational high school where he focused on railways, he started to work in the railway industry, eventually occupying numerous positions. His professional career started in the position of Train Dispatcher, followedby Deputy Station Master, Deputy Director of Business and Operations Directorate, and finally to the position of Head of the Freight Transportation Division of ČD. Later, he increased his qualifications through distance studies at the University of Transportation in Žilina. He gained furtherexperience in management and railway container transportation in a management position at ČSKD Intrans.
Since 1 August 2013, he has been a member of the Board of Directors of ČD Cargo, a.s. and a professional advisor to the Chairman of the Board of Directors.

Changes in the Composition of the Board of Directors
At the meeting held on 30 May 2013, Vlastimil Chobot, a member of the Board of Directors, resigned from his position through a written announcement with effect from 31 May 2013.

On 24 June 2013, České dráhy, a.s., as the sole shareholder of the Company, acting in the capacity of the General Meeting, appointed Zbyšek Wacławik a member of the Board of Directors with effect from 24 June 2013.

On 31 July 2013, České dráhy, a.s., as the sole shareholder of the Company, acting in the capacity of the General Meeting, recalled Petr Žaluda as Chairman of the Board of Directors and a member of the Board of Directors with effect from 31 July 2013.

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On 31 July 2013, České dráhy, a.s., as the sole shareholder of the Company, acting in the capacity of the General Meeting, appointed Pavel Lamacz member of the Board of Directors with effect from 1 August 2013.

At its meeting held on 1 August 2013, Zbyšek Wacławik, a member of the Board of Directors resigned from his position through a written announcement with effect from 1 August 2013.

On 20 August 2013, České dráhy, a.s., as the sole shareholder of the Company, acting in the capacity of the General Meeting, decided to increase the number of members of the Board of Directors from 3 to 5 and concurrently decided to appoint Oldřich Mazánek, Václav Andrýsek, and Zdeněk Meidl members of the Board of Directors with effect from 26 August 2013.

At its meeting held on 26 August 2013, the Board of Directors appointed Oldřich Mazánek Chairman of the Board of Directors with effect from 26 August 2013 pursuant to resolution no. 1685/2013.

At its meeting held on 11 November 2013, Petr May, a member of the Board of Directors, resigned from his position through a written announcement with effect from 11 November 2013.

Ing. Oldřich Mazánek
Chairman of the Board of Directors

Václav Andrýsek
Member of the Board of Directors

Zdeněk Meidl
Member of the Board of Directors

Pavel Lamacz
Member of the Board of Directors

Supervisory Board

1. Dalibor Zelený
Chairman of the Supervisory Board (since 26 August 2013), age: 56
Dalibor Zelený graduated from the University of Transportation in Žilina. His career has been dedicated to railways. In the 1990s, he was the Deputy Minister of Transportation. Between 1998 and 2003, he was the CEO of České dráhy and was in charge of its transformation into a joint stock company. Between 2006 and 2008, he was the CEO of the Slovak company ŽSR. He also worked in international institutions, e.g. as Vice-President of UIC and Vice-President of CER. Before returning to České dráhy in mid-2013, he was an independent consultant in railway transportation for a number of private and state companies and organisations in the Czech Republic and other European Union countries.

2. Zdeněk Žemlička
Member of the Supervisory Board (since 26 August 2013), age: 72
Zdeněk Žemlička graduated from the University of Transportation in Žilina, where he focused on the operations and economics of railway transportation. He worked in a number of educational institutions, among other things, as a senior lecturer and head of the Department of Economics of Railway Transportation at the University of Transportation in Žilina. At the South-Bohemian University in Jindřichův Hradec, he formed and headed the Regional Management Unit at the Faculty of Education, where he was a Vice-Dean. He formed the Faculty of Management at the same University (1994) where he was the first dean and he contributed to its transfer to the University of Economics in Prague in 1998. In addition to his educational activities, he was an advisor to the first deputy CEO of ČD. Between 1999 and 2002, he was the head of the District Authority in Jindřichův Hradec and subsequently the Director of the Office for the Representation of State in Proprietary Issues, OP Jindřichův Hradec until 2008. Currently, he works for Jihočeský koordinátor dopravy as an economist and transportation methodologist. Concurrently, he is an advisor to the South-Bohemia Regional Governor and lectures at the Technical and Economics University in České Budějovice.

3. Miroslav Zámečník
Member of the Supervisory Board (since 22 June 2010), age: 51
Miroslav Zámečník graduated from the University of Economics in Prague and was a Pew Fellow at the School of Foreign Services, Georgetown University in 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 is a member of the National Economic Council of the Czech Government. In addition, he is the Chairman of the Audit Committee of České dráhy, a.s.

4. Dušan Svoboda
Member of the Supervisory Board (since 26 August 2013), age: 39
Dušan Svoboda graduated from the University of Economics in Prague; he is a member of the Chamber of Tax Advisors. In 1999, he formed an advisory company with his business partner which focused on the provision of accounting and economic advisory. He continues to work as a consultant at this company. Between 2002 and 2005, he was the CEO of Vulkan where he managed the restructuring process. He is a member of the statutory and supervisory bodies of other companies, such as Pražská teplárenská Holding a.s., AVE CZ Odpadové hospodářství s.r.o., and AC Sparta Praha fotbal, a.s. He is the Vice-Chairman of the Czech Football Association.

5. Radek Nekola
Member of the Supervisory Board (from 1 December 2007 to 30 November 2008 and since 1 December 2008), for the third term of office he was elected by the Company's employees, age: 50
Radek Nekola graduated from the Technical Vocational School in Prague and Transportation High School in Prague, with a focus on operations management. In 1981, he joined the then Československé státní dráhy, where he worked as a mechanic for motor vehicles 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 the 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).

6. Jindřich Nohal
Member of the Supervisory Board (since 1 December 2008, elected by the Company's employees), age: 60
Jindřich Nohal graduated from the Railway High School in Česká Třebová, with a focus on transportation. In 1972, he started to work in the then Československé státní dráhy, where he was a train dispatcher in the Nymburk-město and Třinec stations. Between 1980 and 2001, he first worked as a train controller and then as an operations controller. In 2001, he became the 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 Shifts in ČD Cargo, a.s. He is also the chairman of the OSŽ organisation.

Changes in the Composition of the Supervisory Board
On 20 August 2013, České dráhy, a.s., as the sole shareholder of the Company, acting in the capacity of the General Meeting, recalled Milan Špaček and Zdeněk Prosek as members of the Supervisory Board with effect from 25 August 2013. In addition, it appointed Dalibor Zelený, Zdeněk Žemlička and Dušan Svoboda members of the Supervisory Board with effect from 26 August 2013.

Administration Board

1. Vít Veselý
Chairman of the Administration Board (member since 13 December 2011, Chairman since 14 February 2012), age: 34
Vít Veselý is a lawyer. In his practice, he focuses on administrative, business and civil law, primarily real estate and construction law, public tenders and intellectual property law.

2. Jaroslav Novák
Member of the Administration Board (since 24 July 2012), age: 59
Ministry of Transport, Deputy Director for Railways, Railways and Combined Transportation and Head of the Combined Transportation Department.

3. Michal Zděnek
Member of the Administration Board (since 24 July 2012), age: 34
Michal Zděnek is an Economist. He works at the Norwegian School of Economics, and teaches at CERGE-EI in Prague. Concurrently, he is the head of the Ivy Street Advisory Firm, which specialises in the use of advanced mathematical methods.

Changes in the Composition of the Administration Board
On 3 September 2013, České dráhy, a.s., as the sole shareholder of the Company, acting in the capacity of the General Meeting, decided to recall all members of the Administration Board. The reason for the recall was a change in the Articles of Association which called for the cancellation of the Administration Board of ČD Cargo, a.s. as the statutory body with effect from 4 September 2013.

Audit Committee

1. Oldřich Vojíř
Chairman of the Audit Committee (member since 15 December 2009, Chairman since 18 February 2010), age: 52
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 Member of Parliament, and either managed or supervised business, power and transportation companies. At present, he manages Enima pro, a.s., which focuses on engineering and work in the construction industry, electro-technology and transportation technology in Prague, with branches in Ostrava and Most.

2. Libor Joukl
Member of the Audit Committee (since 15 December 2009), age: 47
Libor Joukl graduated from the Brno University of Technology. In 1989, he joined ŽĎAS in Žďár nad Sázavou, dealing with plant equipment construction and design. From 1991 to 1992, he worked as an independent agent for the PENTA Žďár nad Sázavou advertising agency. Since 1992, he has been self-employed. Between 1994 and 2000, he acted as the Production Manager of JMZ-CATONEX s.r.o. In 2000, he became a Statutory Executive and Director of APOLY s.r.o. Přibyslav. Since 2002, he has been a member of the Town Council of Přibyslav. He was a member of the Supervisory Board of MERO, a.s., Kralupy nad Vltavou from 2003 to 2006 and its Vice Chairman from 2004 to 2006. Since 2004, he has been a member of the Regional Council of Vysočina; in November 2008, he became the Deputy Governor of the Vysočina Region for transportation and property. He is also an active member of the Vysočina Regional Council Board. Since November 2010, he has been a member of the Administration Board of the Správa železniční státní dopravní cesty state organisation.

3. Miroslav Zámečník
Member of the Audit Committee (since 15 December 2009), age: 51
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 the 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 is a member of the National Economic Council of the Czech Government. In addition, he is the Chairman of the Audit Committee of České dráhy, a.s.

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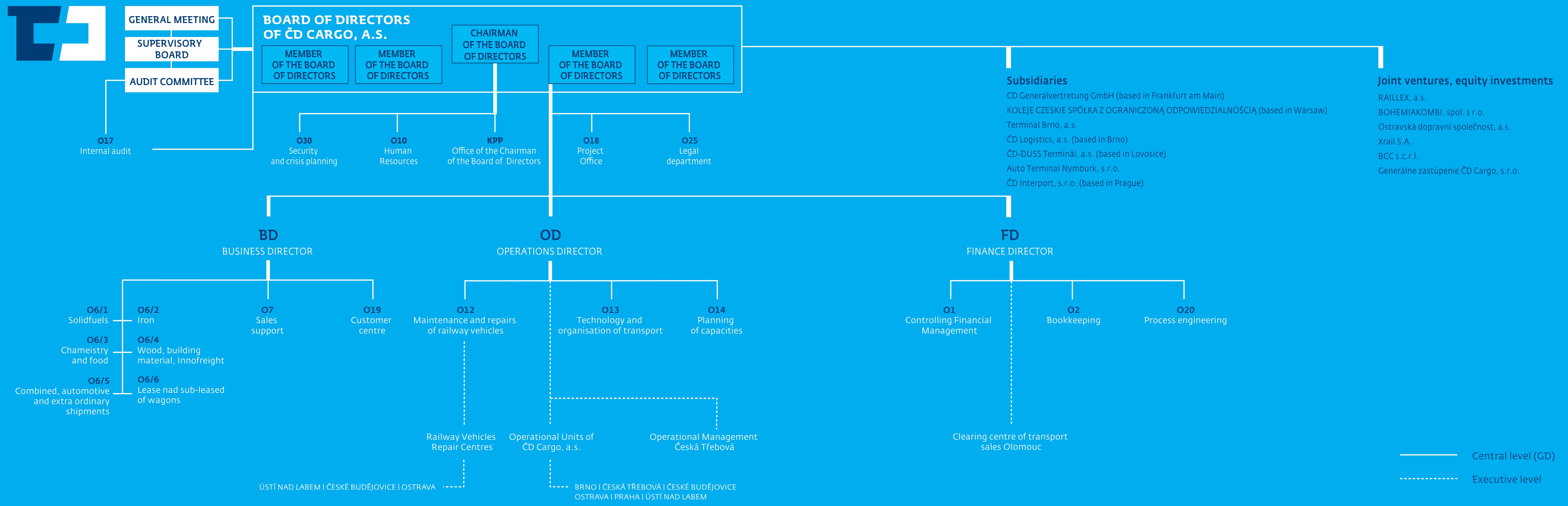
Organisational Structure of ČD Cargo, a. s. at 31 December 2013

Bodies of ČD Cargo, a.s.

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

The Board of Directors of ČD Cargo, a. s. has issued the following report on the Company's business activities and the balance of its assets.

The year 2013 saw a restructuring of the Company – theresults of which already have, or will have, a positive impact on the total economic results in the coming years. The implemented measures focused on increasing freight effectiveness and reducing operational costs of transport, allowing the Company to achieve significant savings of operational costs without negative impacts on sales or the size of the area in which services are provided. One significant change is with the system of periodical repairs of wagons from the time method to the mileage method. In sales, the Company almost met its plan thanks to a more aggressive business policy despite the lost transports of power coal to the Chvaletice power plant.

Freight Transport Operations

FREIGHT TRANSPORTATION

In 2013, ČD Cargo, a.s., trains transported 70.2 million tonnes of goods. The predetermined plan was met with 99.7% accuracy. As compared to 2012, this is a decline of approximately 3.2 million tonnes (4.3%). The decline was not as steep as in the prior year, which was a result of growing competition pressure, private transporters increasing their capacities, and partially a result of the restructuring process in ČD Cargo, thanks to which it is no longer possible for the transport of certain highly loss-making individual vehicle shipments. A number of producers optimised the flow of goods in 2013, which impacted the volume of transports.

The sales of our own transport services indicator were met on a similar level. Sales amounted to CZK 10.2 billion, which is in compliance with the plan at 99.7%. The plan was almost met even though it was negatively impacted by the discontinued transport of power coal to the Chvaletice power plant in the amount of approximately 200 thousand tonnes/month. However, the Company used a more aggressive business policy to overcome the weaker points of other transporters (capacity, worse transport quality) and assumed a number of transports that show potential for 2014. In addition, the Company gained entirely new transports that were realised outside of the Czech Republic and increased the volumes on existing routes.

The Company slightly exceeded the plan in the transport of iron commodities and the situation is stable. Thanks to new business cases, transported volumes increased in iron ore and metallurgical products. The camion competition is gaining ground in their transportations, for example with the EVRAZ customer. The reason for the failing competition in prices is, among other things, the lack of railway sidings in foreign recipients and the related necessity of the costly reloading of goods. In the competition with private transporters, the Company gained transports of scrap from Křinec to Germany and exports of scrap from Ostrava to Slovakia.

The results in the building material commodity were impacted by the non-realised transport of fly-ash in Innofreight containers from North Bohemia for waste dumping in Mydlovary. It should be realised in 2014, along withseveral other transports of waste soil and similar bulk cargo. Thanks to the cooperation with Innofreight, the Company has great potential for gaining new transport volumes and sales. Another reason for not meeting the plan is the overall decline in construction production in the Czech Republic related to the reduced production of cement in almost all local producers. A decline was also reported in transports of gravel from Lobodice to Polanka nad Odrou where part of the transport was assumed by road transportation. Due to a number of spot transports, the adverse factors were at least partially eliminated. The fact that no significant transactions were assumed by other railway transporters is equally important.

Solid fuels remain the dominant commodities transported by ČD Cargo. Brown coal has already been discussed in the introduction in respects to the Chvaletice power plant. However, it is necessary to note that the Company gained new transports of this type of fuel through several Czech power sources and exports of brown coal to Poland. Transports of sorted coal from North Bohemia to the Liberec region for further road transport to Poland also significantly increased. The Company did well in import transports from Germany to the Opatovice nad Labem power plant at the end of May and beginning of June 2013. Unfortunately, the failure to meet the plan in this commodity was due to a series of breakdowns and unplanned shutdowns in the Mělník power plant. The performance of the black coal and coke commodities reflect the overall situation on the market, where the price of black coal and coke declines as a result of an increase in exports of cheap black coal from the USA, where coal energy is being replaced by shale gas energy. Sales managers carefully monitored the situation of the coal mining in OKD, which directly impacts the amount of transported volumes of black coal and coke, throughout the year. They additionally sought to gain new transit transports primarily from Poland to Hungary and Romania. Pursuant to a fuel test in May, the Company made another transport of coal sediments from Walbrzych to the Poříčí power plant at the end of 2013.

Unfortunately, the Company did not manage to reverse the situation in the transport of chemical products. The reasons primarily include low prices of private transporters, restructuring or optimisation of goods flow by customers by transfer of part of the transport to their own trucks, e.g. in the case of compressed gases. The Company gained new transports of fertilisers from Slovakia to various stations in the Czech Republic and increased imports of salts. For the following period the Company prepared numerous proposals, which are anticipated to be realised at the beginning of 2014. The Company actively participated in all announced tenders that apply to all other commodities.

Wood and paper products saw a positive development throughout the year. Intrastate transports of wood declined but they were replaced by higher volumes in export (lack of wood and its price in Austria) and import (wood from Poland and Baltic states to the Czech Republic). In many cases, these transports took the form of more economical complete trains. The Company saw a positive development in transports of paper from MONDI Štětí to the warehouse of ČD Cargo in Lovosice, and newly gained transports of wood chips from Borohrádek and Březnice to České Budějovice for further processing in Domoradice. The persisting problem was the poor profitability of these transports, or rather the entire segment of individual shipments.

The ambitiously developed plan for the food commodity unfortunately was not met. This was primarily due to the postponed release of the commodity from silos for autumn months, when ČD Cargo was limited by the available number of vehicles adequate for these transports upon the accumulation of loading. Other reasons include the overall declines in transports of malt and unrealised transports of sugar beet in Innofreight containers to the sugar factory at Hrušovany nad Jevišovkou. The customer gave preference to truck transportation. Not to linger on only the negative issues – transports of mineral water significantly increased and the Company became a reliable partner of PEPSICO in transports from Teplice nad Metují to Prague. Positive developments were also recorded in transports of various bio-fuels – for example wood chips and pellets.

The other commodities already saw positive development at the beginning of the year. The reason was the increasing cooperation with Česká pošta – the customer for which we provide made-to-measure logistics services; and a significant volume of transports of military technology for military exercises. These primarily included transports of the Dutch army to army exercise areas in the Czech Republic or the Czech Army to Germany. As a result of stabilisation in production, the Company also saw increased transports of TATRA trucks from Kopřivnice and Fiat cars. In addition, the Company conductedtesting for transports of boilers, on the renewed railway track and siding, provided by Industry Plant LG (former LEGIOS) from Horní Slavkov.

In the combined transport sector, our performance grew in 2013; almost all combined transport operators had their equal share in this fact. Gradually, the operating model relating to the new terminal of METRANS in Česká Třebová stabilised. In August, ČD Cargo transported a record 1,285 complete trains of combined transport, where METRANS had the growing share. The network of combined transport connections was extended in 2013, among other things, to include connections on the route between Charleroi and Lovosice for transporting road trucks or on the route between Bremer haven and Vratimov.

While the plan for the automotive commodity was negatively impacted in the first half of the year by a decline in the interest in ŠKODA cars primarily in Western Europe, in the second half of the year sales and the transport of this commodity significantly increased. The only negative impact was the loss of transports of ŠKODA cars to Poland. A significant event was the January start of transports of cars between Poland and Italy, due particularly to the activities of the subsidiary company CD Generalvertretung GhmB in Frankfurt am Main, which were formerly made by the transporter PKP Cargo.

OPERATIONAL MANAGEMENT

In 2013, the Company dispatched an average of 736 trains a day. The trend of transfering from planned transports to ad-hoc services continued. Customers increasingly prefer the flexible provision of their transport requirements. For these sudden transport requirements, it is necessary to plan routes and other train technicalities in a short time. In response to this situation's development on the transportation market, ČD Cargo, a.s. invested in new information systems that correspond to current needs of the flexible operational management of freight trains. On 4 February 2013, new systems for operational management, specifically DISC OŘ and PRIS, were put into operation. From that point, ČD Cargo has used its own systems for the management of train journeys and the support of work in stations. This meant the independence from IS SŽDC. This independence allows a higher level of adjustability to suit our needs. Both new systems are interconnected and communicate with the IS infrastructure administrator. The communication follows the current requirements and standards of TAFT SI for the communication between the infrastructure and the transporter. IS DISC OŘ works on the basis of the direct interconnection of DISC OŘ – EMAN – APS – PRIS systems and connection to the manager of ISOŘ ŘVD, KADR, DOMIN infrastructure. An important advantage of DISC OŘ is the fact that it allows for the extension of the shift planning of trains, which brings the possibility of a quality response to the requirements of customers in product transports.

In 2013, customers ordered the loading of 648,557 vehicles. The requirements of customers were met at the level of 98%. The year 2013 additionally saw the further optimisation of work when the number of districts of vehicles providers was reduced to the current 49 for the entire network. With respect to the introduction of new systems, the Company closely connected PRIS and ÚDIV information systems.

OPERATIONAL SAFETY

Operational safety is a term that can be defined in numerous ways. The best measurable parameter is the number of extraordinary events (EE) that are stipulated in Section 49 of Act No. 266/1994 Coll., on Railways, as amended. In 2013, there were 264 EEs with the Company participating as the operator of railway transport or the operator of the railway, of which 134 EEs were in the Company's responsibility or co-responsibility.
The aggregate detriment arising from all the EEs amounted to CZK 44,517,475, of which the damage caused by the Company amounted to CZK 23,357,912. The Company suffered property detriment worth CZK 23,544,855.

During the EEs, a total of 18 people were killed, of which one employee of the Company was killed during his work, the Company identified that he breached the rules of work safety. Other persons were killed during their presence in restricted areas of the railway track and in collisions at crossings. A total of 17 people were injured, of which 4 were employees of ČD Cargo (in all cases caused by ČD Cargo – fault of a specific employee). A total of 13 traction vehicles, 50 wagons owned by the Company, and 20 wagons of other owners, derailed.

The results of the investigations into the 2013 EEs are as follows:

- The total number of EEs decreased by 16% as compared to 2012. It is the most significant year-on-year decline since the formation of ČD Cargo a.s.
- As compared to 2012, the total amount of damage caused decreased by 41%. The damage done to assets of ČD Cargo, a.s. slightly increased by 11%. The damage caused by ČD Cargo, a.s. decreased year-on-year by 62%, which was primarily due to the occurrence of one serious accident with damage amounting to CZK 48,208,917 in 2012.
- None of the railway crossings collisions were the Company's fault; and
- None of the EEs were caused by a 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, the EEs were investigated for the Company by the railway operator, Správa železniční dopravní cesty, a state organisation, for a relevant fee.

During 2013, one serious accident occurred during the operation of railway transportation (a collision of railway vehicles during the shunting – A1 category EE in Prague – Běchovice on 10 February 2013). ČD Cargo, a.s. was responsible for this accident. The cause of the accident was non-compliance with the conditions for driving according to the view range of an employee – shunter. Three employees of the Company were injured in this EE and the damage caused amounted to CZK 9,846,000. In this case, as in other EEs caused by employees of the Company, the reason was human error. For this reason, it is necessary to continue to consistently provide educational and control activities, including the adoption of remedial measures.

Information on the Balance of the Company's Assets

THE COMPANY'S REAL ESTATE

In addition to the usual elementary production means, such as rail vehicles, the Company also owns real estate. A total of 224 buildings and 217 plots of land owned by the Company are registered at the Czech Cadastral Office. Regular maintenance of real estate is carried out by the Rail Vehicle Repair Centre- itself in line with the financial plan; the investment activities are carried out in line with the investment plan of the Company.

ROLLING STOCK, MANAGEMENT OF VEHICLES

In 2013, ČD Cargo, a.s. had 826 traction vehicles and more than 26 thousand wagons of various types for the operation of freight trains. As needed, the rolling stock is supplemented by a group of leased vehicles with an average number being 2,600. Of the total of the rolling stock, approximately 18 thousand vehicles were operational. At the end of 2013, the Company proposed to dispose of 4,483 wagons and 100 traction vehicles due to physical wear and tear, moral obsoleteness and poor technical condition; they await physical liquidation. In addition to the registered number of traction vehicles, the ownership of 86 polonised 181/182 and 767 series locomotives belongs to the subsidiary company Koleje Czeskie, Sp. Z o.o. in 2013.

During 2013, the Company changed the system of planning and maintenance of wagons from the time to performance perspective. This method leads to the better and more efficient management of funds for repairs of vehicles depending on performed repairs.

The planned maintenance and repairs of railway vehicles were carried out primarily in our own repair centres of railway vehicles, in České dráhy, a.s., DPOV a.s. Přerov and partially in private repair shops according to effective contracts.

In 2013, the Company continued to adjust the rolling stock to the needs of the transportation market as much as possible with an objective of an increased operability of vehicles in international operations. The predominant part of the attention was paid to the use of our own capacities of vehicles and their adjustment to changing requirements of customers. These primarily included adjustments of high-side Eas vehicles that consisted of the complete replacement of the vehicle case and the exchange of the combined floor for a full-metal floor. In addition, 100 Res series vehicles were adjusted to the Rs series. The renovation consisted in the removal of sideboards so that the vehicle is appropriate for the transport of wide metal sheets up to a width of 3.10 m. The Company thus responded to the requirement of our significant customers in the transportation of iron when we had to lease this type of vehicle from external suppliers. The preparation of our own vehicles brought a significant financial saving.

In the management of vehicles, the Company focused on the planning and use of vehicle capacity in 2013 and will continue to do so in the coming years. The objective of all these efforts is to minimise the numbers of vehicles for the provision of the contracted performances in transportation and consequently 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 sources for its operability. The Company started to prepare projects that closely relate to this issue and that should bring effective instruments for the rolling stock management and vehicle capacity planning in the future.

In 2013, the rolling stock was not extended to include new vehicles; however, certain locomotives were modernised as part of planned repairs. The benefits of these modifications included an increase in the quality of labour conditions for the vehicle operation, increases in safety and the improvement of the operational and technical parameters of vehicles. We should also mention the introduction of a system used for the monitoring of motor diesel in diesel locomotives and their use.

LEASE OF RAIL VEHICLES

One of the Company's significant business activities also includes the lease of rail vehicles, i.e. freight wagons and locomotives. In regards to locomotives, these are primarily long-term leases to our partners. These are redundant vehicles solely for use outside the Czech Republic. In the respect of 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.

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 2013, the Company set the priorities of business activities for the following period and thus set the objectives of individual marketing campaigns and activities. The promotion of the Company focused on the existing and potential customers and the public in order to strengthen the awareness of the Company. The principal means of these objectives included a marketing campaign, support for cultural and sports projects and participation in international professional trade fairs and conferences.

WEB PRESENTATION

ČD Cargo, a.s. treats the website as one of the most significant communication channels. For this reason, the Company initiated a project to improve the look of the website in 2013 with the objective of offering the users well-arranged information in a modern graphical design. Intensive work on the preparation of the new website was completed at the beginning of 2014 when the website was launched.

An integral part of the website, designated for registered users – ČD Cargo, a.s. customers- is the single EROZA interface for the access to ČD Cargo applications.

PRINT AND MEDIA COMMUNICATION WITH CUSTOMERS

In 2013, ČD Cargo, a.s. issued a number of documents in various language versions focused on the promotion of individual products ČD Cargo, a.s. offers. The publication of CARGO Motion and Bulletin ČD Cargo quarterlies was discontinued at the end of 2012. An important element of the intracompany communication is the Cargovák internal newspaper, which was available for all employees in electronic form at the ČD Cargo portal in 2013. This monthly is intended solely for employees of ČD Cargo, a.s., they are informed on up-to-date topics of the Company issues.

TRADE FAIRS AND CONFERENCES

Trade fair presentations are an irreplaceable part of the marketing communication of ČD Cargo and are an important element in support of an active business policy. In the past years, the trade fair display of ČD Cargo has participated in the most significant transportation and logistics trade fairs and always attracts attention primarily due to its original design.

In 2013, this method was used for the presentation of a comprehensive offer of ČD Cargo, a.s. services at the TransRussia trade fair in Moscow and primarily at the most significant transportation and logistics event of this kind in Europe – Transport Logistic in Munich. We should also mention the autumn participation at the TRAKO trade fair in Gdansk, Poland. Czech trade fairs traditionally include the common exposition of the ČD Group at the international trade fair of railways technology, Czech Raildays Ostrava.

Significant conferences primarily include "Business Conference of ČD Cargo" which is intended for business partners and customers and focuses on the business and price policy of the Company for the following year. Already long-established was the participation of ČD Cargo at the SpeedChain international logistics conference which was held in Prague at the end of 2013.

RESEARCH, DEVELOPMENT AND COOPERATION WITH UNIVERSITIES

During 2013, 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, etc). The core of this cooperation includes consultations with and supervision for 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 HR management.

ČD Cargo perceives the cooperation with universities as highly significant, both with regard to seeking and finding new solutions and as a means of recruiting future employees.

INFORMATICS

The year 2013 saw the completion of the first stage of development for the operational and business system and consequently the principal architecture of the information systems in ČD Cargo. It is based on the organisational structure of the Company and is divided into three principal areas:

- 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 robust.

Operational and Business System (PROBIS)

The new operational and business information system is developed with financial support from EU funds, specifically the Transport Operational Programme. In 2013, the Company completed the first stage consisting of the implementation of all programmes and instruments that were dealt with in 14 partial projects. In addition, the Company initiated the second stage entitled IS Upgrade. Its objective is to integrate all changes in technical specifications for the interoperability of subsystems of telematics applications in the railway freight transport, TSI – TAF, into the existing solution that was made in the first stage as it was not possible to integrate them in the ongoing implementation. This stage will involve the completion of the interconnection of all programme parts and launch of the completed product for operational, business and economic controlling.

Economic Systems and Systems for the Internal Operations of the Company

In 2013, the Company used the SAP system on a standard basis, in which several adjustments to process changes were made. The process of electronic approval of received invoices, including their archiving, was put into operation and the project of the preparation of automated processing for estimated receivables, which will be realised in 2014, was completed.

Internal Operations

In respect of internal operations, the Company focused on the further development of supporting and operational applications in the environment of the ČD Cargo internal portal. Newer computerised issues include the records of control activities, damage, applications for invoicing an updated approval of orders, and invoices. The portal is a vital platform for the sharing of information and documents, which is proved by an increase of 10 thematic web spaces and almost 50 GB of data in 2013.

Safety Policy and Infrastructure

In 2013, other applications were connected to Identity management, primarily the new web portal for customers and several partial operational work and systems.

As early as 2010, the Company started the process of the renewal of its computers, i.e desktops, laptops and LCD panels, including all of the necessary peripherals. End-use facilities are renewed in regular cycles of 3 and 5 years (3 years for laptops; 5 years for desktops and LCDs). As part of the regular renewal of IT technology, the Company initiated the process of the gradual replacement of the most obsolete laptops after the completion of the planned three-year period of their use, the Company optimises the structure and equipment with IT technology on a gradual basis in respect of the growing demands for the mobility of employees and accumulation of functions provided for by one workplace.

INVESTMENTS

In 2013, the Company realised investments in the amount of almost CZK 1.16 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 83.63% of the acquired fixed assets in 2013 (including the component accounting).

Investments in Freight Vehicles

In 2013, the Company purchased freight vehicles – completed leases. In addition, the Company made technical improvements on freight vehicles. Technical improvements on Eas 52. Sk vehicles continue (exchange of the wooden floors for metal floors) and last but not least, the RES series renovation of freight vehicles to Rs series was made by the removal of sideboards. As a result, the Company has vehicles appropriate for the transport of wide sheet metals.

Investments in Traction Vehicles

In the area of traction vehicles with electric drives, the Company made improvements to its traction vehicles, specifically the modification of five 130 series traction vehicles, and continues the modernisation of traction vehicles from 210 series to 218 series. In 2013, the Company continued to work on 163 series locomotives under modernisation to 363.5 series two-system locomotives, the remaining 7 modernised locomotives of this series were supplied. Investment activities in locomotives include technical improvements to locomotives of different types and with different drives (use of gel batteries, modifications made during higher-level manufacture repairs, modification of the locomotive driver's post, changes to the wheels, modification of the charging from an external source, etc). As part of central OHS projects, the locomotive driver's posts are modified (modification and soundproofing of the post, installation of security glass or air-conditioning units, etc).

Investments in Construction and Machinery

Another significant component of the Company's investment activities includes activities 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 2013, the Company focused on investments in savings of energy and environmental improvement. For these projects, the Company received subsidies of CZK 1.30 million. The renovation of the fuel station in the railway vehicles repair shop in Most and the sewerage system in the railway vehicles repair shop in Břeclav contributed to environmental improvement. Other constructions contributed to dealing with social and sanitary conditionsin individual workplaces in both construction investments and OHS investments.

The plan of OHS investments for 2013 pursuant to the union centres of 31 January 2012 included the continued projects with the cost of CZK 4.05 million as part of the granted limit of CZK 7 million. The most significant implemented OHS projects in 2013 included the renovation of restrooms and cloakrooms in the Railway Vehicles Repair Shop in Nymburk at CZK 3.31 million and the renovation of the restrooms in the operating building ON (VPK) PP Olomouc with a cost of 0.51 million. Renovations of the gate in ONV Ústí nad Labem and the Railway Vehicles Repair Shop Přerov with CAPEX continued with the costs of CZK 2.39 million and CZK 1.60 million, respectively, which will be completed in 2014.

Other Investments

Other significant investments include investments in information systems and technologies, the acquisition of handling equipment and the purchase of real estate.

The principal IT investments included the completion of the first stage of the implementation of PROBIS (operational and business information system). In 2013, the Company received a subsidy for this investment of CZK 57.83 million. Another significant IT investment was the modification of the SAP information system at CZK 10.62 million.

Selected Operational Units and Rail Vehicle Repair Centres exchanged obsolete handling equipment in 2013. These primarily included the renovations of quinary jacks at CZK 4.41 million and a forklift for the Railway Vehicle Repair Centre in Ústí nad Labem at CZK 1.09 million.

As part of the purchase of real estate, the Company purchased a wagon repair shop in Jihlava from ČD, a.s. for CZK 6.87 million.

Component Accounting for Significant Repairs of Railway Vehicles

The method of component accounting for significant repairs of railway vehicles that has been applied since 1 January 2010 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 in 2013.

Staff Policy and Social Programmes

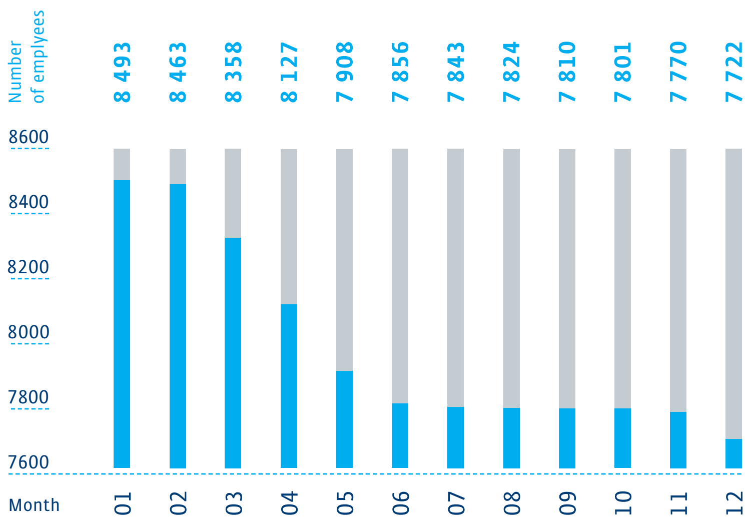
In 2013, the Company continued to implement measures to improve its financial situation and increase work effectiveness. HR work appropriately focused on the optimisation of the professional structure and a socially-acceptable reduction in the number of employees while maintaining the employment rate necessary for the effective operation of the Company.

The Company continued the contractual cooperation with selected high schools in the training of their graduates – our future employees – focusing on the decrease in the age of the employee base. The contracts with schools include theoretical and practical preparation, cooperation within the research and development programmes, use of the latest scientific and technological findings and their implementation in our operations, participation in the creation of study programmes, etc. Students of contractual high schools receiving a contribution for studies as part of the motivation programme, which is conditioned by an obligation to gradually complete their studies and join Cargo ČD, a.s. in the positionof train driver trainee.

In line with the applicable legislation and in cooperation with trade unions, the occupational safety and health and improved working and social conditions for employees by way of company healthcare and rehabilitation stays has remained in focus.

From January to December 2013, the average registered headcount recalculated to full-time employees decreased by 771 employees, i.e. from 8,493 (January 2013) to 7,722 employees (December 2013). The physical headcount as of 31 December 2013 was 7,704.

Average number of employees recalculated to FTE in individual months of 2013



01 | JANUARY 8 493 02 | FEBRUARY 8 463 03 | MARCH 8 358 04 | APRIL 8 127
05 | MAY 7 908 06 | JUNE 7 856 07 | JULY 7 843 08 | AUGUST 7 824
09 | SEPTEMBER 7 810 10 | OCTOBER 7 801 11 | NOVEMBER 7 770 12 | DECEMBER 7 722

In relation to meeting the objectives of the business plan, it was necessary to optimise activities in the Company in direct connection with the optimal number of employees providing only those activities that are necessary in respect of operations of the Company, and those that have to be provided as they result from the applicable legal regulations, contracts, agreements, or membership in bodies and institutions. This intention has to follow a trend where the necessary savings are linked to savings in the staff costs of the Company.

In 2013, the average monthly salary in ČD Cargo, a.s., i.e. the payroll costs, excluding other staff costs, amounted to CZK 28,806.

In line with the applicable legislation, the social fund of ČD Cargo, a.s. was predominantly used for the employees of ČD Cargo, a.s. in 2013 to:

- Make contributions for cultural and sports activities;
- Make contributions for holidays and summer camps for children; and
- Provide social assistance, etc.

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 2013 until the end of 2013.

CODE OF ETHICS

The Code of Ethics is an instrument that helps ensure that the day-to-day activities and behaviour of all employees of ČD Cargo, a.s. correspond to principles defined by the Company. It is a set of specific rules that define the standard of professional employee behaviour. In 2013, the employees of ČD Cargo, a.s. continued to perceive the Code of Ethics as a moral commitment defining the moral attitudes, personal attitude and activities of all employees towards the Company, colleagues, customers, business partners and the public. The Code of Ethics creates a base for maintaining principal values that every employee of the Company respects, such as teamwork, responsibility, quality and a professional attitude. ČD Cargo, a.s. promotes an open style focused on customers and business and respecting the values of people that help to create it. The management of ČD Cargo, a.s. contributes to the application of these principles and to the effective performance of the activities of ČD Cargo, a.s. through the creation of an adequate work environment and maintaining an equal approach to employees with a focus on the assessment of work. The Code of Ethics is amended and developed by the Work Rules of ČD Cargo, a.s.

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 on the railway freight transportation market. The satisfaction of customers with the quality of provided services, 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 is a necessary precondition for the meeting of 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. This division deals with all activities that relate to management systems and quality assurance ISO 9001, environment ISO 14001, and OHS under OHSAS 18001 standard. Concurrently, the Internal Audit division that performs audits in all organisational structure units was charged to perform certain activities.

Zdeněk Meidl, a member of the Board of Directors and Operational Manager was appointed representative of the ČD Cargo, a.s. management for quality and environment standards under ISO 9001:2008 and ISO 14001:2004. Mojmír Bakalář, HR Manager, was appointed representative of the ČD Cargo, a.s. management for OHS management according to OHSAS 18001:2007.

The principal event in ISO management systems in 2013 was the annual extension of quality, environment and OHS management systems certificates that were previously granted to the Company. In May, the Company underwent an external supervision audit for all three certified systems – a recertification audit for ISO 9001 and ISO 14001 and concurrently the first supervision control audit for 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 an adequate attitude to the findings and they were naturally dealt with.

The result of the audit was the inspection of the compliance with the requirements specified by the above standards and granting of new certificates or an extension of the effect of the existing certificates and following of the opinion of the leading external auditor:

- Pursuant to the findings from the combined re-certification audit under ISO 9001 and ISO 14001, and the first supervision audit under OHSAS 18001, it can be stated that ČD Cargo, a.s. complies with the requirements for the conditions of the 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 for the continued registration under OHSAS 18001:2007 and registration under ISO 9001:2008 and ISO 14001:2004 under the accreditation of SGS CZ s.r.o.

Accreditation No. SCES 017

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 announced always 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 of the preceding quality, environment and health and safety at work audits, both external and internal, is the 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 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 of the central level of the Company and all units of the organisational structure of the executive level including the 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 in the O12division 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.

AEO Certificate

Since 2009, ČD Cargo, a.s. has held the AEO certificate - "Simplified Customs Procedures/Safety and Security" (AEOF), due to the resolution of the local administrative body, the then Customs Directorate in České Budějovice. Through the obtaining of the AEO (Authorised Economic Operator) certificate, the Company proved the quality of provided services and compliance with all legislative requirements.

In 2013, the Czech Customs Administration reviewed the compliance with the conditions and criteria of the AEO certificate holder. The Company met the requirements relating to the compliance with conditions and criteria for AEO certificate holder. The Company continues to provide guarantees to customs authorities in EU member states as a reliable and financially stable entity aware of customs issues.

The Company and the Community

INTERNATIONAL ACTIVITIES AND RELATIONSHIPS

The international activities of the Company include issues of the membership of ČD Cargo in international organisations and the coordination of international projects. Since its formation, the Company's involvement in the activities of international organisations has been based on the conditions 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).

In UIC, ČD Cargo, a.s. is actively involved in a number of projects, bodies and work groups, primarily the Freight Transportation Forum and its studies groups. In information technology, it is the IT group and its GRU work sub-group for applications for freight transport. In addition, the Company participates in the European project of implementation of technical specifications for the interoperability of telematic applications for freight transport (TSI TAF) and became the first transporter to implement the required connections with the infrastructure administrator. In research and development of interoperability, ČD Cargo, a.s. stated its intention to get involved in the Shift2Rail initiative.

ČD Cargo, a.s. is additionally 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. Together with ČD, the Company is connected to the European railway IP data Hermes VPN network and participates in the activities of HIT Rail. The system has improved, e.g. the arrival to the destination is determined according to experience and the events of vehicles are monitor in more detail. In 2013, the Company was involved in the activities of the international Xrail Alliance, the objective of which is to support the transport of individual vehicle shipments in the territories of member states of this organisation. The Alliance includes seven partners operating in 12 countries: ČD Cargo, a.s., (Czech Republic), CFL cargo (Luxembourg), DB Schenker Rail (Germany, Netherlands, Denmark, North of Italy), Green Cargo (Sweden, Norway), Rail Cargo Austria (Austria, Hungary, North of Italy), SBB Cargo (Switzerland) and SNCB Logistics (Belgium). Through the provided information (tracking of the shipment over its route, determining of the anticipated time of arrival at the railway station, and efforts to meet its 90% guarantee), the Xrail system contributed to the increased satisfaction of customers and, due to the weekly assessment of delays in selected routes, an increase in the operational quality and reliability of transportation. Another area of focus of the Xrail alliance is the place reservation of transport capacity in freight trains where Xrail has the objective of creating a "central part" that would mediate cooperation between the reservation systems of the partners. The new system will be fully connected and launched in October 2015.

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, increases the speed of and improves the quality of the transportation process. The new cargo list is, as shown by the statistics of ČD Cargo and other railways, e.g. RŽD or UZ, popular. In 2013, 25,956 shipments were transported with the CIM/SMGS cargo document (13,173 export, 12,783 import). In transports with the Russian Federation, the CIM/SMGS cargo document was used as follows: export – 78%, import – 88%, with Belarus – export – 16%, import – 67%, Ukraine – export – 10%, import – 1%, Kazakhstan – export - 90%. The pro-active approach of ČD Cargo in this issue is underlined by the fact that Kazakhstan opened all import routes for the unified cargo document on 1 January 2013 pursuant to the application of the Company and subsequent use by the Ministry of Transport and OSŽD international organisation.

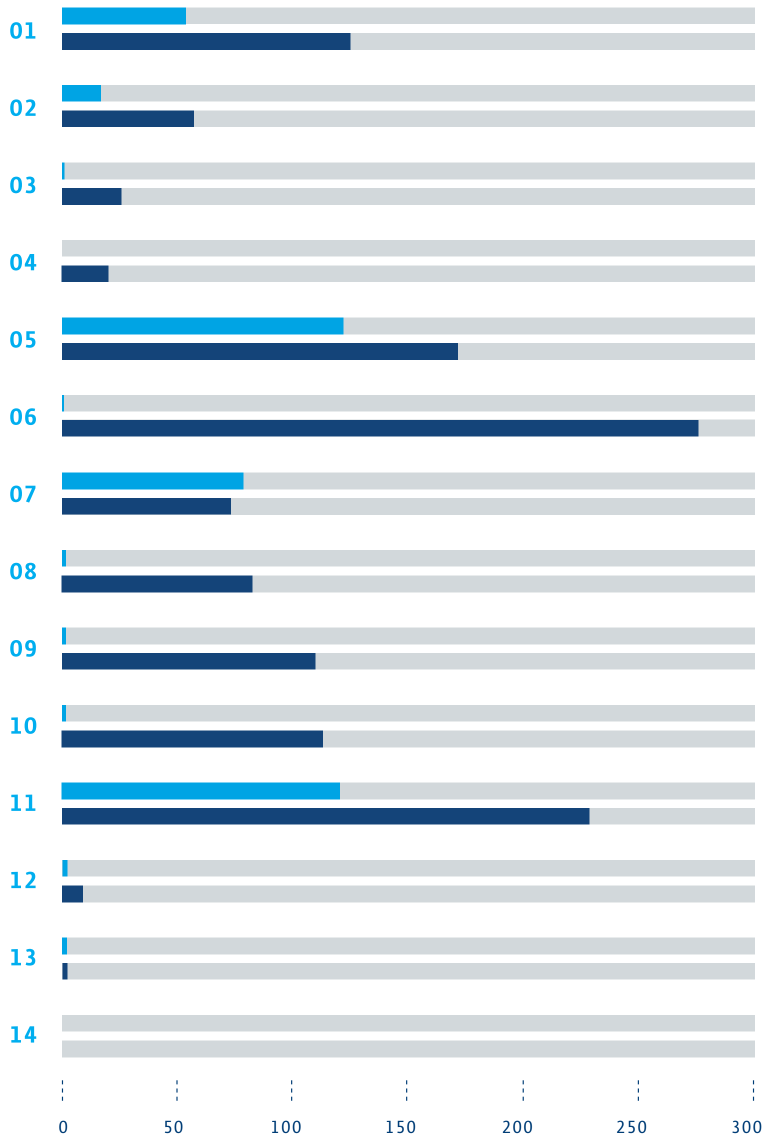
ECOLOGY AND ENVIRONMENTAL PROTECTION

The Company treats environmental protection with the highest priority and actively protects the environment. ČD Cargo, a.s. holds certificates under ČSN EN ISO 140001 : 2005. Ecology concerns are hierarchically managed by the Head Ecologist, who communicates at the local executive level with determined employees of Rail Vehicle Repair Services Centres and Operational Units.

Production of waste of ČD Cargo, a.s. in 2013 by category of waste

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



The principal rules are based on environmental policy/environmental management, whose purpose is to describe, assess and improve the management system in the Maintenance and Repairs of Railway Vehicles and in the Rail Vehicle Repair Services Centres in respect of waste, the negative impacts of activities and technologies (e.g. in compliance with the principles of pollution prevention, readiness for accidents, purchase of environmentally friendly products, environment, and primarily the efforts to minimise the production of waste).

As the EMS system focuses on providing the best conditions for environmental protection, the Company realised investments in 2013 for improving certain environmental activities. In addition, the Company continued clean-up work as part of the liquidation of passed-down environmental burdens in a railway vehicle repair centre in Ústí nad Labem and a railway vehicle repair shop in Břeclav.

During the reporting period, the Company organised regular internal audits focusing on compliance with the determined criteria and obligations set by the effective legislation for environmental protection.

Fire Protection:

- Given the nature of its business activities, the Company was no longer obliged to have a fire-fighting unit in 2013. Fire prevention guidelines were adjusted in order to activate the units of the integrated Czech rescue system in the event of fire or danger.
- In accordance with the "Organisational Rules" of ČD Cargo, a.s., the Maintenance and Repairs of Railway Vehicles department continues to be the guarantor of fire prevention. The documentation is updated on a continuous basis and past inspections, performed by the Czech Fire-fighting Squad, identified no failures.

Corporate Social Responsibility

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

Together with the parent company ČD, a.s., ČD Cargo, a.s. participates in the long-established Preventive Train project, which is intended for older kids and young people, and which focuses on safety in railway transportation, and the Cinema Train project, which ensures free-of-charge projections 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 sports.

Since 1999, Diakonie Broumov and other railway entities have cooperated. For the Diakonie Broumov Civic Association, ČD Cargo, a.s. provides the transportation of collected clothes from approximately 190 load points in the Czech Republic to the sorting centre in Broumov for further processing. It is additionally engaged in the transportation of these goods from Slovakia. In 2013, the Company transported almost 600 wagons with 6 thousand tonnes of goods to Broumov. Another form of cooperation is the direct collection of clothes in railway vehicles in selected stations, provided by regional charity organisations.

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)
On 8 October 2012, the extraordinary General Meeting of Terminal Brno, a.s. decided to increase the share capital of the company through the subscription of new shares and payment of their issue rate through cash contributions. The share capital increased from CZK 16,200 thousand to CZK 71,550 thousand. The reason for the increase in the share capital was the obtaining of financing for the renovation of the area of the container railway terminal in Brno. The increase in the share capital was recorded in the Register of Companies on 31 January 2013.
Principal business activities: operation 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: 56% (CZK 5.6 million)
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% (2.04 million)
Principal business activities: operation 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: 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%
On 5 June 2013, an increase in the share capital to PLN 41,966 thousand was recorded in the Register of Companies. The General Meeting decided on an increase in the share capital from PLN 100,000 on 29 March 2013.
Principal business activities: the mediation of services in freight transportation on behalf of ČD Cargo, a.s., as well as shipping, railway transportation, and other secondary activities in ground transportation.

CD - GENERALVERTRETUNG WIEN GMBH

Date of entry in the Register of Companies: Austria, 30 March 2007
Share capital: EUR 275,000
Equity interest: 100%
On 5 June 2013, an increase in the share capital to EUR 275 thousand was recorded in the Register of Companies. The General Meeting decided on the increase in share capital from EUR 45,000 on 25 April 2013. The Company sold its equity investment in this entity to CD Generalvertretung GmbH. The change of ownership was recorded in the Register of Companies on 23 July 2013.
Principal business activities: mediation of services in freight transport on behalf of ČD Cargo, a.s., shipping.

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)
On 12 July 2013, an increase in the share capital to EUR 46,639 was recorded in the Register of Companies. The GGeneral Meeting decided on the increase in share capital from EUR 6,639 on 15 April 2013. 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.
Principal business activities: mediation of services in freight transport on behalf of 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 : 51 % (CZK 102 thousand)
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 ČD Cargo's own transportation 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)
The extraordinary General Meeting of Xrail S.A. decided on the increase of share capital from EUR 61,500 to EUR 68,975.10.
Principal business activities: support forthe management of 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 settlements of mutual payments in railway transport by ČD Cargo, a.s..

09 Financial Position

Investment Activities of ČD Cargo, a.s.

In accordance with its business plan, the major priorities of ČD Cargo, a.s. include the renovation and modernisation of its rolling stock and additional investment activities related to machinery and construction, and other investments that are crucial for carrying out its operations.

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 2012 to 31 December 2013, the value of the Company's total assets and liabilities decreased by CZK 239.1 million. The value of fixed assets decreased by CZK 705.9 million and amounted to CZK 11,546.6 million, i.e. 78.6% of the total assets. The current assets, which include inventory, receivables and current financial assets, increased by CZK 406.1 million to CZK 2,673.2 million, ie 18.2% of the total assets. Deferred expenses and accrued income increased by CZK 60.8 million to CZK 473.3 million and account for 3.2% of the total assets.

The value of the Company's equity in the reporting period increased by CZK 395.2 million to CZK 6,444.4 million, i.e. 43.8% of its total liabilities. External funding decreased by CZK 605.7 million to CZK 8,225.4 million in the reporting period, which represents 56.0% of the total liabilities. Accrued expenses and deferred income decreased by CZK 28.5 million to CZK 23.3 million and represent 0.2% of the total liabilities.

Investment Activities of ČD Cargo, a.s. (CZK mil.)	2013	2012	2011	2010	2009
Acquisition of freight cars	200	10	0	0	0
Renovation and modernisation of freight cars	52	241	214	584	1262
Acquisition of traction vehicles	0	0	0	0	1
Renovation and modernisation of traction vehicles	389	1 448**)	63	390	502
Machinery investments	2	100*)	23	11	19
Construction investments	45*)	108	53	104	92
Other investments	143*)	109*)	72	109	165
Component accounting of inspection repairs of railway vehicles	330	558	748	507	-
Total investments	**1161**	**2574**	**1173**	**1705**	**2041**
Prepayments for investments provided (as of 31 December)	0	105	239	239	77

*) 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

ANNUAL REPORT 2013 OF ČD CARGO, A.S.

Profit and Loss Account

The Company's profit before tax for 2013 in the amount of CZK 600.9 million was achieved with the aggregate income of CZK 15,199.3 million and the total costs (excluding income tax) of CZK 14,598.4 million, including accounting amortisation and depreciation charges of CZK 992.4 million. The value of EBITDA (earnings before interest, taxes, depreciation and amortisation) amounted to CZK 1,682.0 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 of 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. The increased competition between banks allowed the Company to obtain lower interest rates. Since 2013, the Company has been 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 is above the drawing limit of CZK 0.4 billion.

BILL OF EXCHANGE PROGRAMME

The billofexchange programme was approved in the amount of CZK 1.5 billion and the Company's Supervisory Board must be informed about any intention to draw more than CZK 1 billion in advance. The billofexchange programme was not drawn from as of 31 December 2013; however, the bill-of-exchange facility is kept as a reserve for short-term financing independent of bank sources.

LEASES

During 2013, the Company realised the second tranche of the leaseback of modernised 363.5 series traction vehicles. The implementation of this event 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 was realised in connection with the introduction of the strategy for the gradual replacement of short-term funding sources with long-term ones. The bond programme is approved in the total amount of CZK 6 billion and the issue is not public. In 2013, the Company issued no new bonds. The total issued bonds as of 31 December 2013 amounted to CZK 2.5 billion.

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 and operating risks.

In 2013, the Company further developed the integrated risk management system, which is based on best practices and the set framework of Corporate Governance rules. The activities of organisational units in the Company are governed by the ČD Group Manual for risk management, which determines specific procedures for the identification, analysis, measurement, and strategy of management and processes of dealing with, monitoring, reporting and communicating risks.

The standardisation of procedures is supported by the "eRisk" risk management method for the entire ČD Group. The introduced single method of risk management created preconditions for further development and an increase in 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 maximum reduction of negative impacts on the results of the Company and the ČD Group on an ongoing basis, i.e. minimise the impacts of unused opportunities for generating income and reduce 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 2013.

BUSINESS, OPERATIONAL, COMPLIANCE AND STRATEGIC RISKS

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

INSURANCE FOR 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 risk management are based on the Financial Risk Management Strategy in ČD Cargo, a.s. This defines the goals for individual risks and permitted derivative operations used to hedge against the risks. The Company's goal is to hedge risk so that an open position is not higher than the approved risk appetite as stipulated in the Financial Risk Management Strategy.

PRICE RISK
In relation to the development of the transportation market, ČD Cargo, a.s. faced considerable pressure for a reduction of prices in 2013. The ever-growing competition from other railway transporters significantly influenced the price and business policy primarily in the sector of complete trains and partial vehicle shipments which are grouped into short complete trains and subsequently assumed by another transporter. These trends impact all commodities and an increasing amount of 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 in the transport of individual shipments focused on the maximum increase in the effectiveness of these activities and maintaining the competitiveness in the respect of 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.

The purchase of railway vehicles, their renovation and modernisation and lease, including potential funding from external sources, are usually dealt with by above-limit public orders in the conditions of ČD Cargo and they are subject to tenders in compliance with the applicable Act on Public Contracts.

The Company proceeds similarly in the inspection repairs of wagons and repairs of higher-grade locomotives. The consistent application of the Act on Public Contracts leads to the optimisation of prices in the acquisition, renovation, modernisation or repair of railway vehicles, and in the acquisition of external funding to cover the investments in railway vehicles. For the modernisation and repair of railway vehicles, the Company regularly uses worn, but repairable, components (e.g. wheel sets, underframes) from vehicles intended for liquidation. This brings savings in repair costs and the prices of railway vehicle modernisation.

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 as well as the Company's cash flow is assessed. On the basis of these analyses, decisions are made on the optimum use of operating funding.

CREDIT RISK
The Company has in place a system to continuously monitor receivables by individual companies and default periods with a special focus on receivables past due by more than 30 days. The development of past due receivables is dealt with by the Receivables Committee.

To provide additional collateral to support risky receivables, standard tools in various combinations are used. To improve the liquidity level and for the sake of decreasing the amount of receivables and payables, the Company actively pursues a netting policy, giving 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. 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.

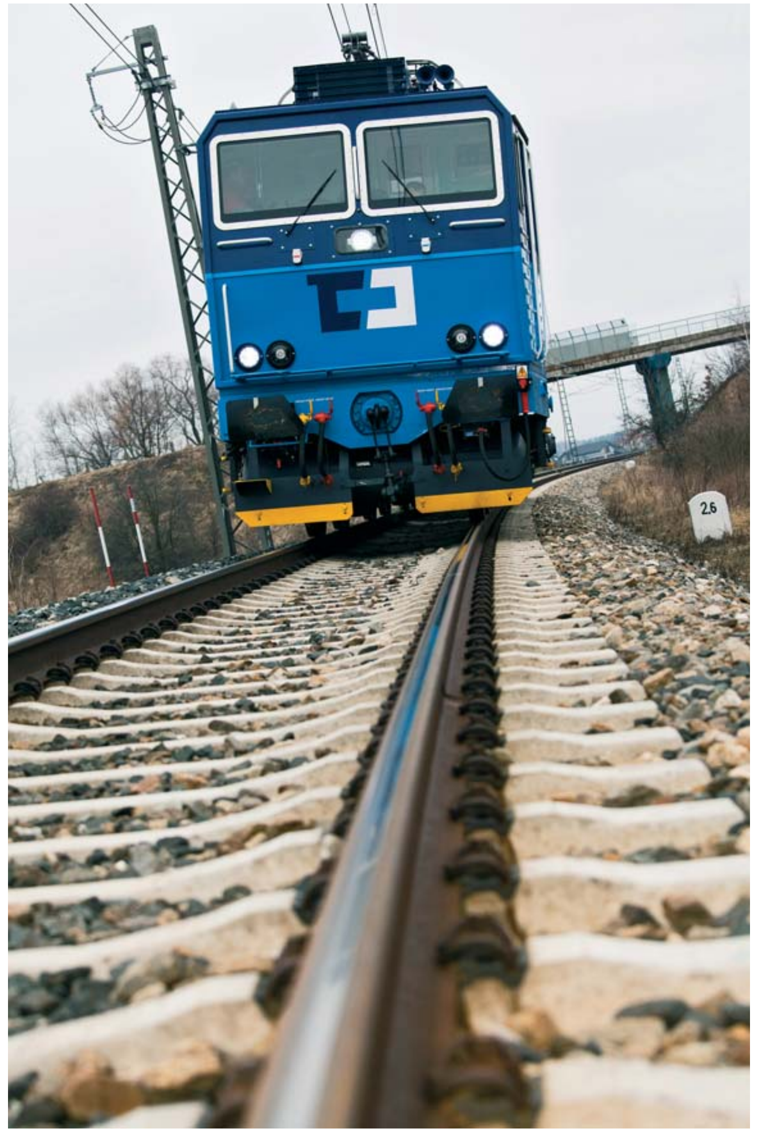
During 2013, the Company mitigated the risk of possible currency strengthening by the continuing mid-term hedging of the exchange rate of the Czech crown against the Euro. With respect to the expected collections in Euro for the performance delivered and the internal price calculation, the hedging of the CZK/EUR exchange rate is in line with the Financial Risk Management Strategy as approved by the Company's Board of Directors.

COMMODITY RISK – PRICE OF RAILWAY DIESEL
Railway diesel used by the Company represents a significant cost component. During 2013, the Company used a medium-term hedging of the diesel price, which reduces 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 the interest rate risk. The interestrate 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, fixed values of interestrate swaps are achieved 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 debt issue was hedged. The hedging was made through an IRS.



10
Anticipated Development, Objectives and Intended Activities

A strategic objective for ČD Cargo for 2014 is to maintain its leading position on the freight transportation market in the Czech Republic and in the Central European region. The Company will seek to obtain new orders related to the anticipated economic revival, maintain the existing business cases and gradually, in the long-term, regain the lost orders and increase volumes. The key task will be to maintain the existing volume of bulk cargo transports, predominantly brown and black coal, coke, iron ore and fuels with concurrent optimisation of capacities for these transports in order to cut the costs and concurrently offer competitive prices.

One of the results of the growing competition on the transportation market is the decline in margins. For this reason, the key task is the extension of the offered service in the full range of the transportation chain in order to be open to end customers, and focus on their needs in both the Czech Republic and abroad. In these activities, the Company will use the potential of the subsidiaries abroad as much as possible. The Company will offer services relating to the transportation route operations to owners of railway sidings – for the maintenance of current, and obtaining of new, transports.

Other activities of ČD Cargo will focus on combined transportation, among other things, with respect to the existing good results from the operations of complete trains transporting road trailers, including new lines opened in 2013. The Company has to be ready for the anticipated increase in transports from China, Russia and other countries. The network of logistics centres has to allow for ČD Cargo to enter the segment of other transports which were formerly the sphere of road transport – such as the supply of food chains and consumer goods transport, etc. Further activities will focus on an increase in the utilisation ratio of the Innofreight system, primarily through a change in their setting from ad hoc transports to stable transports in the long-term (transport of waste, bulk cargo, etc.).

To meet the principal objective defined in the Framework Outlook of ČD Cargo's Operations, i.e. achieving a balanced result in the division of individual shipments in 2017, the Company will continue to implement optimisation measures with the objective of gradually increasing the effectiveness of its capacities.

11
Share Capital

The Amount of the Issued Share Capital

As of the balance sheet date of 31 December 2013, the share capital amounts to CZK 8,494,000 thousand, which was paid in full.

Ownership Structure

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

12 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 2013 AND THE RESULTS OF THE SUPERVISORY ACTIVITIES

During 2013, the Supervisory Board of ČD Cargo, a.s. held eleven 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 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 2012 to 31 December 2012 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 2012 to 31 December 2012 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 2012 to 31 December 2012 with the Auditor's Opinion, the Proposal for the Distribution of ČD Cargo, a.s.'s financial result for the period from 1 January 2012 to 31 December 2012, 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 2012 to 31 December 2012, and the Related Parties Report for the period from 1 January 2012 to 31 December 2012.

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 fifty-seventh 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 2013 and agrees with the content thereof.

In addition, at its fifty-eighth meeting, the Supervisory Board reviewed the following documents: the Report on Relations between Related Parties for the year ended 31 December 2013 with the Auditor's Report, the Financial Statements of ČD Cargo, a.s., for the year ended 31 December 2013, 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 2013, and the Proposal to Allocate the Economic Results of ČD Cargo, a.s., for the year ended 31 December 2013. 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 16 April 2014

Daniel Kurucz
Chairman of the Supervisory Board

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, its rules of procedure 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 2012 to 31 December 2012, 1 January 2013 to 30 September 2013 and 1 January 2013 to 31 December 2013.

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 periods from 1 January 2012 to 31 December 2012 and 1 January 2013 to 31 December 2013, and of preparing the Annual Report of ČD Cargo, a.s. for the years ended 31 December 2012 and 2013.

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 periods from 1 January 2012 to 31 December 2012 and from 1 January 2013 to 31 January 2013 and that the sole shareholder, acting in the capacity of the General Meeting, approve 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 2012 to 31 December 2012 and 1 January 2013 to 31 December 2013, and that the sole shareholder, acting in the capacity of 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 4 April 2014

Oldřich Vojíř
Chairman of the Audit Committee

REPORT OF THE AUDIT COMMITTEE OF ČD CARGO, A.S. ON THE CONSOLIDATED FINANCIAL STATEMENTS OF ČD CARGO, A.S. PREPARED UNDER IFRS FOR THE YEAR FROM 1 JANUARY 2013 TO 31 DECEMBER 2013, 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 2013 to 31 December 2013, 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 2013 to 31 December 2013.

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 2013 to 31 December 2013, 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 2013 to 31 December 2013 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 2013 to 31 December 2013, and the Auditor's Opinion.

Oldřich Vojíř
Chairman of the Audit Committee

REPORT OF THE AUDIT COMMITTEE OF ČD CARGO, A.S. ON THE SEPARATE FINANCIAL STATEMENTS OF ČD CARGO, A.S. PREPARED UNDER IFRS FOR THE YEAR FROM 1 JANUARY 2013 TO 31 DECEMBER 2013, 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 2013 to 31 December 2013, 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 2013 to 31 December 2013.

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 2013 to 31 December 2013, 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 2013 to 31 December 2013 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 2013 to 31 December 2013, and the Auditor's Opinion.

Oldřich Vojíř
Chairman of the Audit Committee

13 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 19 March 2014 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 comprises the balance sheet as of 31 December 2013, 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 2013, 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 Matter
We draw attention to Note 4.11. to the financial statements, which describes the uncertainty relating to the future development of the Company's business and legal disputes and its continuing restructuring and their potential future impact on the Company. Based on legal analyses and the results of proceedings in the current legal disputes and having evaluated all potential risks, current developments of disputes and the progress of the Company's restructuring, the Company reports reserves as of 31 December 2013 which, together with other reserves, total CZK 1,399,051 thousand. Our opinion is not modified in respect of this matter."

REPORT ON THE FINANCIAL STATEMENTS
(IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS)
Based upon our audit, we issued the following audit report dated 28 March 2014 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 2013, 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 2013, 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 Matter
We draw attention to Note 23 to the financial statements, which describes the uncertainty relating to the future development of the Company's business and legal disputes and its continuing restructuring and their potential future impact on the Company. Based on legal analyses and the results of proceedings in the current legal disputes and having evaluated all potential risks, current developments of disputes and the progress of the Company's restructuring, the Company reports provisions as of 31 December 2013 which, together with other provisions, total CZK 1,399,051 thousand. Our opinion is not modified in respect of this matter."

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

Based upon our audit, we issued the following audit report dated 28 March 2014 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 2013, 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 2013, 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 Matter

We draw attention to Note 23 to the financial statements, which describes the uncertainty relating to the future development of the Company's business and legal disputes and its continuing restructuring and their potential future impact on the Company. Based on legal analyses and the results of proceedings in the current legal disputes and having evaluated all potential risks, current developments of disputes and the progress of the Company's restructuring, the Company reports provisions as of 31 December 2013 which, together with other provisions, total CZK 1,410,006 thousand. Our opinion is not modified in respect of this matter."

REPORT ON THE RELATED PARTY TRANSACTIONS REPORT

Based upon our review, we issued the following review report dated 28 March 2014 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 2013. 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 2013 contains material factual misstatements.

REPORT ON THE ANNUAL REPORT

We have also audited the annual report of the Company as of 31 December 2013 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. Those 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 5 May 2014

Audit firm: Certificate no. 79
Deloitte Audit s.r.o.

Statutory auditor: Certificate no. 2037
Václav Loubek

14 Separate Financial Statements (CAS) [1]

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

[1] Chapters relating to financial statements are numbered separately.

Balance Sheet

As of 31. 12. 13 (CZK '000)		31. 12. 13			31. 12. 12
		Gross	Adjustment	Net	Net
	TOTAL ASSETS	32 950 032	18 256 946	14 693 086	14 932 136
B.	**Fixed assets**	**29 585 432**	**18 038 837**	**11 546 595**	**12 252 518**
B.I.	**Intangible fixed assets**	**680 781**	**400 041**	**280 740**	**265 970**
B.I.1.	Start-up costs	28 492	28 492		1 425
B.I.3.	Software	461 102	267 029	194 073	122 354
B.I.4.	Valuable rights	140 389	104 520	35 869	49 174
B.I.7.	Intangible fixed assets under construction	50 798		50 798	93 017
B.II.	**Tangible fixed assets**	**28 378 876**	**17 638 796**	**10 740 080**	**11 794 156**
B.II.1.	Land	81 240		81 240	81 240
B.II.2.	Structures	1 409 822	644 490	765 332	718 389
B.II.3.	Individual movable assets and sets of movable assets	21 213 405	13 628 988	7 584 417	8 256 637
B.II.6.	Other tangible fixed assets	48		48	48
B.II.7.	Tangible fixed assets under construction	62 896		62 896	114 492
B.II.8.	Prepayments for tangible fixed assets	54		54	105 237
B.II.9.	Valuation difference on acquired assets	5 611 411	3 365 318	2 246 093	2 518 113
B.III.	**Non-current financial assets**	**525 775**		**525 775**	**192 392**
B.III.1.	Equity investments - subsidiary (controlled entity)	463 555		463 555	129 458
B.III.2.	Equity investments in associates	56 445		56 445	52 162
B.III.3.	Other securities and investments	19		19	
B.III.4.	Loans and borrowings - controlled or controlling entity, associates	2 436		2 436	7 452
B.III.5.	Other non-current financial assets	3 320		3 320	3 320
C.	**Current assets**	**2 891 274**	**218 109**	**2 673 165**	**2 267 050**
C.I.	**Inventories**	**146 373**		**146 373**	**131 812**
C.I.1.	Material	146 373		146 373	131 812
C.II.	**Long-term receivables**	**74 597**	**68 604**	**5 993**	**3 314**
C.II.1.	Trade receivables	68 604	68 604		
C.II.3.	Receivables - substantial influence				3 211
C.II.5.	Long-term prepayments made	225		225	90
C.II.7.	Other receivables	5 768		5 768	13
C.III.	**Short-term receivables**	**2 229 731**	**149 505**	**2 080 226**	**1 973 859**
C.III.1.	Trade receivables	1 781 612	137 267	1 644 345	1 586 228
C.III.2.	Receivables - controlled or controlling entity	380		380	
C.III.3.	Receivables - substantial influence	8 228		8 228	8 575
C.III.6.	State - tax receivables	86 019		86 019	11 176
C.III.7.	Short-term prepayments made	87 042		87 042	96 288
C.III.8.	Estimated receivables	230 098		230 098	217 554
C.III.9.	Other receivables	36 352	12 238	24 114	54 038
C.IV.	**Current financial assets**	**440 573**		**440 573**	**158 065**
C.IV.1.	Cash on hand	1 584		1 584	1 914
C.IV.2.	Cash at bank	438 989		438 989	156 151
D. I.	**Other assets**	**473 326**		**473 326**	**412 568**
D.I.1.	Deferred expenses	472 677		472 677	412 150
D.I.3.	Accrued income	649		649	418

Balance Sheet

As of 31. 12. 12 (CZK '000)		31. 12. 13	31. 12. 12
	TOTAL LIABILITIES & EQUITY	14 693 086	14 932 136
A.	**Equity**	**6 444 381**	**6 049 221**
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**	**174 633**	**188 559**
A.II.1.	Share premium	138 540	138 540
A.II.3.	Gains or losses from the revaluation of assets and liabilities	36 093	50 019
A.III.	**Statutory funds**	**134 700**	**155 380**
A.III.1.	Statutory reserve fund/Indivisible fund	60 653	60 653
A.III.2.	Statutory and other funds	74 047	94 727
A.IV.	Retained earnings	-2 788 721	-829 932
A.IV.1.	Accumulated profits brought forward	97 331	97 331
A.IV.2.	Accumulated losses brought forward	-2 886 052	-927 263
A.V.	**Profit or loss for the current period (+ -)**	**429 769**	**-1 958 786**
B.	**Liabilities**	**8 225 402**	**8 831 110**
B.I.	**Reserves**	**1 399 051**	**1 320 047**
B.I.4.	Other reserves	1 399 051	1 320 047
B.II.	**Long-term liabilities**	**2 212 724**	**3 208 808**
B.II.5.	Long-term prepayments received		3 803
B.II.6.	Bonds issued	1 500 000	2 500 000
B.II.9.	Other payables	168 575	271 127
B.II.10.	Deferred tax liability	544 149	433 878
B.III.	**Short-term liabilities**	**3 768 936**	**3 442 750**
B.III.1.	Trade payables	1 588 562	2 107 805
B.III.5.	Payables to employees	268 848	275 325
B.III.6.	Social security and health insurance payables	116 313	118 143
B.III.7.	State - tax payables and subsidies	86 185	64 976
B.III.8.	Short-term prepayments received	1 224	40 205
B.III.9.	Bonds issued	1 000 000	
B.III.10.	Estimated payables	375 316	331 599
B.III.11.	Other payables	332 488	504 697
B.IV.	**Bank loans and borrowings**	**844 691**	**859 505**
B.IV.2.	Short-term bank loans	844 691	859 505
C. I.	**Other liabilities**	**23 303**	**51 805**
C.I.1.	Accrued expenses	22 935	49 791
C.I.2.	Deferred income	368	2 014

Profit and Loss Account

As of 31 .12. 13 (CZK'000)		Year ended 31.12.2013	Year ended 31.12.2012
II.	Production	12 712 927	14 100 989
II.1.	Sales of own products and services	12 559 105	13 928 088
II.3.	Own work capitalised	153 822	172 901
B.	Purchased consumables and services	7 264 778	8 642 725
B.1.	Consumed material and energy	2 211 095	2 369 140
B.2.	Services	5 053 683	6 273 585
+	**Added value**	**5 448 149**	**5 458 264**
C.	Staff costs	4 206 240	4 415 993
C.1.	Payroll costs	3 055 193	3 167 942
C.2.	Remuneration to members of statutory bodies	9 855	19 054
C.3.	Social security and health insurance costs	966 649	1 040 195
C.4.	Social costs	174 543	188 802
D.	Taxes and charges	18 720	4 083
E.	Depreciation of intangible and tangible fixed assets	992 417	2 579 867
III.	Sales of fixed assets and material	1 697 748	675 039
III.1.	Sales of fixed assets	1 679 451	658 181
III.2.	Sales of material	18 297	16 858
F.	Net book value of fixed assets and material sold	1 088 614	593 150
F.1.	Net book value of sold fixed assets	1 073 351	581 950
F.2.	Book value of sold material	15 263	11 200
G.	Change in reserves and provisions relating to operating activities and complex deferred expenses	275 734	-2 694
IV.	Other operating income	162 809	170 856
H.	Other operating expenses	164 292	122 042
*	**Operating profit or loss**	**562 689**	**-1 408 282**
VI.	Proceeds from the sale of securities and investments	845	19
J.	Cost of securities and investments sold	8 263	756
VII.	Income from non-current financial assets	17 604	36 114
VII.3.	Income from other non-current financial assets	17 604	36 114
IX.	Income from the revaluation of securities and derivates	82 386	43 514
L.	Costs of the revaluation of securities and derivates	96 162	64 012
X.	Interest income	875	1 775
N.	Interest expenses	88 651	100 114
XI.	Other financial income	524 075	376 676
O.	Other financial expenses	394 466	396 640
*	**Financial profit or loss**	**38 243**	**-103 424**
Q.	Income tax on ordinary activities	171 163	-27 151
Q 1.	- due	38 762	
Q 2.	- deferred	132 401	-27 151
**	**Profit or loss from ordinary activities**	**429 769**	**-1 484 555**
R.	Extraordinary expenses		535 000
S.	Income tax on extraordinary activities		-60 769
S.2.	- deferred		-60 769
*	**Extraordinary profit or loss**		**-474 231**
***	**Profit or loss for the current period (+/-)**	**429 769**	**-1 958 786**
****	**Profit or loss before tax**	**600 932**	**-2 046 706**

ANNUAL REPORT 2013 OF ČD CARGO, A.S.

Statement of Changes in Equity

As of 31 .12. 13 (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 2011	**8 494 000**	**166 175**	**118 062**	**60 653**	**97 331**	**-854 827**	**-72 436**	**8 008 958**
Distribution of profit or loss						-72 436	72 436	
Revaluation of non-current financial assets		25 789						25 789
Change of value of hedging derivatives		-4 204						-4 204
Change in deferred tax on financial derivatives		799						799
Use of the social fund			-23 335					
Profit or loss for the current period							-1 958 789	-1 958 789
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					
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**

Cash Flow Statement

Year ended 31. 12. 2013 (CZK'000)		Year ended 31. 12. 13	Year ended 31. 12. 12
P.	**Opening balance of cash and cash equivalents**	**158 065**	**92 525**
	Cash flows from ordinary activities		
Z.	Profit or loss from ordinary activities before tax	600 932	-1 511 706
A.1.	Adjustments for non-cash transactions	713 169	2 579 323
A.1.1.	Depreciation of fixed assets	992 417	2 579 867
A.1.2.	Change in provisions and reserves	275 734	-2 694
A.1.3.	Profit/(loss) on the sale of fixed assets	-598 681	-76 231
A.1.4.	Revenues from dividends and profit shares	-17 604	-36 114
A.1.5.	Interest expense and interest income	87 776	98 339
A.1.6.	Adjustments for other non-cash transactions	-26 473	16 155
A.*	**Net operating cash flow before changes in working capital**	**1 314 101**	**1 067 617**
A.2.	Change in working capital	65 405	654 456
A.2.1.	Change in operating receivables and other assets	-16 951	53 051
A.2.2.	Change in operating payables and other liabilities	98 290	607 907
A.2.3.	Change in inventories	-15 934	-6 502
A.**	**Net cash flow from operations before tax and extraordinary items**	**1 379 506**	**1 722 073**
A.3.	Interest paid	-88 651	-100 114
A.4.	Interest received	875	1 775
A.5.	Income tax paid from ordinary operations		-6 258
A.7.	Received dividends and profit shares	17 604	36 114
A.***	**Net operating cash flows**	**1 309 334**	**1 653 590**
	Cash flows from investing activities		
B.1.	Fixed assets expenditures	-1 859 307	-2 694 058
B.2.	Proceeds from fixed assets sold	1 204 004	658 181
B.3.	Loans provided to related parties	8 575	8 924
B.***	**Net investment cash flows**	**-646 728**	**-2 026 953**
	Cash flow from financial activities		
C.1.	Change in payables from financing	-359 038	462 238
C.2.	Impact of changes in equity	-20 680	-23 335
C.2.5.	Payments from capital funds	-20 680	-23 335
C.***	**Net financial cash flows**	**-379 718**	**438 903**
F.	**Net increase or decrease in cash and cash equivalents**	**282 888**	**65 540**
R.	**Closing balance of cash and cash equivalents**	**440 953**	**158 065**

1. General Information

1.1. INCORPORATION AND DESCRIPTION OF THE BUSINESS

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 2013, 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 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.

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 solutions for transportation of shipments;
- Lease and other management of motor vehicles; and
- 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; and
- Safety advisory for the transportation of dangerous goods.

As part of its business activities, the Company, in its role as transporter, operated 970 tariff points with dispatching authority for transportation of wagon loads and 1,065 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. predominantly include the fees for the allocation of capacity and use of the railway route in the years ended 31 December 2012 and 2013. The costs for the years ended 31 December 2012 and 2013 are disclosed in Note 4.21.

The income of the Company predominantly includes compensation for increased costs incurred as a result of traffic closures. The income for the years ended 31 December 2012 and 2013 is disclosed in Note 4.23.

As of 31 December 2013, 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 532,046 thousand in the year ended 31 December 2013. In the year ended 31 December 2012, the aggregate net value of the receivables and payables represented a payable of CZK 409,285 thousand.

The Company has been conducting 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 not finalised as of the 2013 financial statements date.

In addition, the Company has been conducting 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 not finalised as of the 2013 financial statements date.

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 the 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 a 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 2013.

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 five-member Board of Directors, the supervisory body is the six-member Supervisory Board. The Company established a three-member Audit Committee, the members of which were appointed by the sole shareholder.

BODIES OF THE COMPANY AS OF 31 DECEMBER 2013:

Board of Directors of ČD Cargo, a.s.

- Oldřich Mazánek, Chairman of the Board of Directors
- Václav Andrýsek, Member of the Board of Directors
- Zdeněk Meidl, Member of the Board of Directors
- Pavel Lamacz, Member of the Board of Directors
- Fifth member – vacant as of 31 December 2013

At its meeting held on 30 May 2013, the Board of Directors discussed the written announcement on the resignation of the member, Vlastimil Chobot. His position of the member of the Board of Directors expired on 31 May 2013. On 24 June 2013, České dráhy, a.s., as the sole shareholder of the Company, acting in the capacity of the General Meeting, appointed Zbyšek Wacławik a member of the Board of Directors with effect from 24 June 2013.

On 31 July 2013, České dráhy, a.s., as the sole shareholder of the Company, acting in the capacity of the General Meeting, recalled Petr Žaluda as Chairman of the Board of Directors and appointed Pavel Lamacz a member of the Board of Directors with effect from 1 August 2013.

At its meeting held on 1 August 2013, the Board of Directors discussed the written announcement on the resignation of the member, Zbyšek Wacławik. His position of the member of the Board of Directors expired on 1 August 2013.

On 20 August 2013, 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 the Company which defined that the Board of Directors will newly have five members.

On 20 August 2013, České dráhy, a.s., as the sole shareholder of the Company, acting in the capacity of the General Meeting, appointed Oldřich Mazánek, Václav Andrýsek, and Zdeněk Meidl members of the Board of Directors with effect from 26 August 2013.

At its meeting held on 26 August 2013, the Board of Directors appointed Oldřich Mazánek Chairman of the Board of Directors.

At its meeting held on 11 November 2013, the Board of Directors discussed the written announcement on the resignation of the member of the Board of Directors, Petr May. His position of the member of the Board of Directors expired on 11 November 2013.

Supervisory Board of ČD Cargo, a.s.

- Dalibor Zelený, Chairman of the Supervisory Board
- Zdeněk Žemlička, Member of the Supervisory Board
- Dušan Svoboda, Member of the Supervisory Board
- Miroslav Zámečník, Member of the Supervisory Board
- Radek Nekola, Member of the Supervisory Board
- Jindřich Nohal, Member of the Supervisory Board

On 20 August 2013, České dráhy, a.s., as the sole shareholder of the Company, acting in the capacity of the General Meeting, recalled Milan Špaček and Zdeněk Prosek as members of the Supervisory Board with effect from 25 August 2013. In addition, it appointed Dušan Svoboda, Dalibor Zelený and Zdeněk Žemlička members of the Supervisory Board with effect from 26 August 2013.

At its meeting held on 18 September 2013, the Supervisory Board appointed Dalibor Zelený Chairman of the Supervisory Board.

Administration Board of ČD Cargo, a.s.

On 3 September 2013, České dráhy, a.s., as the sole shareholder of the Company, acting in the capacity of the General Meeting, decided to cancel the Administration Board of the Company. Concurrently, all its members were recalled.

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

No changes were made in this body during the reporting period.

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 2013 are prepared as follows:

- The balance sheet contains the information as of 31 December 2013 and the comparative information as of 31 December 2012;
- The profit and loss account contains information for the year ended 31 December 2013 and the comparative information for the year ended 31 December 2012;
- The statement of changes in equity contains the information for the year ended 31 December 2013 and the comparative information for the year ended 31 December 2012 or 2011; and
- The cash flow statement contains the information for the year ended 31 December 2013 and the comparative information for the year ended 31 December 2012.

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, fixed 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 in respect of 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 was 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 from 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.

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 time of use separately from other components and from the remaining part of assets or a set of assets.

As disclosed in Note 3.19.1., the Company changed the estimate upon the depreciation of components from the time depreciation to the mileage depreciation from the year beginning on 1 January 2013.

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 in respect of 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.

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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); and
- 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 is 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; and
- 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. Other entities are excluded pursuant to an individual assessment (e.g. based on an agreement on a repayment schedule, etc). In addition to the above defined rules, non-deductible tax 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-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.

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 that 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. YEAR-ON-YEAR CHANGES IN ACCOUNTING ESTIMATES

3.19.1. Impairment of Tangible Fixed Assets
As disclosed in Note 3.14, 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).

In the comparative period ended 31 December 2012, the Company recognised impairment primarily in respect of wagons and traction vehicles intended for scrapping and whose recoverable value was estimated to be lower than their net book value as of 31 December 2012.

In the year ended 31 December 2013, the Company continued applying the above accounting policy primarily with regard to railway vehicles intended for scrapping. However, given the changes in the approach to the scope and frequency of inspection repairs (components) with respect to wagons and the subsequent change in their depreciation, the accounting policy regarding the review of the assets for impairment was fine-tuned and amended. Based on the decrease in the number of performed inspection repairs, other wagons were identified during the year ended 31 December 2013 which were temporarily impaired.

The above change/revision of the accounting policy negatively impacted profit through the recognition of the provision against wagons that did not pass the technical inspection in the amount of CZK 136,193 thousand in the year ended 31 December 2013.

3.19.2. Component Depreciation
As disclosed in Note 3.1.1, the Company depreciates the component over the time of use separately from other components and from the remaining part of assets or a set of assets in accordance with Section 56a (3) or (5) of Regulation No. 500/2002 Coll.

Starting from 1 January 2013, the Company has changed the method of the policy of depreciating components in traction vehicles and wagons from the time depreciation to the mileage depreciation. The new component depreciation method is described in detail in Note 3.1.1.

In the year ended 31 December 2012, the component depreciation plan in respect of wagons corresponded to the frequency of technical inspections. The depreciation period of components in wagons was as follows:

Wagons with the speed lower than 120 km/hour .... 2 years
Wagons with the speed lower than 100 km/hour .... 6 years
Wagons with short spring carriers .... 4 years

In regard to traction vehicles whose frequency of repairs depends on the mileage the average depreciation period was determined on the basis of a reasonable estimate of the Maintenance and Repairs of Railway Vehicles Department specialists for each series of traction vehicles in the year ended 31 December 2012. The average depreciation period for general repairs ranged from 4 to 12 years, for major repairs from 8 to 24 years.

In the year ended 31 December 2013, the depreciation of components in wagons and traction vehicles is made on the basis of the actual mileage per month (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 maximum mileage which is determined for the specific type of the major and general repair of traction vehicles and inspection repair of wagons. As of the transition date, ie 1 January 2013, the rate per 1 kilometre in wagons and traction vehicles was determined as a proportion of the net book value as of 1 January 2013 of the relevant component and the number of the remaining kilometres that remained to the maximum mileage in individual wagons and traction vehicles.

The above changes in the depreciation of components in the year ended 31 December 2013 positively impacted the profit in the amount of CZK 218,258 thousand.

3.19.3. Depreciation to the Amount of the Anticipated Residual Value
In line with Regulation No. 500/2002 Coll., Section 56 (3), the Company changed the depreciation of traction vehicles and wagons to the anticipated residual value in the year starting on 1 January 2013.

The anticipated residual value is taken to mean a justifiable positive estimated amount that the Company could obtain at the moment of the anticipated disposal of assets, less the anticipated costs relating to its disposal. The anticipated residual value of wagons and traction vehicles is based on the value of the scrap that can be obtained upon liquidation.

The above change in the depreciation policy in the year ended 31 December 2013 positively impacted the profit in the amount of CZK 114,331 thousand.

3.19.4. Change in the Cash Flow Statement for 2012
In the year ended 31 December 2013, the Company changed the reporting of cash flows in relation to intercompany loans.

In the financial statements for the year ended 31 December 2012, the cash flow statement line B.3. 'Loans provided to related parties' amounted to CZK 0. For the sake of the comparability of the financial statements for 2012 and 2013, the value in this line was changed to CZK 8,924 thousand. Concurrently, reclassifications were made in lines A.2.1. 'Change in operating receivables and other assets' from CZK 56,011 thousand to CZK 53,051 thousand and line B.1. 'Fixed assets expenditures' from CZK (2,688,093) thousand to CZK (2,694,058) thousand.

3.20. 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 2013	31 Dec 2012
Cash on hand and cash in transit	1 584	1 914
Cash at bank	438 989	156 151
Cash on the cash-pooling account	380	0
Total cash and cash equivalents	**440 953**	**158 065**

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 at 31 Dec 2011	Additions	Disposals	Transfers	Balance at 31 Dec 2012	Additions	Disposals	Transfers	Balance at 31 Dec 2013
Start-up costs	28 492	0	0	0	28 492	0	0	0	28 492
Software	346 165	31 108	0	0	377 273	109 444	25 615	0	461 102
Valuable rights	134 481	4 755	0	0	139 236	1 532	379	0	140 389
Intangible FA under construction	41 994	98 524	47 501	0	93 017	70 568	112 787	0	50 798
Total	**551 132**	**134 387**	**47 501**	**0**	**638 018**	**181 544**	**138 781**	**0**	**680 781**

Accumulated Amortisation

(CZK '000)	Balance at 31 Dec 2011	Additions	Disposals	Transfers	Balance at 31 Dec 2012	Additions	Disposals	Transfers	Balance at 31 Dec 2013
Start-up costs	21 369	5 698	0	0	27 067	1 425	0	0	28 492
Software	211 333	43 586	0	0	254 919	37 725	25 615	0	267 029
Valuable rights	71 796	18 266	0	0	90 062	14 837	379	0	104 520
Total	**304 498**	**67 550**	**0**	**0**	**372 048**	**53 987**	**25 994**	**0**	**400 041**

Net Book Value

(CZK '000)	Balance at 31 Dec 2011	Balance at 31 Dec 2012	Balance at 31 Dec 2013
Start-up costs	7 123	1 425	0
Software	134 832	122 354	194 073
Valuable rights	62 685	49 174	35 869
Intangible FA under construction	41 994	93 017	50 798
Total	**246 634**	**265 970**	**280 740**

Intangible fixed assets predominantly include the operational business information system – PROBIS, which was put into use in 2013, in the amount of CZK 72,164 thousand, i.e. the amount reduced by the financial support from OPD. Intangible assets additionally include the information system supporting the activities of the freight transport not financed from the subsidy, 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.

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 to the date of the formation of the Company of CZK 28,492 thousand; the amortisation charge in the year ended 31 December 2013 amounted to CZK 1,425 thousand, the remaining net book value of start-up costs was fully amortised in March 2013. In the year ended 31 December 2012, the amortisation charge amounted to CZK 5,698 thousand.

4.2. TANGIBLE FIXED ASSETS

Cost

(CZK '000)	Balance at 31 Dec 2011	Additions	Disposals	Transfers	Balance at 31 Dec 2012	Additions	Disposals	Transfers	Balance at 31 Dec 2013
Land	81 240	0	0	0	81 240	0	0	0	81 240
Buildings	1 236 291	95 524	1 829	0	1 329 986	80 067	231	0	1 409 822
Individual movable assets	20 542 774	2 329 689	802 204	0	22 070 259	1 128 665	1 985 519	0	21 213 405
of which components	*3 059 646*	*832 583*	*161 583*	*0*	*3 730 646*	*435 298*	*396 934*	*-258*	*3 768 752*
Machinery and equipment	*435 078*	*57 295*	*17 584*	*9 395*	*484 184*	*4 538*	*6 381*	*6 000*	*488 341*
Vehicles	*20 099 029*	*2 272 368*	*782 689*	*-9 498*	*21 579 210*	*1 124 127*	*1 978 070*	*-6 000*	*20 719 267*
Furniture and fixtures	*8 667*	*26*	*1 931*	*103*	*6 865*	*0*	*1 068*	*0*	*5 797*
Works of art	48	0	0	0	48	0	0	0	48
Tangible fixed assets under construction	109 229	2 475 084	2 469 821	0	114 492	1 157 136	1 208 732	0	62 896
Prepayments for tangible fixed assets	239 400	1 479 130	1 613 293	0	105 237	125 954	231 137	0	54
Valuation difference on acquired assets	5 611 411	0	0	0	5 611 411	0	0	0	5 611 411
Total	**27 820 393**	**6 379 427**	**4 887 147**	**0**	**29 312 673**	**2 484 950**	**3 425 619**	**0**	**28 378 876**

Accumulated Depreciation

(CZK '000)	Balance at 31 Dec 2011	Additions	Disposals	Transfers	Balance at 31 Dec 2012	Additions	Disposals	Transfers	Balance at 31 Dec 2013
Buildings	584 375	28 197	975	0	611 597	32 977	221	0	644 353
Individual movable assets	13 048 600	922 374	215 006	0	13 755 968	632 817	909 043	0	13 479 742
of which components	*1 056 727*	*496 895*	*51 100*	*0*	*1 502 522*	*327 023*	*141 997*	*-8*	*1 687 540*
Machinery and equipment	*290 027*	*28 240*	*13 375*	*8 137*	*313 029*	*29 938*	*6 159*	*3 891*	*340 699*
Vehicles	*12 750 618*	*893 918*	*199 760*	*-8 065*	*13 436 711*	*602 716*	*901 838*	*-3 891*	*13 133 698*
Furniture and fixtures	*7 955*	*216*	*1 871*	*-72*	*6 228*	*163*	*1 046*	*0*	*5 345*
Valuation difference on acquired assets	1 527 551	1 565 747	0	0	3 093 298	681 759	409 739	0	3 365 318
Total	**15 160 526**	**2 516 318**	**215 981**	**0**	**17 460 863**	**1 347 553**	**1 319 003**	**0**	**17 489 413**

Provisions

(CZK '000)	Balance at 31 Dec 2011	Additions	Disposals	Balance at 31 Dec 2012	Additions	Disposals	Balance at 31 Dec 2013
Buildings	0	0	0	0	137	0	137
Individual movable assets	107 527	57 654	107 527	57 654	91 592	0	149 246
Vehicles	*107 527*	*57 654*	*107 527*	*57 654*	*91 592*	*0*	*149 246*
Prepayments for tangible FA	3 700	5 000	8 700	0	0	0	0
Total	**111 227**	**62 654**	**116 227**	**57 654**	**91 729**	**0**	**149 383**

Net Book Value

(CZK '000)	Balance at 31 Dec 2011	Balance at 31 Dec 2012	Balance at 31 Dec 2013
Land	81 240	81 240	81 240
Buildings	651 916	718 389	765 332
Individual movable assets	7 386 647	8 256 637	7 584 417
of which components	*2 002 919*	*2 228 124*	*2 081 212*
Machinery and equipment	*145 051*	*171 155*	*147 642*
Vehicles	*7 240 884*	*8 084 845*	*7 436 323*
Furniture and fixtures	*712*	*637*	*452*
Works of art	48	48	48
Tangible fixed assets under construction	109 229	114 492	62 896
Prepayments for tangible fixed assets	235 700	105 237	54
Valuation difference on acquired assets	4 083 860	2 518 113	2 246 093
Total	**12 548 640**	**11 794 156**	**10 740 080**

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 149,246 thousand.

Principal additions to individual movable assets in the year ended 31 December 2013 included the modernisation of the 363.5 series traction vehicles of CZK 447,111 thousand, major and general repairs (components) of traction vehicles of CZK 375,558 thousand, purchase of wagons after the lease of CZK 200,263 thousand, inspection repairs (components) of wagons of CZK 59,482 thousand and improvements on wagons of CZK 48,486 thousand.

In the years ended 31 December 2013 and 2012, the Company acquired tangible fixed assets recognised in expenses in the amounts of CZK 25,908 thousand and CZK 30,360 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 54 thousand and CZK 105,237 thousand as of 31 December 2013 and 2012, respectively.

In 2012, the Company decided to restructure its rolling stock and selected 4,700 wagons and approximately 100 traction vehicles for scrapping. In respect of this planned transaction, the Company reported the above-stated provision against vehicles of CZK 57,654 thousand and an extraordinary write-off of the valuation difference of CZK 1,191,653 thousand.

In the year ended 31 December 2013, the Company scrapped several traction vehicles. In respect of 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 remaining parts of wagons intended for direct scrapping. Management of the Company anticipates that the scrapping process will be largely performed during 2014.

4.2.1. Fixed Assets Pledged as Security

As of 31 December 2013 and 2012, no assets of the Company were pledged as security.

4.2.2. Investment Grants

In the year ended 31 December 2013, the Company received investment grants in the aggregate amount of CZK 59,123 thousand, of which CZK 57,827 thousand was for the PROBIS information system and CZK 1,297 thousand was for the thermal insulation of buildings. In 2012, investment grants amounted to CZK 58,413 thousand.

4.2.3. Assets Held under Finance Leases

Finance Leases

Description (CZK'000)	Date of inception	Term in months	Total lease value (net of VAT)	Payments made at 31 Dec 2013 from the inception	To be paid in total including the purchase	Due in 2014	Due in the following years
Locomotive 709	1/07	120	55 780	39 056	16 724	5 458	11 266
Locomotive 753	12/08	120	1 149 490	493 130	656 360	112 898	543 462
Locomotive 230	12/10	120	272 268	111 925	160 343	23 181	137 162
TV 363 ČSOB 1st tranche	12/12	120	396 274	83 235	313 039	34 782	278 257
TV 363 SGE 1st tranche	12/12	120	394 886	82 943	311 943	34 661	277 282
TV 363 ČSOB 2nd tranche	7/13	120	420 224	65 777	354 447	36 986	317 461
TV 363 SGE 2nd tranche	7/13	120	420 359	65 798	354 561	36 997	317 564
Wagons:							
Sgnss	1/07	120	412 994	282 010	130 984	40 228	90 756
Sgnss – general agreement	10/05	96	143 171	143 171	0	0	0
Habbilnss	12/05	96	851 130	830 376	20 754	20 754	0
Zacns	4/06	96	79 251	75 997	3 254	3 254	0
Tadnss/Tadgnss	5/06	96	285 454	267 467	17 987	17 987	0
Sggmrss 90´	12/07	60	381 804	381 804	0	0	0
Sggrss 80´	7/08	60	709 065	689 132	19 933	19 933	0
Zacns	10/10	120	199 872	62 611	137 261	19 982	117 279
wagons 1,145 pieces	12/09	120	1 476 505	747 505	729 000	121 500	607 500
Total			**7 648 527**	**4 421 937**	**3 226 590**	**528 601**	**2 697 989**

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 as of the end of the reporting period, however, for the first time as of 31 December 2011 it changed by more than 1% as compared to the 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 receivables 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 as of the end of the reporting period, however, for the first time as of 31 December 2011 it changed by more than 1% as compared to the 12M PRIBOR applicable for the first period.

On 14 December 2012, ČD Cargo, a.s. concluded a contract for the funding of the traction vehicles 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 the traction vehicles 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 the traction vehicles modernisation 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 the traction vehicles modernisation of traction vehicles 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.

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 36,379 thousand as of 31 December 2013. During 2013, payments made amounted to CZK 18,232 thousand. During 2012, the instalments made amounted to CZK 21,159 thousand.

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 2013 and 2012 amounted to CZK 38,829 thousand and CZK 36,854 thousand, respectively. The total operating lease payments as of 31 December 2013 and 2012 amounted to CZK 10,749 thousand and CZK 9,521 thousand, respectively.

4.3. NON-CURRENT FINANCIAL ASSETS

Cost

(CZK'000)	Carrying value				Carrying value				Carrying value
	Balance at 31 Dec 2011	Addition	Disposal	Revaluation at 31 Dec 2012	Balance at 31 Dec 2012	Addition	Disposal	Revaluation at 31 Dec 2013	Balance at 31 Dec 2013
Equity investments in subsidiaries	102 344	11 796	756	16 074	129 458	266 240	11 845	79 721	463 555
Equity investments in associates	43 202	0	0	8 960	52 162	0	0	4 283	56 445
Total	**145 546**	**11 796**	**756**	**25 034**	**181 620**	**266 240**	**11 845**	**84 004**	**520 000**

4.3.1. Equity Investments in Subsidiaries

Year Ended 31 December 2013

Name of the entity (CZK'000)	Registered office	Valuation at 31 Dec 2012	Addition	Disposal	Revaluation	Ownership percentage	Equity	Profit or loss	Valuation at 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	4 049	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**	**11 845**	**79 721**				**463 555**

- Equity and profit or losses of certain entities are preliminary unaudited figures.

Year Ended 31 December 2012

Name of the entity (CZK'000)	Registered office	Valuation at 31 Dec 2011	Addition	Disposal	Revaluation	Ownership percentage	Equity	Profit or loss	Valuation at 31 Dec 2012
CD Generalvertretung GmbH	Kaiserstrasse 60, 60 329 Frankfurt am Main, Germany	16 270	0	0	2 343	100	18 613	17 356	18 613
Koleje Czeskie Sp. z o.o.	Grzybowska nr 4, lok. 3, 00-131Warsaw, Poland	22 899	0	0	20 499	100	43 399	29 293	43 398
CD – Generalvertretung Wien GmbH	Rotenturmstraße 22/24, 1010 Vienna, Austria	6 939	0	0	-5 095	100	1 844	31	1 844
Generálne zastúpenie ČD Cargo, s.r.o.	Prievozská 4/B, 821 09 Bratislava	6 739	0	0	-3 706	100	3 033	1 405	3 033
Terminal Brno, a.s.	Brno, K terminálu 614/11, 619 00	33 312	10 840	0	1 812	66.94	68 667	653	45 964
ČD-DUSS Terminál, a.s.	Lovosice, Lukavecká 1189, 410 02	3 203	0	0	311	51	6 890	609	3 514
ČD Trans s.r.o.	Leninova 22, 224005 Brest, Belarus	0	756	756	0	0	0	0	0
ČD Logistics, a.s.	Prague 1, Opletalova 1284/37, 110 00	12 982	0	0	-90	56	23 022	-161	12 892
Auto Terminal Nymburk, s.r.o.	Jankovcova 1569/2c, 170 00 Prague 7	0	200	0	0	100	200	0	200
Total		**102 344**	**11 796**	**756**	**16 074**				**129 458**

- Equity and profit or losses 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% (ie 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% (ie 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 transaction 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. (i.e. CZK 3,400 thousand). On 2 December 2009, ČD Cargo, a.s. purchased a 22% equity share in ČD Logistics, a.s. (i.e. CZK 2,200 thousand). Currently, ČD Cargo, a.s. holds the total of 56% of the share capital of ČD Logistics, a.s. (i.e. CZK 5,600 thousand). The company is managed using 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 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 ČD Cargo, a.s. and shipping.

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 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 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 ČD Cargo, a.s. and shipping.

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 has been 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 amounts to CZK 200 thousand. The equity investment of the Company in this entity is 51% (i.e. CZK 102 thousand). The company is engaged in shipping.

4.3.2. Equity Investments in Associates

Year Ended 31 December 2013

Name of the entity (CZK '000)	Registered office	Valuation at 31 Dec 2012	Revaluation	Ownership percentage	Equity	Profit or loss	Valuation at 31 Dec 2013
BOHEMIAKOMBI, spol. s r.o.	Opletalova 6, Prague 1, 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.	Trnkovo nám. 3, 1112, Prague 5, 152 00	9 693	2 357	50	24 101	8 003	12 050
Total		**52 162**	**4 283**				**56 445**

- Equity and profit or losses of certain entities are preliminary unaudited figures

Year Ended 31 December 2012

Name of the entity (CZK '000)	Registered office	Valuation at 31 Dec 2011	Revaluation	Ownership percentage	Equity	Profit or loss	Valuation at 31 Dec 2012
BOHEMIAKOMBI, spol. s r.o.	Opletalova 6, Prague 1, 110 00	4 420	94	30	15 047	311	4 514
Ostravská dopravní společnost, a.s.	Ostrava, Přívoz, U Tiskárny 616/9, 702 00	34 243	3 712	20	189 774	38 756	37 955
RAILLEX a.s.	Prague 5, Trnkovo nám. 3, 1112, 152 00	4 539	5 154	50	19 387	11 240	9 693
Total		**43 202**	**8 960**				**52 162**

- Equity and profit or losses 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 % (i.e. 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 (i.e 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 using the "German" governance method. The company is engaged in operating railway transportation and lease of locomotives.

4.3.3. Loans and Borrowings to Associates

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 table below shows the current balance of outstanding receivables.

Balance at 31 December 2013

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

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 the 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".

Balance at 31 December 2012

LOAN (CZK '000)	Long-term portion of the loan	Short-term portion of the loan	Total
Principal	7 200	4 800	12 000
Interest	252	409	661
Total	**7 452**	**5 209**	**12 661**
RAILWAY SIDING	**Long-term portion of the receivable**	**Short-term portion of the receivable**	**Total**
Principal	3 095	3 095	6 190
Interest	116	271	387
Total	**3 211**	**3 366**	**6 577**

The long-term portion of the unpaid loan including interest as of 31 December 2012 of CZK 7,452 thousand is presented in financial statements line B.III.4. "Loans and borrowings – controlled or controlling entity". The short-term portion of CZK 5,209 thousand is presented in line C.III.3. "Receivables – substantial influence".

The long-term receivable arising from the sale of a railway siding including the interest of CZK 3,211 thousand is presented in line C.II.3. "Receivables – substantial influence". The short-term portion of CZK 3,366 thousand is presented in line C.III.3. "Receivables – substantial influence".

4.4. INVENTORY

(CZK '000)	31 Dec 2013	31 Dec 2012
Spare parts and other components for rail vehicles and locomotives	55 447	50 901
Other spare parts and other low value components	74 415	65 799
Fuels and other crude oil based products	3 865	4 035
Rail switches, turntables, traversers and components for the track superstructure	900	900
Work shoes and protective supplies	805	731
Other	10 941	9 446
Total acquisition cost	**146 373**	**131 812**
Provisions	0	0
Net balance	**146 373**	**131 812**

In the years ended 31 December 2013 and 2012, 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 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
31 Dec 2012 gross	1 699 335	1 463 087	236 248	62 160	14 301	15 857	19 903	124 027
31 Dec 2012 provisions	-113 107	0	-113 107	-4 775	-6 096	-4 118	-9 729	-88 389
31 Dec 2012 net	1 586 228	1 463 087	123 141	57 385	8 205	11 739	10 174	35 638

Receivables past their due date principally include receivables arising from unpaid VAT by foreign railway organisations and receivables from railway organisations from the Balkans. The Company actively negotiates with debtors; these receivables are gradually repaid by the foreign railway organisations specifically in the form of mutual offsets and repayment schedules.

Provisions against receivables as of 31 December 2013 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 at 31 Dec 2013	Balance at 31 Dec 2012
České dráhy a.s.	6 130	8 890
ČD – Telematika, a.s.	18	85
ČD – Informační Systémy, a.s.	0	0
DPOV, a.s.	1 586	15 997
ČD travel, s.r.o.	0	0
Dopravní vzdělávací institut, a.s.	0	0
Výzkumný Ústav Železniční, a.s.	1 959	1 272
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	31 984	17 350
CD Generalvertretung Wien GmbH	230	0
Koleje Czeskie Sp. z o.o.	285 907	28 867
Generálne zastúpenie ČD Cargo, s.r.o.	7 903	72
ČD Logistics, a.s.	103 448	87 089
ČD-DUSS Terminal, a.s.	12	0
Terminal Brno, a.s.	25	78
RAILLEX, a.s.	3 622	5039
BOHEMIAKOMBI, spol. s r.o.	1 713	1 131
Ostravská dopravní společnost, a.s.	10 087	27 305
Total short-term intercompany receivables	**454 624**	**193 175**

4.6. ESTIMATED RECEIVABLES

As of 31 December 2013 and 31 December 2012, the Company recognised estimated receivables as follows:

(CZK '000)	31 Dec 2013	31 Dec 2012
Income from international transportation of wagon loads - export	17 928	14 324
Income from international transportation of wagon loads - import	24 247	19 912
Income from international transportation of wagon loads - transit	44 320	45 506
Income from local transportation of wagon loads	0	0
Income from border services	34 099	38 602
Estimated receivables - ČD, a.s.	4	4
Other estimated receivables (lease and repairs of wagons, financial bonuses, damages)	109 500	99 206
Total estimated receivables	**230 098**	**217 554**

4.7. OTHER RECEIVABLES

As of 31 December 2013 and 2012, other receivables amounted to CZK 24,114 thousand and CZK 54,038 thousand, respectively. As of 31 December 2013, these are primarily short-term receivables arising from deficits and damage of CZK 26,416 thousand and CZK 30,642 thousand and receivables arising from derivative transactions of CZK 6,294 thousand and CZK 17,523 thousand, respectively.

In the year ended 31 December 2013, the Company recognised tax non-deductible provisions of CZK 12,238 thousand on the basis of the individual assessment of potential recoverability of receivables.

4.8. DEFERRED EXPENSES

Deferred expenses amounted to CZK 473,326 thousand and CZK 412,568 thousand as of 31 December 2013 and 31 December 2012, respectively. As of 31 December 2013, this amount predominantly included finance lease installments of CZK 368,111 thousand. As of 31 December 2012, these payments amounted to CZK 312,264 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 2013, 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 2013.

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

(CZK '000)	31 Dec 2013	31 Dec 2012
Valuation of derivatives hedging future cash flows	-157 423	-40 942
Valuation of an equity investment accounted for using the equity method of accounting	163 606	83 182
Deferred tax on derivatives	29 910	7 779
Total	36 093	50 019

4.11. RESERVES

(CZK '000)	Balance at 31 Dec 2011	Recognition	Use	Balance at 31 Dec 2012	Recognition	Use	Balance at 31 Dec 2013
Reserve for complaints	17 587	44 962	17 587	44 962	34 788	65 644	14 106
Reserve for legal disputes	16 893	52 732	16 252	53 373	52 921	16 650	89 644
Reserve for outstanding vacation days	25 827	27 676	25 827	27 676	26 764	27 676	26 764
Reserve for business risks	390 000	149 988	0	539 988	362 959	0	902 947
Reserve for restructuring	110 365	535 000	110 365	535 000	0	285 027	249 973
Reserve for employee benefits	105 800	55 253	52 550	108 503	26 620	34 993	100 130
Reserve for the fee for the use of trademark	95 000	0	95 000	0	0	0	0
Other	6 410	11 705	7 570	10 545	31 666	26 724	15 487
Total	**767 882**	**877 316**	**325 151**	**1 320 047**	**535 718**	**456 714**	**1 399 051**

After having considered all existing legal analyses and the 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 increase the amount of the non-tax deductible reserve to cover potential expenses relating to potential risks for business transactions by CZK 362,959 thousand. The total reserve at the end of the reporting period amounted to CZK 902,947 thousand.

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 useof CZK 285,027 thousand to the balance of CZK 249,973 thousand as of 31 December 2013. These funds will be available to the Company to cover the costs relating to the restructuring in the following reporting period.

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 100,130 thousand using an actuarial model. For details on this model, refer to Note 3.

4.12. LONG-TERM PAYABLES

(CZK '000)	31 Dec 2013	31 Dec 2012
Long-term prepayments received	0	3 803
Issued bonds	1 500 000	2 500 000
Long-term supplier payables	117 913	199 983
Derivative financial instruments	50 662	71 144
Total	**1 668 575**	**2 774 930**

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 oustanding 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.

The following bonds issues were issued 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
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 intrerest	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

As part of the terms underlying the bonds issue at Komerční banka, a.s., the investors have an option in respect of the maturity of the total amount of issued debt securities of CZK 1 billion, this option is exercisable as of 20 June 2014. For this reason, the value of the issue was reclassified from the long-term portion to the short-term portion and is reported in line B.III.9 'Bonds issued'.

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 2013	1 588 562	1 520 205	68 357	68 115	7	235	0	0
31 Dec 2012	2 107 805	2 085 780	22 025	14 461	18	7 546	0	0

4.13.2. Intercompany Payables

Short-term trade payables

Name of the entity (CZK '000)	Balance at 31 Dec 2013	Balance at 31 Dec 2012
České dráhy a.s.	266 069	270 121
ČD – Telematika, a.s.	6 631	6 317
ČD - Informační Systémy, a.s.	59 753	51 239
DPOV, a.s.	42 595	58 258
ČD travel, s.r.o.	2 993	2 981
Dopravní vzdělávací institut, a.s.	2 028	2 457
Výzkumný Ústav Železniční, a.s.	0	0
RAILREKLAM, spol. s r.o.	0	0
Jídelní a lůžkové vozy, a.s.	104	185
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	3 032	2 444
CD Generalvertretung Wien GmbH	0	0
Koleje Czeskie Sp. z o.o.	1 851	8 858
Generálne zastúpenie ČD Cargo, s.r.o.	275	2 605
ČD Logistics, a.s.	513	4 001
ČD-DUSS Terminal, a.s.	0	0
Terminal Brno, a.s.	375	957
RAILLEX, a.s.	120	0
BOHEMIAKOMBI, spol. s r.o.	0	0
Ostravská dopravní společnost, a.s.	5 457	7 811
Total short-term payables	**391 796**	**418 234**

4.13.3. Other Payables

As of 31 December 2013, other payables primarily include a short-term portion of supplier payables of CZK 141,480 thousand and short-term derivative financial instruments of CZK 139,240 thousand. As of 31 December 2012, short-term supplier payables amounted to CZK 429,962 thousand and short-term derivative financial instruments amounted to CZK 28,954 thousand.

4.14. ESTIMATED PAYABLES

As of 31 December 2013 and 31 December 2012, the Company recognised estimated payables as follows:

(CZK '000)	31 Dec 2013	31 Dec 2012
Unbilled non-investment supplies	69 475	108 113
Unbilled investment supplies	34	184
Expenses for border services	31 559	36 373
Estimated payables - ČD-T, a.s.	7	6
Estimated payables - ČD, a.s.	41 574	30 960
Estimated payables – CD Generalvertretung GmbH	52 059	35 525
Other estimated payables (predominantly repairs and lease of wagons)	180 608	120 438
Total estimated payables	**375 316**	**331 599**

4.15. BANK LOANS

4.15.1. Long-Term Bank Loans

The Company used no long-term loans as of 31 December 2013 and 2012.

4.15.2. Short-Term Bank Loans

Balance at 31 December 2013

Bank (CZK '000)	Loan currency	Balance at 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*

Balance at 31 December 2012

Bank (CZK '000)	Loan currency	Balance at 31 Dec 2012	Interest rate	Form of collateral
Československá obchodní banka, a.s.	CZK	183 294	O/N Pribor+0.80 p.a.	No collateral
Komerční banka, a.s. - revolving	CZK	0	O/N Pribor+0.78 p.a.	No collateral
Komerční banka, a.s.	CZK	0	O/N Pribor+0.98 p.a.	No collateral
Všeobecná úvěrová banka, a.s.	CZK	333 373	O/N Pribor+0.65 p.a.	No collateral
ING Bank N. V.	CZK	158 944	O/N Pribor+0.38 p.a.	No collateral
Citi Bank Europe, plc	CZK	183 894	O/N Pribor+0.45 p.a.	No collateral
Total		**859 505**		

4.15.3. Short-Term Financial Borrowings
During the years ended 31 December 2012 and 2013, the Company used no debt bills.

4.15.4. Strategy for Funding the Company's Subsequent Years

Lease-back
In 2013, the Company made the first tranche of the lease-back of modernised 363.5 series traction vehicles. For 2014, the Company is planning to use the lease-back for the funding of the modernisation of the last 10 locomotives from the 163 series to the 363.5 series.

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 cashpooling 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 termination of the funding being sufficiently diversified.

Bill of Exchange Programme
The Company has the possibility of using the bill of exchange programme as 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 2013, this loan was not used.

Bonds
With a view to securing 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 liquidity and financial stability of the Company.

Lease
To fulfil the strategic task involving the long-term achievement of the required level of financial stability and the strengthening of the cash flow, the Company has the objective of arranging for leases to become an achievable form of long-term funding in 2014.

Summary
The structure of the 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 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**

(CZK '000)	31 Dec 2012		
	Positive fair value	Negative fair value	Total
Derivatives designated as fair value hedges	0	-41 634	-41 634
Derivatives designated as cash flow hedges	17 523	-58 465	-40 942
Total	**17 523**	**-100 099**	**-82 576**

To hedge foreign exchange rate losses arising from the strengthening of the Czech crown in 2012 and 2013, the Company used the following derivative transactions:

- In February 2012, the Company used another hedge of EUR 1 million per month from March 2012 to February 2013 on the level of the hedged foreign exchange rate of CZK 25.30/EUR;
- In May 2012, the Company subsequently used another hedge of EUR 1 million per month from May 2012 to April 2013 on the level of the hedged foreign exchange rate of CZK 25.30/EUR;
- In May 2012, the Company subsequently used another hedge of EUR 1 million per month from June 2012 to May 2013 on the level of the hedged foreign exchange rate of CZK 25.60 EUR;
- In June 2012 the Company used another hedge of EUR 1 million per month from January 2013 to December 2013 on the level of the hedged foreign exchange rate of CZK 25.90/EUR;
- In November 2012, the Company used a hedge in the form of a collar (CZK 25.17 – 26.20/EUR) of EUR 1 million per month from January 2013 to December 2013;
- In January 2013, the Company used another hedge of EUR 1 million per month from March 2013 to February 2014 on the level of the hedged foreign exchange rate of CZK 25.70/EUR;
- In March 2013, the Company used another hedge of EUR 1 million per month from May 2013 to April 2014 on the level of the hedged foreign exchange rate of CZK 25.60/EUR;
- In March 2013, the Company used another hedge of EUR 1 million per month from April 2013 to March 2014 on the level of the hedged foreign exchange rate of CZK 25.80/EUR.
- In April 2013, the Company used another hedge of EUR 1 million per month from June 2013 to May 2014 on the level of the hedged foreign exchange rate of CZK 25.90/EUR;
- 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 27.75/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; and
- 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 2011, the Company additionally hedged interest rates on transactions with a variable interest rate, specifically as follows:

- Thirty 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 2012 and 2013, the Company hedged the price of crude oil using the following hedging transactions:

- In May 2012, hedging using four transactions in the aggregate amount 400 mt/per month from June 2012 to May 2013. The hedged fixed price of crude oil is for each 100 mt/per month in individual transactions determined to a different level, specifically USD 924.5/mt, USD 903/mt, USD 910/mt, USD 900/mt;
- In June 2012, the Company hedged another 100 mt/per month from July 2012 to June 2013. The hedged fixed price of the crude oil in this case is USD 870 USD/mt;
- 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.

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 at 31 Dec 2013	Balance at 31 Dec 2012
Net book value of fixed assets	-880 760	-711 595
of which the impact of components	-150 179	-168 588
Provisions against fixed assets	28 383	10 954
Contractual fines and penalty	-14 231	-6 614
Receivables	26 730	7 693
Reserves	265 819	250 809
Tax loss	0	7 096
Derivatives	29 910	7 779
Total	**-544 149**	**-433 878**

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**

Analysis of movements	(CZK '000)
1 Jan 2012	**522 597**
Current changes charged against the profit and loss account	-87 920
From current activities	-27 151
From extraordinary activities	-60 769
Total charges against the profit and loss account	**-87 920**
Current changes recognised in equity	-799
Total recognised in equity	**-799**
31 Dec 2012	**433 878**

4.18. DUE PAYABLES ARISING FROM SOCIAL SECURITY AND HEALTH INSURANCE CONTRIBUTIONS AND TAX ARREARS
The balance of due payables arising from social security contributions and contributions to the State employment policy was CZK 81,014 thousand and CZK 82,402 thousand as of 31 December 2013 and 31 December 2012, respectively.

The balances of due payables arising from public health insurance contributions were CZK 35,299 thousand and CZK 35,741 thousand as of 31 December 2013 and 31 December 2012, respectively.

The Company records no tax arrears to local taxation authorities.

4.19. DETAILS OF INCOME BY PRINCIPAL ACTIVITY

Year Ended 31 December 2013

(CZK '000)	In-country	Cross-border	Total
Sales of freight transportation	7 012 879	4 017 598	11 030 477
Other sales of freight transportation	735 657	636 052	1 371 709
Sales of other services	0	156 919	156 919
Total	**7 748 536**	**4 810 569**	**12 559 105**

Year Ended 31 December 2012

(CZK '000)	In-country	Cross-border	Total
Sales of freight transportation	7 304 254	4 894 340	12 198 594
Other sales of freight transportation	794 123	897 667	1 691 790
Sales of other services	0	37 704	37 704
Total	**8 098 377**	**5 829 711**	**13 928 088**

The classificationof cross-border and in-country sales was made reflecting outputs. Cross-border sales include the share of the Company related to the income from the 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 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
Jídelní a lůžkové vozy, 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 Terminal, a.s.	Subsidiary	0	0	19	0	0	19
Terminal Brno, a.s.	Subsidiary	0	0	337	0	0	337
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**

Year Ended 31 December 2012

Entity (CZK '000)	Relation to the Company	Tangible FA	Material	Services	Other income	Fin. income	Total
České dráhy a.s.	Parent company	0	370	23 987	4 914	0	29 271
ČD - Telematika, a.s.	Fellow subsidiary	0	0	175	0	0	175
ČD - Informační Systémy, a.s.	Fellow subsidiary	0	0	0	0	0	0
DPOV, a.s.	Fellow subsidiary	0	75	16 623	379	0	17 077
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	4 725	0	0	4 725
Jídelní a lůžkové vozy, 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	248 414	0	1 809	250 223
ČD Generalvertretung Wien GmbH	Subsidiary	0	0	22	0	0	22
Koleje Czeskie Sp. z o.o.	Subsidiary	0	0	125 285	0	1 059	126 344
Generálne zastúpenie ČD Cargo,s.r.o.	Subsidiary	0	0	669	0	0	669
ČD Logistics, a.s.	Subsidiary	0	0	575 601	34	338	575 973
ČD-DUSS Terminal, a.s.	Subsidiary	0	0	189	0	0	189
Terminal Brno, a.s.	Subsidiary	0	2	285	0	0	287
RAILLEX, a.s.	Subsidiary	0	0	41 172	2	134	41 308
BOHEMIAKOMBI, spol. s r.o.	Subsidiary	0	0	12 336	0	32	12 368
Ostravská dopravní společnost, a.s.	Subsidiary	0	0	288 492	97	2 469	291 058
Total		**0**	**447**	**1 337 975**	**5 426**	**5 841**	**1 349 689**

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

4.19.2. Purchases from Related Parties

Year Ended 31 December 2013

Entity (CZK '000)	Relation to the Company	Assets	Material	Services	Other expenses	Total
České dráhy a.s.	Parent company	10 896	667 754	1 280 381	8 907	1 967 938
ČD - Telematika, a.s.	Fellow subsidiary	96	813	15 816	7	16 732
ČD - Informační Systémy, a.s.	Fellow subsidiary	41 074	1 321	100 253	0	142 648
DPOV, a.s.	Fellow subsidiary	103 381	870	17 118	0	121 369
ČD Travel, s.r.o.	Fellow subsidiary	0	0	13 955	0	13 955
Dopravní vzdělávací institut, a.s.	Fellow subsidiary	0	2	16 202	0	16 204
Výzkumný Ústav Železniční, a.s.	Fellow subsidiary	0	0	0	0	0
RAILREKLAM, spol. s r.o.	Fellow subsidiary	0	0	5 230	0	5 230
Jídelní a lůžkové vozy, a.s.	Fellow subsidiary	0	0	1 146	0	1 146
Smíchov Station Development, a.s.	Fellow subsidiary	0	0	0	0	0
Žižkov Station Development, a.s.	Fellow subsidiary	0	0	0	0	0
Masaryk Station Development, a.s.	Fellow subsidiary	0	0	0	0	0
Centrum Holešovice, a.s.	Fellow subsidiary	0	0	0	0	0
ČD Generalvertretung GmbH	Subsidiary	0	0	14 471	0	14 471
ČD Generalvertretung Wien GmbH	Subsidiary	0	0	66	0	66
Koleje Czeskie Sp. z o.o.	Subsidiary	0	5 174	93 887	0	99 061
Generálne zastúpenie ČD Cargo, s.r.o.	Subsidiary	0	0	977	0	977
ČD Logistics, a.s.	Subsidiary	0	0	5 568	0	5 568
ČD-DUSS Terminal, a.s.	Subsidiary	0	0	0	0	0
Terminal Brno, a.s.	Subsidiary	0	0	13 113	0	13 113
RAILLEX, a.s.	Subsidiary	0	0	890	112	1 002
BOHEMIAKOMBI, spol. s r.o.	Subsidiary	0	0	0	0	0
Ostravská dopravní společnost, a.s.	Subsidiary	0	0	44 073	0	44 073
Total		**155 447**	**675 934**	**1 623 146**	**9 026**	**2 463 553**

Year Ended 31 December 2012

Entity (CZK '000)	Relation to the Company	Assets	Material	Services	Other expenses	Total
ČD - Telematika, a.s.	Fellow subsidiary	84 038	190	17 505	0	101 733
ČD - Informační Systémy, a.s.	Fellow subsidiary	33 722	1 761	104 940	0	140 423
Výzkumný Ústav Železniční, a.s.	Fellow subsidiary	210	0	30	0	240
DPOV, a.s.	Fellow subsidiary	94 809	72	26 830	0	121 711
ČD, a.s.	Parent company	416	693 018	1 420 541	16 660	2 130 635
ČD Generalvertretung GmbH	Subsidiary	0	0	43 657	0	43 657
ČD Generalvertretung Wien GmbH	Subsidiary	0	0	8 982	0	8 982
Koleje Czeskie Sp. z o.o.	Subsidiary	310	0	215 475	0	215 785
Generálne zastúpenie ČD Cargo, s.r.o.	Subsidiary	0	0	41 334	0	41 334
ČD Logistics, a.s.	Subsidiary	0	643	16 557	0	17 200
ČD-DUSS Terminal, a.s.	Subsidiary	0	0	0	0	0
Terminal Brno, a.s.	Subsidiary	0	0	8 947	0	8 947
RAILLEX, a.s.	Subsidiary	0	0	0	156	156
BOHEMIAKOMBI, spol. s r.o.	Subsidiary	0	0	0	0	0
Ostravská dopravní společnost, a.s.	Subsidiary	0	0	49 745	0	49 745
Smíchov Station Development, a.s.	Fellow subsidiary	0	0	0	0	0
Žižkov Station Development, a.s.	Fellow subsidiary	0	0	0	0	0
Centrum Holešovice, a.s.	Fellow subsidiary	0	0	0	0	0
Dopravní vzdělávací institut, a.s.	Fellow subsidiary	0	0	18 614	0	18 614
ČD Travel, s.r.o.	Fellow subsidiary	0	0	25 343	5	25 348
JLV, a.s.	Fellow subsidiary	0	0	1 543	0	1 543
Masaryk Station Development, a.s.	Fellow subsidiary	0	0	0	0	0
Other*		0	0	516	0	516
Total		**213 505**	**695 684**	**2 000 559**	**16 821**	**2 926 569**

"Includes certain companies that are not included in the České dráhy consolidation group.

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

Sales

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.

In the year ended 31 December 2012, the Company sold no tangible, intangible or financial assets to related parties.

Purchases

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
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**

Year Ended 31 December 2012

Entity (CZK '000)	Relation to the Company	Intangible FA	Tangible FA	Total
ČD - Telematika, a.s.	Fellow subsidiary	0	84 038	84 038
ČD - Informační Systémy, a.s.	Fellow subsidiary	33 722	0	33 722
Výzkumný Ústav Železniční, a.s.	Fellow subsidiary	0	210	210
DPOV, a.s.	Fellow subsidiary	0	94 809	94 809
ČD, a.s.	Parent company	406	10	416
ČD Generalvertretung GmbH	Subsidiary	0	0	0
ČD Generalvertretung Wien GmbH	Subsidiary	0	0	0
Koleje Czeskie Sp. z o.o.	Subsidiary	0	310	310
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
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		**34 128**	**179 377**	**213 505**

4.20. CONSUMED PURCHASES

(CZK '000)	Year ended 31 Dec 2013	Year ended 31 Dec 2012
Consumed material	393 089	423 838
Consumed energy	1 290 682	1 360 008
Consumed fuels	527 324	585 294
Total consumed purchases	**2 211 095**	**2 369 140**

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.

Consumed energy in the year ended 31 December 2012 includes consumed traction energy purchased from České dráhy, a.s. in the amount of CZK 1,251,364 thousand.

4.21. SERVICES

(CZK '000)	Year ended 31 Dec 2013	Year ended 31 Dec 2012
Repairs and maintenance	243 399	445 366
Travel expenses	36 041	39 480
Representation costs	1 747	2 374
Telecommunication, data and postal services	137 834	139 474
Other rental	131 039	137 582
Use of the railway route, operations control	1 814 217	2 220 595
Lease for wagons	598 969	672 181
Lease for traction vehicles	18 540	21 686
Transportation fee	2 339	5 820
Costs of general representation	56 301	54 265
Lease	729 835	721 199
Border services	171 403	181 181
Promotion, advertising	18 447	68 109
Healthcare	27 647	32 638
Costs of purchased services	818 511	1 256 098
Other services	247 414	275 537
Total	**5 053 683**	**6 273 585**

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 2013	Year ended 31 Dec 2012
Depreciation of intangible and tangible fixed assets	720 397	1 014 120
Amortisation of a positive valuation difference on acquired assets	272 020	1 565 747
Total depreciation	**992 417**	**2 579 867**

4.23. OTHER OPERATING INCOME

(CZK '000)	Year ended 31 Dec 2013	Year ended 31 Dec 2012
Claims for damages	48 224	83 635
Subsidies – accompanying social programme	0	3
Gain of material	23 360	20 162
Sundry operating income	91 225	67 056
Total	**162 809**	**170 856**

Claims for damages 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 and CZK 36,355 thousand in the years ended 31 December 2013 and 2012, respectively. The total income arising from the compensation for increased costs incurred due to closures of traffic amounted to CZK 195,001 thousand from 1 December 2007 to 31 December 2013.

4.24. OTHER OPERATING EXPENSES

(CZK '000)	Year ended 31 Dec 2013	Year ended 31 Dec 2012
Uniforms and lump sum payments to employees	6 027	6 815
Insurance payments	63 132	47 475
Compensation of damage	65 043	32 415
Membership fees	15 005	18 964
Sundry operating expenses	15 085	16 373
Total	**164 292**	**122 042**

4.25. INCOME FROM NON-CURRENT FINANCIAL ASSETS

(CZK '000)	Year ended 31 Dec 2013	Year ended 31 Dec 2012
Received dividends	17 604	36 114
Total	**17 604**	**36 114**

4.26. INTEREST INCOME

(CZK '000)	Year ended 31 Dec 2013	Year ended 31 Dec 2012
Interest on current bank accounts	109	285
Premium from settled receivables and payables	87	448
Other interest received from other debtors	679	1 042
Total	**875**	**1 775**

4.27. OTHER FINANCIAL INCOME

(CZK '000)	Year ended 31 Dec 2013	Year ended 31 Dec 2012
Foreign exchange rate gains	524 075	376 676
Total	**524 075**	**376 676**

4.28. OTHER FINANCIAL EXPENSES

(CZK '000)	Year ended 31 Dec 2013	Year ended 31 Dec 2012
Foreign exchange rate losses	390 502	390 975
Sundry financial expenses	3 964	5 665
Total	**394 466**	**396 640**

4.29. EXTRAORDINARY EXPENSES

(CZK '000)	Year ended 31 Dec 2013	Year ended 31 Dec 2012
Recognition of the reserve for restructuring	0	535 000
Total	**0**	**535 000**

4.30. 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 2013:

(CZK'000)	Number	Payroll costs	Social security and health insurance *	Other staff costs	Bonus for the members of statutory bodies	Contribution for the pension insurance	Contribution for the 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
Celkem	**7 998**	**2 764 671**	**966 649**	**312 212**	**9 855**	**55 201**	**97 652**	**4 206 240**

** 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 2012:

(CZK'000)	Number	Payroll costs	Social security and health insurance *	Other staff costs	Bonus for the members of statutory bodies	Contribution for the pension insurance	Contribution for the pension insurance	Total staff costs
Employees	8 890	2 969 487	1 027 301	175 453	0	65 567	98 944	4 336 752
Managers	20	46 068	12 894	1 042	19 054	121	62	79 241
Total	**8 910**	**3 015 555**	**1 040 195**	**176 495**	**19 054**	**65 688**	**99 006**	**4 415 993**

** Social security and health insurance covered by the organization*
CLI = capital life insurance, CPI = capital pension insurance, SPI = supplementary pension insurance

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 the form of using Company cars for private purposes.

5. Off Balance Sheet Commitments

5.1. BANK GUARANTEES PROVIDED

Bank guarantees as of 31 December 2013 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 2013

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	EUR	30 Sept 2014	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., Škrétova 490/12, 120 00 Prague 2, Corporate ID 27626130	Lease guarantee	16,517,056	CZK	30 June 2014	Bank guarantee in the event that ČD Cargo does not comply with the obligations stipulated by the Contract for the Lease of Buildings and Land in the Logistics Centre in Lovosice.

5.2. BANK GUARANTEES RECEIVED

■ List of active bank guarantees received by ČD Cargo, a. s. as of 31 December 2013

Bank guarantee received from	Guarantee provider	Amount	Currency	Until	Reason for the issuance of a bank guarantee
ŠKODA TRANSPORTATION, a.s., corporate ID 62623753, with its registered office at Borská 2922/32, 301 00 Plzeň	Komerční banka, a.s.	179,550,000	CZK	31 Dec 2013	Bank guarantees arising from contract for work no. ŠT/03/018/08/SML dated 11 December 2008 for the "Modernisation of locomotives from 163 series to 363 series" project.

6. Post Balance Sheet Events

Management of the Company decided to sell its equity investment in the subsidiary ČD Interport, s.r.o.; the 51 % equity investment was sold on 15 January 2014.

On 4 February 2014, České dráhy, a.s., as the sole shareholder of ČD Cargo, a.s., acting in the capacity of the General Meeting, decided to reduce the number of the members of the Company's Board of Directors to three by way of changing the Articles of Association of ČD Cargo, a.s., which took effect on 17 February 2014 and additionally recalled members of the Board of Directors, Václav Andrýsek and Pavel Lamacz, at its meeting. Their memberships on the Board of Directors expired on 4 February 2014 and 16 February 2014, respectively. In addition, it appointed Karel Adam a new member of the Board of Directors. His membership commenced on 17 February 2014.

On 21 February 2014, České dráhy, a.s., as the sole shareholder of ČD Cargo, a.s., acting in the capacity of the General Meeting, decided to recall members of the Supervisory Board of ČD Cargo, a.s., Dalibor Zelený and Zdeněk Žemlička, at its meeting. Their memberships on the Supervisory Board expired on 21 February 2014. Another point on the meeting's agenda was the election of Daniel Kurucz and Michal Zděnek as members to the Supervisory Board of ČD Cargo, a.s. with effect from 22 February 2014.

On 11 March 2014, České dráhy, a.s., as the sole shareholder of ČD Cargo, a.s., acting in the capacity of the General Meeting, decided to increase the number of the members of the Company's Supervisory Board to seven by way of changing the Articles of Association of ČD Cargo, a.s., which took effect on 15 March 2014 and additionally recalled members of the Supervisory Board, Miroslav Zámečník and Dušan Svoboda, at its meeting. Their memberships on the Supervisory Board expired on 11 March 2014. Another point on the meeting's agenda was the election of Ludvík Urban and Jan Kasal as members of the Supervisory Board of ČD Cargo, a.s. with effect from 12 March 2014 and Pavel Krtek as a member of the Supervisory Board of ČD Cargo, a.s. with effect from 16 March 2014.

15 Separate Financial Statements (IFRS)

Separate Financial Statements for the Year Ended 31 December 2013

Prepared under IFRS as adopted by the EU

■ STATEMENT OF FINANCIAL POSITION (BALANCE SHEET) AS OF 31 DECEMBER 2013

(CZK'000)		31 Dec 2013	31 Dec 2012
Property, plant and equipment	14	13 827 078	14 628 914
Intangible assets	15	263 436	236 644
Investments in subsidiaries and associates	16	348 852	92 870
Trade receivables	18	0	3 211
Other financial assets	19	11 543	10 772
Other assets	20	225	90
Total non-current assets		**14 451 134**	**14 972 501**
Inventories	17	110 204	89 042
Trade receivables	18	1 871 098	1 755 060
Tax receivables	13	0	6 827
Other financial assets	19	36 539	96 090
Other assets	20	202 961	112 330
Cash and cash equivalents	28	440 574	158 065
Total current assets		**2 661 376**	**2 217 414**
TOTAL ASSETS		**17 112 510**	**17 189 915**
Share capital	21	8 494 000	8 494 000
Reserve and other funds	21	130 798	225 148
Accumulated loss		-2 869 765	-3 555 743
Total equity		**5 755 033**	**5 163 405**
Loans and borrowings	22	3 806 476	4 646 222
Deferred tax liability	13	438 196	267 827
Provisions	23	64 100	70 070
Other financial liabilities	25	157 756	243 014
Other liabilities	26	462 944	367 746
Total non-current payables		**4 929 472**	**5 594 879**
Trade payables	24	1 947 963	2 402 987
Loans and borrowings	22	2 269 913	1 605 285
Provisions	13	36 755	0
Tax payables	23	1 334 951	1 249 977
Other financial payables	25	303 779	508 724
Other payables	26	534 644	664 658
Total current payables		**6 428 005**	**6 431 631**
TOTAL LIABILITIES		**17 112 510**	**17 189 915**

■ STATEMENT OF PROFIT OR LOSS FOR THE YEAR ENDED 31 DECEMBER 2013

(CZK'000)		Year ended 31 Dec 2013	Year ended 31 Dec 2012
CONTINUING OPERATIONS			
Revenue from principal operations	5	12 216 665	13 415 264
Other operating income	6	895 133	751 537
Purchased consumables and services	7	-6 377 084	-7 683 887
Employee benefit costs	8	-4 160 350	-4 336 386
Depreciation and amortisation	9	-1 062 348	-1 870 498
Other operating losses	10	-468 577	-661 931
Profit (loss) before interest and tax		**1 043 439**	**-385 901**
Financial expenses	11	-256 864	-266 051
Other gains	12	130 664	24 110
Profit (loss) before tax		**917 239**	**-627 842**
Income tax expense	13	-231 261	-181 665
Profit (loss) for the period from continuing operations		**685 978**	**-809 507**
DISCONTINUED OPERATIONS			
Profit (loss) from discontinued operations		**0**	**0**
Profit (loss) for the year		**685 978**	**-809 507**

■ STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2013

(CZK'000)	Year ended 31 Dec 2013	Year ended 31 Dec 2012
Profit (loss) for the year	685 978	-809 507
Financial derivative instruments used in hedge accounting	-116 480	-4 203
Relating deferred income tax	22 130	799
Other comprehensive income (loss) for the year	**-94 350**	**-3 404**
Total comprehensive income (loss) for the year	**591 628**	**-812 911**

■ STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2013

(CZK'000)	Share capital	Reserve and other funds	Retained earnings	Total equity
Balance at 31 December 2011	**8 494 000**	**228 552**	**-2 746 236**	**5 976 316**
Loss for the period	0	0	-809 507	-809 507
Other comprehensive income for the year	0	-3 404	0	-3 404
Balance at 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 (loss) for the year	0	-94 350	0	-94 350
Balance at 31 December 2013	**8 494 000**	**130 798**	**-2 869 765**	**5 755 033**

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2013

(CZK '000)	Year ended 31 Dec 2013	Year ended 31 Dec 2012
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit (loss) for the year before tax	**917 239**	**-627 842**
Dividend income	-17 604	-36 114
Financial expenses	255 028	266 051
Profit from the sale and disposal of non-current assets	-496 565	-32 525
Loss from the sale of a subsidiary	7 418	0
Depreciation and amortisation of non-current assets	1 062 348	1 870 498
Impairment of non-current assets	186 123	-47 369
Impairment of trade receivables	30 045	33 515
Foreign exchange rate (gains) /losses	-32 962	6 809
Other	4 382	-12 557
Cash flow from operating activities before changes in working capital	**1 915 452**	**1 420 466**
Decrease (increase) in trade receivables	119 394	-10 856
Decrease (increase) in inventories	-22 535	-1 571
Decrease (increase) in other assets	-30 185	182 054
Increase in trade payables	262 957	567 694
Increase in provisions	79 004	548 497
Decrease in other payables	-409 316	-596 666
Total changes in working capital	**-681**	**689 152**
Cash flows from operating activities	**1 914 771**	**2 109 618**
Interest paid	-245 294	-147 702
Income tax paid	0	-6 258
Net cash flow from operating activities	**1 669 477**	**1 955 658**
CASH FLOWS FROM INVESTMENT ACTIVITIES		
Payments for property, plant and equipment	-1 672 580	-2 842 613
Proceeds from the sale of property, plant and equipment	531 372	14 005
Costs of acquisition of intangible assets	-70 569	-86 886
Received interest	875	1 775
Received dividends	17 604	36 114
Repayments of loans from related parties	8 575	8 924
Net cash flows from the sale of a subsidiary	-7 418	0
Net cash flows (used in) from investment activities	**-1 192 141**	**-2 868 681**
CASH FLOWS FROM FINANCING ACTIVITIES		
Use of loans and borrowings	2 747 561	3 755 361
Repayments of loans and borrowings	-2 942 008	-2 776 798
Net cash flow from financing activities	**-194 447**	**978 563**
Net increase in cash and cash equivalents	**282 888**	**65 540**
Cash and cash equivalents at the beginning of the reporting period	158 065	92 525
Cash and cash equivalents at the end of the reporting period	**440 954**	**158 065**

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 2013, the Company's reported share capital of CZK ,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 2013. The reporting period is the calendar year from 1 January 2013 to 31 December 2013.

1.2. PRINCIPAL OPERATIONS
The principal activities of ČD Cargo, a.s. include the provision of railway transportation of goods with a set of relating services. The aim of the Company involves improving its leading position, and being the driving force, in 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 key 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, and 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
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 five-member Board of Directors; the supervisory body is the six-member Supervisory Board. The Company established a three-member Audit Committee, the members of which were appointed by the sole shareholder.

The composition of the Company's Bodies as of 31 December 2013:

Board of Directors

- Chairman Oldřich Mazánek
- Member Václav Andrýsek
- Member Zdeněk Meidl
- Member Pavel Lamacz
- Member vacant as of 31 December 2013

At its meeting held on 30 May 2013, the Board of Directors discussed the written announcement on the resignation of the member, Vlastimil Chobot. His position of the member of the Board of Directors expired on 31 May 2013. On 24 June 2013, České dráhy, a.s., as the sole shareholder of the Company, acting in the capacity of the General Meeting, appointed Zbyšek Wacławik a member of the Board of Directors with effect from 24 June 2013.

On 31 July 2013, České dráhy, a.s., as the sole shareholder of the Company, acting in the capacity of the General Meeting, recalled Petr Žaluda as Chairman of the Board of Directors and appointed Pavel Lamacz a member of the Board of Directors with effect from 1 August 2013.

At its meeting held on 1 August 2013, the Board of Directors discussed the written announcement on the resignation of the member, Zbyšek Wacławik. His position of the member of the Board of Directors expired on 1 August 2013.

On 20 August 2013, 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 the Company which defined that the Board of Directors will newly have five members.

On 20 August 2013, České dráhy, a.s., as the sole shareholder of the Company, acting in the capacity of the General Meeting, appointed Oldřich Mazánek, Václav Andrýsek, and Zdeněk Meidl members of the Board of Directors with effect from 26 August 2013.

At its meeting held on 26 August 2013, the Board of Directors appointed Oldřich Mazánek Chairman of the Board of Directors.

At its meeting held on 11 November 2013, the Board of Directors discussed the written announcement on the resignation of the member of the Board of Directors, Petr May. His position of the member of the Board of Directors expired on 11 November 2013.

Supervisory Board

- Chairman Dalibor Zelený Member
- Member Zdeněk Žemlička
- Member Dušan Svoboda
- Member Miroslav Zámečník
- Member Radek Nekola
- Member Jindřich Nohal

On 20 August 2013, České dráhy, a.s., as the sole shareholder of the Company, acting in the capacity of the General Meeting, recalled Milan Špaček and Zdeněk Prosek as members of the Supervisory Board with effect from 25 August 2013. In addition, it appointed Dušan Svoboda, Dalibor Zelený and Zdeněk Žemlička members of the Supervisory Board with effect from 26 August 2013.

At its meeting held on 18 September 2013, the Supervisory Board appointed Dalibor Zelený Chairman of the Supervisory Board.

Administration Board of ČD Cargo, a.s.
On 3 September 2013, České dráhy, a.s., as the sole shareholder of the Company, acting in the capacity of the General Meeting, decided to cancel the Administration Board of the Company. Concurrently, all its members were recalled.

Audit Committee

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

No changes were made in this body during the reporting period.

2. Significant accounting policies

2.1. GENERAL INFORMATION
The 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.

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.

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.

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

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.

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'.

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.

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.

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.

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.

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.

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.

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.

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

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.

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.

Hedge Accounting
The Company designates certain hedging instruments as either fair value hedges, cash flow hedges, or hedges of net investments in foreign operations.

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.

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.

Financial Derivatives Held for Trading
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 2013

During the year ended 31 December 2013, 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 13 – Fair Value Measurement	1 January 2013
IAS 19 – Employee Benefits (revised in 2011)	1 January 2013
Amendments to IFRS 1 Severe Hyperinflation	1 January 2013
Amendments to IFRS 1 Removal of Fixed Dates for First-time Adopters	1 January 2013
Amendments to IFRS 1 Government Loans IFRS 7 Offsetting Financial Assets and Financial Liabilities and Relating	1 January 2013
Disclosures1 January 2013	
Amendments to IAS 1 Presentation of Items of Other Comprehensive Income	1 July 2012
Amendments to IAS 12 Deferred Tax: Recovery of Underlying Assets	1 January 2013
IFRIC 20 – Stripping Costs in the Production Phase of a Surface Mine	1 January 2013
Improvements to IFRS - 2009 -2011 revised IFRS 1, IAS 1, IAS 16, IAS 32, IAS 34	1 January 2013

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 the detailed disclosure of fair value measurement under IFRS 13 which is provided in Note 32.11 Financial Instruments.

3.2. STANDARDS AND INTERPRETATIONS APPROVED FOR USE IN THE EU WHICH ARE NOT BINDINGLY EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2013, HOWEVER MAY BE USED EARLIER

The below table shows the list of new and revised IFRS adopted by the EU which are not yet bindingly effective (however allow an earlier use) for the year ended 31 December 2013. This list relates to the effective date of 31 December 2013.

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

The Company did not use any standard or interpretation before their effective dates. Management of the Company anticipates that the adoption of the above standards, revised standards and interpretations in the following periods will have no significant impact on the Company.

3.3. 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 listed 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 (published in 2009) and subsequent revised standards issued in October 2010 and November 2013	will be determined
Amendments to IFRS 9 Financial Instruments and IFRS 7 Financial Instruments: Disclosure - Mandatory Effective Date and Transition Disclosures (issued in December 2013)	will be determined
Amendments to IAS 19 – Defined Benefit Plans: Employee Contributions	1 July 2014
Improvements to IFRS 2010-2012 (published in December 2013) Revised IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16, IAS 38, IAS 24	1 July 2014
Improvements to IFRS 2011-2013 (published in December 2013) Revised IFRS 1, IFRS 3, IFRS 13, IAS 40	1 July 2014
IFRIC 21 Odvody (vydaný v květnu 2013)	1 January 2014

4. Critical accounting judgements 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. USEGUL 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. VALUATION OF RAILWAY VEHICLES

4.2.1. Impairment of Property, Plant and Equipment

As disclosed in Notes 2.12 and 4.2., 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).

In the comparative period ended 31 December 2012, the Company recognised impairment primarily in respect of wagons and traction vehicles intended for scrapping and whose recoverable value was estimated to be lower than their net book value as of 31 December 2012.

In the year ended 31 December 2013, the Company continued applying the above accounting policy primarily with regard to railway vehicles intended for scrapping. However, given the changes in the approach to the scope and frequency of inspection repairs (components) with respect to wagons and the subsequent change in their depreciation, the accounting policy regarding the review of the assets for impairment was fine-tuned and amended. Based on the decrease in the number of performed inspection repairs, other wagons were identified during the year ended 31 December 2013 which suffered a temporary impairment loss.

The above change of the estimate negatively impacted profit or loss through the recognition of the provision against wagons that did not pass the technical inspection in the amount of CZK 224,765 thousand in the year ended 31 December 2013.

4.2.2. Component Depreciation

As disclosed in Note 2.10., the Company depreciates the component over the use separately from other components and from the remaining part of assets or a set of assets.

Starting from 1 January 2013, the Company has changed the estimate upon depreciating components in traction vehicles and wagons from the time depreciation to the mileage depreciation.

In the year ended 31 December 2012, the component depreciation plan in respect of wagons corresponded to the frequency of technical inspections. The depreciation period of components in wagons was as follows:

Wagons with the speed lower than 120 km/hour .... 2 years
Wagons with the speed lower than 100 km/hour .... 6 years
Wagons with short spring carriers .... 4 years

With regard to traction vehicles whose frequency of repairs depends on the mileage, the average depreciation period was determined on the basis of a reasonable estimate of the Maintenance and Repairs of Railway Vehicles Department specialists, for each series of traction vehicles in the year ended 31 December 2012. The average depreciation period for general repairs ranged from 4 to 12 years, for major repairs from 8 to 24 years.

In the year ended 31 December 2013, the depreciation of components in wagons and traction vehicles is made on the basis of the actual mileage per month (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 maximum mileage which is determined for the specific type of the major and general repair of traction vehicles and inspection repair of wagons. As of the transition date, i.e. 1 January 2013, the rate per 1 kilometre in wagons and traction vehicles was determined as a proportion of the net book value as of 1 January 2013 of the relevant component and the number of the remaining kilometres that remained to the maximum mileage in individual wagons and traction vehicles.

The above changes in the estimate upon the depreciation of components in the year ended 31 December 2013 positively impacted the profit in the amount of CZK 468,679 thousand.

4.2.3. Depreciation to the Amount of the Anticipated Residual Value

The Company changed the estimate upon the depreciation of traction vehicles and wagons to the anticipated residual value in the year starting on 1 January 2013.

The anticipated residual value is taken to mean a justifiable positive estimated amount that the Company could obtain at the moment of the anticipated disposal of assets, less the anticipated costs relating to its disposal. The anticipated residual value of wagons and traction vehicles is based on the value of the scrap that can be obtained upon liquidation.

The above change in the estimate upon the depreciation in the year ended 31 December 2013 positively impacted the profit in the amount of CZK 112,021 thousand.

4.3. CHANGE IN THE CASH FLOW STATEMENT FOR 2012

In the year ended 31 December 2013, the Company changed the reporting of cash flows in relation to intercompany loans.

In the financial statements for the year ended 31 December 2012, the cash flow statement line 'Repayments of loans from related parties' amounted to CZK 0. For the sake of comparability of the financial statements for 2012 and 2013, the value in this line was changed to CZK 8,924 thousand. Concurrently, reclassifications were made in the line 'Decrease (increase) in other assets' from CZK 190,978 thousand to CZK 182,054 thousand.

4.4. 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.

4.5. 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.

4.6. MEASUREMENT OF FINANCIAL INSTRUMENTS

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

4.7. INCOME TAXATION

The Company reports significant deferred tax assets. The determination of the recoverable value of these assets depends on the assessment of their future recovery.

4.8. 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.

4.9. 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.

4.10. 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)	2013	2012
Revenue from freight transportation:	**11 593 472**	**12 228 270**
Revenue from freight transportation - local	*4 026 577*	*4 896 541*
Revenue from freight transportation – foreign	*7 566 896*	*7 331 729*
Other revenue from freight transportation:	**525 915**	**1 095 241**
Other revenue from freight transportation - local	*354 684*	*311 908*
Other revenue from freight transportation - foreign	*171 231*	*783 333*
Other revenue related to transportation	**97 278**	**91 753**
Total revenue from principal operations – continuing operations	12 216 665	13 415 264

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.
- ČEZ, a.s.
- NH TRANS SE
- ČD Logistics, a.s.
- Express-Interfracht Czech

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

Other companies

- Koleje Czeskie Sp. z.o.o
- Express Slovakia „Mezinárodná preprava a.s."
- A.P. Möller - Maersk A/S
- ČD Generalvertretung GmbH
- BLG AutoRail GmbH
- DB Schenker Rail Automotiv

6. Other operating income

(CZK '000)	2013	2012
Gain from the sale of property, plant and equipment	496 830	32 525
Gain from the sale of inventory	3 015	5 657
Rental income	332 030	542 499
Compensations for deficits and damage	41 231	48 652
Acquisition of material	0	20 162
Other subsidies	0	3
Other	22 027	102 039
Total other operating income – continuing operations	895 133	751 537

Other operating income predominantly includes income from contractual penalties and default interest and income from compensation of damage for railway traffic closures in relation to Správa železniční dopravní cesty, s.o. (refer to Note 27.7.).

7. Purchased consumables and services

(CZK '000)	2013	2012
Traction costs	**-1 694 481**	**-1 821 424**
Traction fuel (diesel)	*-513 376*	*-570 060*
Traction electricity	*-1 181 105*	*-1 251 364*
Payment for the use of railway route	**-1 814 037**	**-2 220 595**
Other purchased consumables and services	**-2 868 566**	**-3 641 868**
Consumed material	*-270 449*	*-328 186*
Consumed other energy	*-109 578*	*-108 645*
Consumed fuel	*-9 811*	*-11 056*
Repairs and maintenance	*-224 126*	*-278 688*
Travel costs	*-36 041*	*-39 480*
Telecommunication, data and postal services	*-59 602*	*-66 489*
Other rental	*-163 768*	*-172 058*
Rental for rail vehicles	*-617 516*	*-693 867*
Transportation charges	*-821 030*	*-1 261 918*
Services associated with the use of buildings	*-36 190*	*-34 962*
Operational cleaning of rail vehicles	*-7 153*	*-8 929*
Border area services	*-171 403*	*-181 181*
Advertising and promotion costs	*-13 165*	*-57 820*
Other services	*-328 734*	*-398 589*
Total purchased consumables and services – continuing operations	-6 377 084	-7 683 887

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

8. Employee benefit costs

(CZK '000)	2013	2012
Payroll costs	-2 708 013	-2 937 547
Severance pay	-281 585	-140 022
Statutory social security and health insurance	-944 129	-998 411
Benefits resulting from the collective agreement	-42 225	-52 550
Other social costs	-174 543	-188 802
Other employee benefit costs	-9 855	-19 054
Total employees benefit costs – continuing operations	-4 160 350	-4 336 386

9. Depreciation and amortisation

(CZK '000)	2013	2012
Depreciation of property, plant and equipment	-1 020 384	-1 825 172
Amortisation of intangible assets	-41 964	-45 326
Total depreciation and amortisation – continuing operations	-1 062 348	-1 870 498

10. Other operating gains (losses)

(CZK '000)	2013	2012
Change in other provisions	-70 630	-549 660
Losses from impaired receivables	-28 812	-33 515
Temporarily impaired property, plant and equipment	-186 123	47 369
Taxes and fees	-18 720	-4 083
Other operating expenses	-164 292	-122 042
Total other operating losses – continuing operations	-468 577	-661 931

Other operating expenses predominantly include damages and insurance payments.

11. Financial expenses

(CZK '000)	2013	2012
Interest on bank overdraft accounts and loans	-7 985	-9 718
Interest on finance lease payables	-140 624	-147 086
Interest expenses - bonds	-89 510	-52 856
Other interest expenses	-21 025	-54 902
Unwinding of the discount of provisions	2 756	-1 489
Other financial expenses	-476	0
Total financial expenses – continuing operations	-256 864	-266 051

12. Other gains (losses)

(CZK '000)	2013	2012
Net foreign exchange gains (losses)	133 572	-14 300
Received dividends	17 604	36 114
Net profit (loss) from the sale of securities and equity investments	-7 418	-737
Received interest	875	1 775
Banking fees	-1 378	-3 241
Actuarial gains (loss)	-11 129	2 452
Other	-1 463	2 047
Total other gains (losses) – continuing operations	130 664	24 110

13. Income taxation

13.1. INCOME TAX REPORTED IN PROFIT OR LOSS

(CZK '000)	2013	2012
Current income tax for the prior period	-38 762	0
Deferred tax recognised in the statement of profit or loss	-192 499	-181 665
Total tax charge relating to continuing operations	-231 261	-181 665

- **Reconciliation of the total tax charge for the period to the accounting profit:**

(CZK '000)	2013	2012
Profit from continuing operations	917 486	-627 842
Income tax calculated using the statutory rate of 19%	-174 322	119 290
Effect of permanently non-tax costs and income	-56 939	-300 955
Income tax reported in profit or loss	-231 261	-181 665

13.2. DEFERRED TAX

(CZK '000)	Unutilised tax losses	Non-current assets	Provisions	Leases	Receivables	Other	Total
Balance at 31 December 2011	**-20 906**	**111 352**	**-146 404**	**141 126**	**-5 015**	**6 808**	**86 961**
Deferred tax recognised in the statement of profit or loss	13 810	188 367	-104 405	91 527	-2 678	-4 956	181 665
Deferred tax recognised in other comprehensive income	0	0	0	0	0	-799	-799
Balance at 31 December 2012	**-7 096**	**299 719**	**-250 809**	**232 653**	**-7 693**	**1 053**	**267 827**
Deferred tax recognised in the statement of profit or loss	7 096	159 681	-15 010	58 835	-19 037	934	192 499
Deferred tax recognised in other comprehensive income	0	0	0	0	0	-22 130	-22 130
Balance at 31 December 2013	**0**	**459 400**	**-265 819**	**291 488**	**-26 730**	**-20 143**	**438 196**

14. Property, plant and equipment

Cost (CZK '000)	Balance at 31 Dec 2011	Additions	Disposals	Reclassification	Balance at 31 Dec 2012	Additions	Disposals	Reclassification	Balance at 31 Dec 2013
Land	91 294	0	0	0	91 294	0	0	0	91 294
Structures	1 257 194	95 525	2 009	0	1 350 710	80 067	337	0	1 430 440
Individual movable assets	36 434 577	2 393 490	888 754	0	37 939 313	956 177	2 278 831	0	36 616 659
Machinery, equipment, and furniture and fixtures	514 851	61 777	29 677	20 593	567 544	8 817	7 105	1 741	570 997
Vehicles	30 099 830	2 302 314	722 109	-1 014 432	30 665 603	920 332	2 226 160	84 286	29 444 061
Vehicles acquired under finance leases	5 794 783	29 373	130 361	1 002 255	6 696 050	27 028	44 513	-86 027	6 592 538
Other	25 113	26	6 607	-8 416	10 116	0	1 053	0	9 063
Other assets	0	0	0	0	0	0	0	0	0
Assets under construction	146 664	2 480 016	0	-2 469 821	156 859	956 874	6 198	-1 008 469	99 066
Prepayments	239 405	1 479 130	1 613 293	0	105 242	125 949	231 137	0	54
Total	**38 169 134**	**6 448 161**	**2 504 056**	**-2 469 821**	**39 643 418**	**2 119 067**	**2 516 503**	**-1 008 469**	**38 237 513**

Accumulated depreciation (CZK '000)	Balance at 31 Dec 2011	Additions	Disposals	Reclassification	Balance at 31 Dec 2012	Additions	Disposals	Reclassification	Balance at 31 Dec 2013
Structures	675 520	29 886	1 102	0	704 304	33 833	280	0	737 857
Individual movable assets	23 550 252	1 786 352	1 085 381	0	24 251 223	1 051 750	1 875 495	0	23 427 478
Machinery, equipment, and furniture and fixtures	351 537	39 367	25 434	18 230	383 700	39 465	6 877	211	416 499
Vehicles	21 653 931	1 472 847	923 034	-223 026	21 980 718	752 201	1 826 129	-16 814	20 889 976
Vehicles acquired under finance leases	1 527 658	273 556	130 361	207 040	1 877 893	259 902	41 452	16 603	2 112 946
Other	17 126	582	6 552	-2 244	8 912	182	1 037	0	8 057
Total	**24 225 772**	**1 816 238**	**1 086 483**	**0**	**24 955 527**	**1 085 583**	**1 875 775**	**0**	**24 165 335**

Impairment (CZK '000)	Balance at 31 Dec 2011	Additions	Disposals	Balance at 31 Dec 2012	Additions	Disposals	Stav 31 Dec 2013
Buildings	0	0	0	0	441	0	441
Individual movable assets: vehicles	102 646	58 977	102 646	58 977	185 682	0	244 659
Prepayments	3 700	5 000	8 700	0	0	0	0
Total	**106 346**	**63 977**	**111 346**	**58 977**	**186 123**	**0**	**245 100**

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 at 31 Dec 2011	Balance at 31 Dec 2012	Balance at 31 Dec 2013
Land	91 294	91 294	91 294
Buildings	581 674	646 406	692 142
Individual movable assets	12 781 679	13 629 113	12 944 522
Machinery, equipment, and furniture and fixtures	163 314	183 844	154 498
Vehicles	8 343 253	8 625 908	8 309 426
Vehicles acquired under finance leases	4 267 125	4 818 157	4 479 592
Other	7 987	1 204	1 006
Other assets	0	0	0
Assets under construction	146 664	156 859	99 066
Prepayments	235 705	105 242	54
Total	**13 837 016**	**14 628 914**	**13 827 078**

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 441 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 244,659 thousand.

Principal additions to individual movable assets in the year ended 31 December 2013 included the modernisation of the 363.5 series traction vehicles of CZK 446,773 thousand, major and general repairs (components) of traction vehicles of CZK 375,558 thousand, purchase of wagons after the lease of CZK 774,293 thousand, inspection repairs (components) of wagons of CZK 59,474 thousand and improvements on wagons of CZK 48,486 thousand. Additions to inspections repairs of leased wagons in the year ended 31 December 2013 amounted to CZK 23,032 thousand and improvements on leased wagons amounted to CZK 3,999 thousand.

In the years ended 31 December 2013 and 2012, the Company acquired tangible assets recognised in expenses in the amounts of CZK 25,908 thousand and CZK 30,360 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 54 thousand and CZK 105,237 thousand as of 31 December 2013 and 2012, respectively.

In 2012, the Company decided to restructure its rolling stock and selected 4,700 wagons and approximately 100 traction vehicles for scrapping. In respect of this planned transaction, the Company reported an impairment of vehicles of CZK 58,977 thousand and recognised an extraordinary write-off of CZK 101,655 thousand.

In the year ended 31 December 2013, the Company scrapped several traction vehicles. In respect of 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 remaining parts of wagons intended for direct scrapping. Management of the Company anticipates that the scrapping process will be largely performed during 2014.

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. For a detailed description of their depreciation refer to Note 4.2.2. *Component Depreciation*. 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 2013 and 2012, no assets of the Company were pledged as collateral.

15. Intangible assets

Cost (CZK '000)	Balance at 31 Dec 2011	Additions	Disposals	Reclassification	Balance at 31 Dec 2012	Additions	Disposals	Reclassification	Balance at 31 Dec 2013
Software	326 865	31 108	0	0	357 973	109 444	27 103	0	440 314
Valuable rights	118 350	4 755	0	0	123 105	1 531	422	0	124 214
Assets under construction	41 994	84 186	0	-33 163	93 017	70 568	112 787	0	50 798
Total	**487 209**	**120 049**	**0**	**-33 163**	**574 095**	**181 543**	**140 312**	**0**	**615 326**

Accumulated amortisation (CZK '000)	Balance at 31 Dec 2011	Additions	Disposals	Reclassification	Balance at 31 Dec 2012	Additions	Disposals	Reclassification	Balance at 31 Dec 2013
Software	236 233	32 939	0	0	269 172	30 550	27 103	0	272 619
Valuable rights	55 893	12 386	0	0	68 279	11 414	422	0	79 271
Total	**292 126**	**45 325**	**0**	**0**	**337 451**	**41 964**	**27 525**	**0**	**351 890**

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 at at 31 Dec 2011	Balance at at 31 Dec 2012	Balance at at 31 Dec 2013
Software	90 632	88 801	167 695
Valuable rights	62 457	54 826	44 943
Assets under construction	41 994	93 017	50 798
Total	**195 083**	**236 644**	**263 436**

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 operational business information system – PROBIS, that was put into use in 2013, in the amount of CZK 72,164 thousand, i.e. the amount reduced by the financial support from OPD. Intangible assets additionally include the information system supporting the activities of the freight transport not financed from the subsidy, development of the SAP information system, the Microsoft Enterprise Agreement licence, the OPT information system, the system for the support of office work and other systems used by the Company.

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 subsidiaries and associates

16.1. INFORMATION ON SUBSIDIARIES

Name of the entity (CZK '000)	Registered office	Value of investment as of 31 Dec 2013	Value of investment as of 31 Dec 2012
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	749
CD Generalvertretung Wien GmbH	Rotenturmstraße 22/24, 1010 Vienna, Austria	0	1 126
Generálne zastúpenie ČD Cargo, s.r.o.	Prievozská 4/B, 82109 Bratislava	0	169
Terminal Brno, a.s.	K terminálu 614/11, 61900 Brno	45 988	45 964
ČD-DUSS Terminál, a.s.	Lukavecká 1189, 41002 Lovosice	2 040	2 040
ČD Logistics, a.s.	Opletalova 1284/37, 11000 Prague 1	5 600	5 600
Auto Terminal Nymburk, s.r.o.	Jankovcova 1569/2c, 170 00 Prague 7	0	200
ČD Interport, s.r.o.	Jankovcova 1569/2c, 170 00 Prague 7	0	0
Total		**314 903**	**57 223**

Name of the entity	Principal activities	Investment as of 31 Dec 2013	Investment as of 31 Dec 2012
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%	100%
Generálne zastúpenie ČD Cargo, s.r.o.	Mediation of services in freight transportation on behalf of and for ČD Cargo, a.s. and shipping.	1,61%	100%
Terminal Brno, a.s.	Operations of the combined transport terminal in Brno.	66,9%	66,9%
ČD-DUSS Terminál, a.s.	Operations of the container terminal in Lovosice.	51%	51%
ČD Logistics, a.s.	Shipping.	56%	56%
Auto Terminal Nymburk, s.r.o.	Shipping and technical services in transportation.	100%	100%
ČD Interport, s.r.o.	Shipping.	51%	n/a

16.2. INFORMATION ON ASSOCIATES

Name of the entity (CZK '000)	Registered office	Value of investment as of 31 Dec 2013	Value of investment as of 31 Dec 2012
BOHEMIAKOMBI, spol. s r.o.	Opletalova 6, 11000 Prague 1	2 837	4 514
Ostravská dopravní společnost, a.s.	U Tiskárny 616/9, 70200 Ostrava - Přívoz	30 127	30 128
RAILLEX a.s.	Trnkovo nám. 3, 15200 Praha 5	985	1 005
Total		**33 949**	**35 647**

Name of the entity	Principal activities	Investment as of 31 Dec 2013	Investment as of 31 Dec 2012
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 2013	31 Dec 2012
Total assets	578 132	557 380
Total liabilities	336 787	333 172
Net assets	241 345	224 208
Share of the Company in associates' net assets	**56 445**	**52 162**

(CZK '000)	31 Dec 2013	31 Dec 2012
Total income	1 598 434	1 656 284
Profit for the period	27 069	50 307
Share of the Company in associates' profit for the period	**5 581**	**13 463**

17. Inventories

(CZK '000)	31 Dec 2013	31 Dec 2012
Spare parts and other components for rail vehicles and locomotives	19 279	8 131
Other machinery, tools and equipment and their spare parts	74 415	65 799
Fuels, lubricants and other oil products	3 865	4 035
Work clothes, work shoes, protective devices	805	731
Other	11 840	10 346
Total cost	**110 204**	**89 042**
Write-down of inventories to their net realisable value	0	0
Total net book value	**110 204**	**89 042**

No allowances were recognised based on inventory counts in 2013 and 2012.

18. Trade receivables

(CZK '000)	31 Dec 2013	31 Dec 2012
Long-term	0	3 211
Short-term	1 871 098	1 755 060
Total	**1 871 098**	**1 758 271**

18.1. AGING OF TRADE RECEIVABLES

(CZK '000)	Category	Before due date	Past due date (days)					Total past due date	Total
			1 - 30 days	31 – 90	91- 180	181 -365	365 and more		
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**
31 Dec 2012	Gross	1 650 602	13 642	24 200	14 292	15 706	146 751	214 591	1 865 193
	Allowances	0	0	-4 775	-6 096	-4 118	-91 933	-106 922	-106 922
	Net	**1 650 602**	**13 642**	**19 425**	**8 196**	**11 588**	**54 818**	**107 669**	**1 758 271**

19. Other financial assets

(CZK '000)	31 Dec 2013	31 Dec 2012
Other non-current financial assets	11 543	10 772
Other current financial assets	36 539	96 090
Total other financial assets	48 082	106 862

Other financial assets predominantly include the loan provided to RAILEX, a.s., receivables for deficits and damage, and receivables registered for recovery with the courts and financial derivatives. Allowances of CZK 2,931 thousand and CZK 6,185 thousand are recognised for receivables registered for recovery through the courts in the years ended 31 December 2013 and 2012, respectively.

20. Other assets

(CZK '000)	31 Dec 2013	31 Dec 2012
Non-current other assets	**225**	**90**
Prepayments made	87 042	96 288
Tax receivables (except for corporate income tax)	85 574	4
Prepaid expenses	29 724	15 700
Other	621	338
Current other assets	**202 961**	**112 330**
Total other assets	203 186	112 420

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 2013, the Company reports the share capital of CZK 8,494,000 thousand fully paid.

21.2. RESERVE AND OTHER FUNDS

(CZK '000)	31 Dec 2013	31 Dec 2012
Share premium	197 658	197 658
Statutory reserve fund	60 653	60 653
Cash flow hedging reserve	-127 513	-33 163
Total	130 798	225 148

Allocations to the statutory reserve fund are made in accordance with the national legislation.

Cash Flow Hedging Reserve

(CZK '000)	2013	2012
Balance at the beginning of the year	-33 163	-29 759
Loss from revaluation	-113 552	-9 495
Reclassification to profit or loss	-2 928	5 292
Total change in the cash flow hedging reserve	**-116 480**	**-4 203**
Relating income tax	22 130	799
Balance at the year-end	**-127 513**	**-33 163**

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 2013	31 Dec 2012
Payables from finance leases	425 222	745 780
Overdraft accounts	844 691	859 505
Issued bonds	1 000 000	0
Total short-term	**2 269 913**	**1 605 285**
Payables from finance leases	2 300 663	2 159 739
Issued bonds	1 505 813	2 486 483
Total long-term	**3 806 476**	**4 646 222**
Total	6 076 389	6 251 507

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. The issued bonds are not registered on a regulated market.

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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
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

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

22.2. FINANCE LEASE PAYABLES

The Company concluded several lease contracts for the purchase of railway vehicles. The loans mature in 10 or 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 2013	31 Dec 2012	31 Dec 2013	31 Dec 2012
Less than 1 year	545 039	867 483	425 222	745 780
From 1 to 5 years	1 787 597	1 610 343	1 475 939	1 314 425
5 years and more	899 111	917 854	824 724	845 313
Total	**3 231 747**	**3 395 680**	**2 725 885**	**2 905 518**
Less future finance expenses	-505 862	-490 162	-	-
Present value of minimum lease payments	**2 725 885**	**2 905 518**	**2 725 885**	**2 905 518**
In the statement of financial position as:				
short-term loans			425 222	745 780
long-term loans			2 300 663	2 159 738
Total			**2 725 885**	**2 905 518**

The fair value of finance lease payables is calculated in Note 32.11.1.

23. Provisions

(CZK '000)	Balance at 31 Dec 2011	Charge	Use	Balance at 31 Dec 2012	Charge	Use	Balance at 31 Dec 2013
Provision for legal disputes	16 893	52 732	16 252	53 373	52 921	16 650	89 644
Provision for outstanding vacation days	25 827	27 676	25 827	27 676	26 764	27 676	26 764
Provision for business risks	390 000	149 988	0	539 988	362 959	0	902 947
Provision for employee bonuses	109 468	55 252	56 217	108 503	26 620	34 993	100 130
Provision for restructuring	110 365	535 000	110 365	535 000	0	285 027	249 973
Provision for the fee for the use of trademark	95 000	0	95 000	0	0	0	0
Other provisions*	23 997	56 667	25 157	55 507	66 454	92 368	29 593
Total provisions	**771 550**	**877 315**	**328 818**	**1 320 047**	**535 718**	**456 714**	**1 399 051**
long-term	65 298			70 070			64 100
short-term	706 252			1 249 977			1 334 951

****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 increase the amount of the non-tax deductible provision to cover potential expenses relating to potential risks for business transactions by CZK 362,959 thousand. The total balance of the reserve as of 31 December 2013 is CZK 902,947 thousand.

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. These funds will be available to the Company to cover the costs relating to the restructuring in the following reporting period. The restructuring involves the inspection of the rolling stock and the scrapping of redundant wagons and traction vehicles as disclosed in Note 14.

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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 100,130 thousand using an actuarial model. For details on this model, refer to Note 4.6.

24. Trade payables

Year (CZK '000)	Category	Before due date	Past due date (days) 1 – 30	31 – 90	91–180	181-365	365 and more	Total past due date	Total
31 Dec 2013	Short-term	1 879 606	68 115	0	7	235	0	68 357	**1 947 963**
31 Dec 2012	Short-term	2 380 961	12 206	2 256	18	7 546	0	22 026	**2 402 987**

Supplier invoices typically mature in 101 days.

25. Other financial liabilities

(CZK '000)	31 Dec 2013	31 Dec 2012
Long-term other financial liabilities	**157 756**	**243 014**
Financial derivative instruments	50 661	71 145
Other	107 095	171 869
Short-term other financial liabilities	**303 779**	**508 724**
Financial derivative instruments	139 240	28 954
Other	164 539	479 770
Total other financial liabilities	**461 535**	**751 738**

"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 2013	31 Dec 2012
Other long-term liabilities	**462 944**	**367 746**
Received prepayments	1 224	40 205
Payables to employees	290 856	370 052
Social security and health insurance payables	116 313	118 143
Other	126 251	136 258
Total short-term liabilities	**534 644**	**664 658**
Total other liabilities	**997 588**	**1 032 404**

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

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
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**

2012 (CZK'000)	Sale of tangible FA	Sale of inventory	Sale of services	Other income	Financial income	Total
České dráhy, a.s.	0	370	23 987	4 914	0	29 271
ČD - Telematika, a.s.	0	0	175	0	0	175
ČD - Informační Systémy, a.s.	0	0	0	0	0	0
DPOV, a.s.	0	75	16 623	379	0	17 077
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	4 725	0	0	4 725
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	248 414	0	1 809	250 223
ČD Generalvertretung Wien GmbH	0	0	22	0	0	22
Koleje Czeskie Sp. z o.o.	0	0	125 285	0	1 059	126 344
Generálne zastúpenie ČD Cargo, s.r.o.	0	0	669	0	0	669
ČD Logistics, a.s.	0	0	575 601	34	338	575 973
ČD-DUSS Terminal, a.s.	0	0	189	0	0	189
Terminal Brno, a.s.	0	2	285	0	0	287
RAILLEX, a.s.	0	0	41 172	2	134	41 308
BOHEMIAKOMBI, spol. s r.o.	0	0	12 336	0	32	12 368
Ostravská dopravní společnost, a.s.	0	0	288 492	97	2 469	291 058
Total	**0**	**447**	**1 337 975**	**5 426**	**5 841**	**1 349 689**

27.2. PURCHASES FROM RELATED PARTIES

2013 (CZK'000)	Assets	Material	Services	Other expenses	Total
České dráhy, a.s.	10 896	667 754	1 280 381	8 907	1 967 938
ČD - Telematika, a.s.	96	813	15 816	7	16 732
ČD - Informační Systémy, a.s.	41 074	1 321	100 253	0	142 648
DPOV, a.s.	103 381	870	17 118	0	121 369
ČD Travel, s.r.o.	0	0	13 955	0	13 955
Dopravní vzdělávací institut, a.s.	0	2	16 202	0	16 204
Výzkumný Ústav Železniční, a.s.	0	0	0	0	0
RAILREKLAM, spol. s r.o.	0	0	5 230	0	5 230
Jídelní a lůžkové vozy, a.s.	0	0	1 146	0	1 146
Smíchov Station Development, a.s.	0	0	0	0	0
Žižkov Station Development, a.s.	0	0	0	0	0
Masaryk Station Development, a.s.	0	0	0	0	0
Centrum Holešovice, a.s.	0	0	0	0	0
ČD Generalvertretung GmbH	0	0	14 471	0	14 471
ČD Generalvertretung Wien GmbH	0	0	66	0	66
Koleje Czeskie Sp. z o.o.	0	5 174	93 887	0	99 061
Generálne zastúpenie ČD Cargo, s.r.o.	0	0	977	0	977
ČD Logistics, a.s.	0	0	5 568	0	5 568
ČD-DUSS Terminal, a.s.	0	0	0	0	0
Terminal Brno, a.s.	0	0	13 113	0	13 113
RAILLEX, a.s.	0	0	890	112	1 002
BOHEMIAKOMBI, spol. s r.o.	0	0	0	0	0
Ostravská dopravní společnost, a.s.	0	0	44 073	0	44 073
Total	**155 447**	**675 934**	**1 623 146**	**9 026**	**2 463 553**

2012 (CZK'000)	Assets	Material	Services	Other expenses	Total
ČD - Telematika, a.s.	84 038	190	17 505	0	101 733
ČD - Informační Systémy, a.s.	33 722	1 761	104 940	0	140 423
Výzkumný Ústav Železniční, a.s.	210	0	30	0	240
DPOV, a.s.	94 809	72	26 830	0	121 711
ČD, a.s.	416	693 018	1 420 541	16 660	2 130 635
ČD Generalvertretung GmbH	0	0	43 657	0	43 657
ČD Generalvertretung Wien GmbH	0	0	8 982	0	8 982
Koleje Czeskie Sp. z o.o.	310	0	215 475	0	215 785
Generálne zastúpenie ČD Cargo, s.r.o.	0	0	41 334	0	41 334
ČD Logistics, a.s.	0	643	16 557	0	17 200
ČD-DUSS Terminal, a.s.	0	0	0	0	0
Terminal Brno, a.s.	0	0	8 947	0	8 947
RAILLEX, a.s.	0	0	0	156	156
BOHEMIAKOMBI, spol. s r.o.	0	0	0	0	0
Ostravská dopravní společnost, a.s.	0	0	49 745	0	49 745
Smíchov Station Development, a.s.	0	0	0	0	0
Žižkov Station Development, a.s.	0	0	0	0	0
Centrum Holešovice, a.s.	0	0	0	0	0
Dopravní vzdělávací institut, a.s.	0	0	18 614	0	18 614
ČD Travel, s.r.o.	0	0	25 343	5	25 348
JLV, a.s.	0	0	1 543	0	1 543
Masaryk Station Development, a.s.	0	0	0	0	0
Total	**213 505**	**695 684**	**2 000 043**	**16 821**	**2 926 053**

27.3. PURCHASES AND SALES OF FIXED ASSETS AND FINANCIAL ASSETS WITH RELATED PARTIES

Sales

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.

In the year ended 31 December 2012, the Company recorded no sales of intangible, tangible or financial assets of related parties.

Purchases

Purchases (CZK '000)	Intangible assets	Property, plant and equipment	Intangible assets	Property, plant and equipment
	2013	2013	2012	2012
ČD, a.s.	118	17 650	406	10
ČD - Telematika a. s.	0	96	0	84 038
ČD– Informační Systémy, a.s.	41 074	0	33 722	0
Výzkumný Ústav Železniční, a.s.	0	0	0	210
DPOV, a.s.	0	103 381	0	94 809
Koleje Czeskie Sp. z o.o.	0	0	0	310
Total	**41 192**	**121 127**	**34 128**	**179 377**

Purchases of fixed assets from DPOV, a.s. include purchases of railway vehicles components – performance of significant periodical repairs.

27.4. OUTSTANDING TRADE BALANCES AT THE END OF THE REPORTING PERIOD

31 December 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
CD Generalvertretung GmbH	31 984	3 032
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
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**	**391 796**

31 December 2012 (CZK '000)	Receivables	Payables
České dráhy, a.s.	8 894	301 081
ČD - Telematika, a.s.	91	6 323
ČD - Informační Systémy, a.s.	0	51 239
DPOV, a.s.	15 997	58 432
ČD travel, s.r.o.	0	3 081
Dopravní vzdělávací institut, a.s.	0	2 457
Výzkumný Ústav Železniční, a.s.	1 272	0
RAILREKLAM, spol. s r.o.	0	0
Jídelní a lůžkové vozy, a.s.	0	185
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	17 350	37 969
CD Generalvertretung Wien GmbH	2	7 190
Koleje Czeskie Sp. z o.o.	28 906	11 653
Generálne zastúpenie ČD Cargo, s.r.o.	73	11 032
ČD Logistics, a.s.	87 089	4 371
ČD-DUSS Terminal, a.s.	0	0
Terminal Brno, a.s.	78	957
RAILLEX, a.s.	5 039	0
BOHEMIAKOMBI, spol. s r.o.	1 131	0
Ostravská dopravní společnost, a.s.	27 305	8 316
Total	**193 227**	**504 286**

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 at 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**

Balance at 31 December 2012

LOAN (CZK '000)	Long-term part of the loan	Short-term part of the loan	Total
Principal	7 200	4 800	12 000
Interest	252	409	661
Total	**7 452**	**5 209**	**12 661**
Sale of the railway siding	**Long-term part of the loan**	**Short-term part of the loan**	**Total**
Principal	3 095	3 095	6 190
Interest	116	271	387
Total	**3 211**	**3 366**	**6 577**

27.6. BONUSES TO KEY MANAGEMENT MEMBERS

Directors and other members of key management received the following bonuses in the reporting period:

(CZK '000)	2013	2012
Short-term employee benefits	9 855	19 054
Total	**9 855**	**19 054**

Members of the statutory, supervisory and initiative bodies were not provided with discounted fares.

Management of the Company has the possibility to use 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 2012 and 2013. The costs for the years ended 31 December 2012 and 2013 are disclosed in Note 7.

The income of the Company predominantly includes compensation for increased costs incurred as a result of traffic closures. The income for the years ended 31 December 2012 and 2013 is disclosed in Note 6.

The Company is conducting 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 not finalised as of the 2013 financial statements date.

In addition, the Company is conducting a legal dispute with Správa železniční dopravní cesty, s.o. on the method of settlement arising from the damages due to traffic closures of SŽDC, s.o. This dispute was not finalised as of the 2013 financial statements date.

Expenses and income resulting from the transactions conducted with SŽDC for the years ended 31 December 2012 and 2013 were as follows:

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**

31 Dec 2012 (CZK '000)	Expenses	Income
Operation of the railway route	53 740	0
Use of railway route and allocated capacity of the railway route	2 219 052	0
Other	44 069	60 435
Total	**2 316 861**	**60 435**

Given the above activities, the Company records receivables from and payables to SŽDC:

(CZK '000)	31 Dec 2013	31 Dec 2012
Receivables	17 330	29 363
Payables	546 940	439 769
Prepayments made	1 494	12 626
Estimated payables	6 220	14 779
Estimated receivables	2 290	3 274

27.8. TRANSACTIONS WITH THE ČEZ GROUP

The costs incurred in relation to the ČEZ Group in the years ended 31 December 2012 and 2013 primarily include the payments for electricity and amounted to CZK 47,413 thousand and CZK 8,291 thousand as of 31 December 2012 and 2013, 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 1,334,811 thousand and CZK 747,829 thousand as of 31 December 2012 and 2013, respectively.

Given the above activities, the Company records the following receivables from and payables to the ČEZ Group:

(CZK '000)	31 Dec 2013	31 Dec 2012
Receivables	64 765	193 595
Payables	167	1 208
Prepayments made	1 897	0
Received Prepayments	142	0
Estimated payables	1 374	2 081

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 2013	31 Dec 2012
Cash on hand and cash in transit	1 584	1 914
Cash at bank	438 990	156 151
Cash on the cash-pooling account	380	0
Total	**440 954**	**158 065**

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 2013 and 2012 amount to CZK 38,829 thousand and CZK 36,854 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 2013 and 2012 amounted to CZK 10,749 thousand and CZK 9,521 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 2013 amounts to CZK 304,304 thousand (2012: CZK 514,173 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 2,216,153 thousand, of which CZK 630,743 thousand relates to supplies agreed for 2014 and CZK 938,846 thousand relates to supplies agreed for the following years. The remaining amount of CZK 646,564 thousand was paid as of 31 December 2013. A significant part of the obligations relating to expenses (CZK 1,456,402 thousand) include investments in railway vehicles.

31. Contingent liabilities and contingent assets

31.1. BANK GUARANTEES ISSUED

Bank guarantees as of 31 December 2013 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 2013**

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	EUR	30 Sept 2014	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., Škrétova 490/12, 120 00 Prague 2, Corporate ID 27626130	Lease guarantee	16,517,056	CZK	30 June 2013	Bank guarantee in the event that ČD Cargo does not comply with the obligations stipulated by the Contract for the Lease of Buildings and Land in the Logistics Centre in Lovosice.

31.2. BANK GUARANTEES RECEIVED

■ **List of active bank guarantees received by ČD Cargo, a. s. as of 31 December 2013**

Bank guarantee received from	Guarantee provider	Amount	Currency	Until	Reason for the issuance of a bank guarantee
ŠKODA TRANSPORTATION, a.s., corporate ID 62623753, with its registered office at Borská 2922/32, 301 00 Plzeň	Komerční banka, a.s.	179,550,000	CZK	31 Dec 2013	Bank guarantees arising from contract for work no. ŠT/03/018/08/SML dated 11 December 2008 for the "Modernisation of locomotives from 163 series to 363 series" project.

32. Financial instruments

32.1. CAPITAL RISK MANAGEMENT

The Company manages its capital to ensure that it is able to continue as a going 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, and 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, ie 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 2013	31 Dec 2012
Cash and bank accounts	440 573	158 065
Financial derivative instruments	12 063	17 523
Loans and receivables	1 907 118	1 847 611
Total	**2 359 754**	**2 023 199**

Financial liabilities (CZK '000)	31 Dec 2013	31 Dec 2012
Financial derivative instruments	189 901	100 098
Trade payables, finance leases measured at amortised cost	8 295 986	9 306 135
Total	**8 485 887**	**9 406 233**

Income from individual categories of financial assets is as follows:

Category of financial assets (CZK '000)	2013	2012	Reported in the income statement line
Interest on cash in bank accounts	875	1 775	other gains
Total	**875**	**1 775**	

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 provides 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 provision of services.

The carrying amounts of the Company's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are as follows:

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

31 Dec 2012 (CZK '000)	EUR	USD	Other	Total
Financial assets	899 823	0	145	899 968
Financial liabilities	371 583	0	1 696	373 279

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:

(CZK '000)	2013	2012
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	99 995	33 024
Total impact on other comprehensive income	**99 995**	**33 024**

32.5.2. Currency Forwards

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 rate	Foreign currency	Nominal value	Fair value
31 Dec 2013	26.066	EUR	86 000	-117 642
31 Dec 2012	25.626	EUR	23 000	12 560

Foreign currency options - collar

Sale (CZK'000)	Average foreign currency rate	Foreign currency	Nominal value	Fair value
31 Dec 2013	26.45 – 27.25	EUR	24 000	-8 603
31 Dec 2012	25.17 – 26.20	EUR	12 000	3 123

The Company concluded no outstanding foreign currency forwards and options for the purchase of a foreign currency in the years ended 31 December 2012 and 2013.

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)	2013	2012
Interest from loans and lease with variable rate for the period	1 295	2 569
Change in the present value of long-term provisions at the end of the period	7 687	8 075
Change in the fair value of derivatives at the end of the period	45 161	67 982
Total impact on the profit for the period	**54 143**	**78 626**
Change in the fair value of derivatives at the end of the period	32 656	39 598
Total impact on other comprehensive income	**32 656**	**39 598**

32.6.2. Interest Rate Swap Contracts

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. 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 2013	Average contracted fixed interest rate	Principal	Fair value of assets (liabilities) in CZK thousand
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**

31 Dec 2012	Average contracted fixed interest rate	Principal	Fair value of assets (liabilities) in CZK thousand
Less than 1 year	3.265%	677 979	-14 595
1 to 5 years	3.265%	1 432 545	-34 665
5 years and more	3.265%	477 901	-8 055
Total			**-57 315**

Hedging of the Bonds Rate

31 Dec 2013	Average contracted fixed interest rate	Principal	Fair value of assets (liabilities) in CZK thousand
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**

31 Dec 2012	Average contracted fixed interest rate	Principal	Fair value of assets (liabilities) in CZK thousand
Less than 1 year	2.94%	1 000 000	-10 387
1 to 5 years	2.94%	1 000 000	-21 024
5 years and more			0
Total			**-31 411**

32.6.3. Interest Rate Options

In 2011, the Company concluded hedging of interest rates in three lease transactions with variable 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.

	Hedged range	Principal in CZK thousand	Fair value of assets (liabilities) in CZK thousand at 31 Dec 2013	Fair value of assets (liabilities) in CZK thousand at 31 Dec 2012
Less than 1 year	1.13% - 3.13%	85 818	-2 585	-3 971
1 to 5 years	1.13% - 3.13%	402 585	3 242	-6 282
5 years and more	1.13% - 3.13%	117 458	662	31
Total			**1 319**	**-10 222**

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 hedging derivatives for oil purchase;
- The risk arising from the purchase of electricity 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)	2013	2012
Costs of oil consumption for the period	517 916	574 238
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	13 472	12 158
Total impact on other comprehensive income	**13 472**	**12 158**

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 2013:

Purchase of oil	Hedged value (USD/mt)	Volume of contracts (mt)	Fair value (CZK thousand)
31 Dec 2013	17 637.17	7 200	8 159
31 Dec 2012	17 348.62	6 900	691

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.

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 2013. The Company issued bonds in the aggregate volume of CZK 2.5 billion and has available a bill of exchange programme in the aggregate amount of CZK 1.5 billion which, however, was not used during 2013.

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 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	1 191 623	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**

31 Dec 2012 (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	1 093 490	1 317 261	500 960	234 959	8 055	3 154 725
Finance lease liabilities	88 316	155 422	623 745	1 610 342	917 854	3 395 679
Variable interest rate instruments	860 066	1 121	84 961	2 173 066	0	3 119 214
Fixed interest rate instruments	0	0	19 643	556 357	0	576 000
Total	**2 041 872**	**1 473 804**	**1 229 309**	**4 574 724**	**925 909**	**10 245 618**

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	2 060 408	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**

31 Dec 2012 (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	1 763 210	227 487	18 519	3 211	0	2 012 427
Fixed interest rate instruments	0	0	0	10 772	0	10 772
Total	**1 763 210**	**227 487**	**18 519**	**13 983**	**0**	**2 023 199**

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 2013	31 Dec 2012
Cash-pool:		
loan facility at	600 000	
balance at	600 000	
Overdraft loans:		
loan facility at	1 200 000	1 800 000
balance at	355 309	940 494
Bill of exchange programme:		
loan facility at	1 500 000	1 500 000
balance at	1 500 000	

32.10. STRATEGY FOR THE COMPANY'S FUNDING IN SUBSEQUENT YEARS

32.10.1. Lease-Back
In 2013, the Company made the second tranche of the lease-back of modernised 363.5 series traction vehicles. For 2014, the Company is planning to use the lease-back for the funding of the modernisation of the last 10 locomotives from the 163 series to the 363.5 series.

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 2013, 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.

32.10.6. Lease
To fulfil the strategic task involving the long-term achievement of the required level of financial stability and the strengthening of the cash flow, the Company has the objective of arranging for leases to become an achievable form of long-term funding in 2014.

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 2013 amounts to CZK 3,195,650 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 as of 31 December 2013 amounts to CZK 2,476,240 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 2013, 31 December 2012 and 31 December 2011 are included in Level 3. Financial assets available for sale include equity investments the fair value of which cannot be reliably determined and hence are measured at cost.

- **Reconciliation of Level 3 fair value measurements of financial assets and liabilities:**

(CZK '000)	Reconciliation of Level 3 fair value measurements of financial assets and liabilities:
Balance at 31 December 2011	**-34 983**
Total gains or losses	-52 884
in profit or loss	-43 389
in other comprehensive income	-9 495
Sale/settlement	5 291
Balance at 31 December 2012	**-82 576**
Total gains or losses	-92 335
in profit or loss	21 217
in other comprehensive income	-113 552
Sale/settlement	-2 928
Balance at 31 December 2013	**-177 839**

32.11.4. Derivatives – Other Comprehensive Income

(CZK '000)	31. 12. 2013	31. 12. 2012
Total other comprehensive income	-116 480	-4 204
Settlement	-2 928	5 291
Change in the fair value	-113 552	-9 495

33. Post balance sheet events

Management of the Company decided to sell its equity investment in the subsidiary ČD Interport, s.r.o.; the 51 % equity investment was sold on 15 January 2014.

On 4 February 2014, České dráhy, a.s., as the sole shareholder of ČD Cargo, a.s., acting in the capacity of the General Meeting, decided to reduce the number of the members of the Company's Board of Directors to three by way of changing the Articles of Association of ČD Cargo, a.s., which took effect on 17 February 2014 and additionally recalled members of the Board of Directors, Václav Andrýsek and Pavel Lamacz, at its meeting. Their memberships on the Board of Directors expired on 4 February 2014 and 16 February 2014, respectively. In addition, it appointed Karel Adam a new member of the Board of Directors. His membership commenced on 17 February 2014.

On 21 February 2014, České dráhy, a.s., as the sole shareholder of ČD Cargo, a.s., acting in the capacity of the General Meeting, decided to recall members of the Supervisory Board of ČD Cargo, a.s., Dalibor Zelený and Zdeněk Žemlička, at its meeting. Their memberships on the Supervisory Board expired on 21 February 2014. Another point on the meeting's agenda was the election of Daniel Kurucz and Michal Zděnek as members of the Supervisory Board of ČD Cargo, a.s. with effect from 22 February 2014.

On 11 March 2014, České dráhy, a.s., as the sole shareholder of ČD Cargo, a.s., acting in the capacity of the General Meeting, decided to increase the number of the members of the Company's Supervisory Board to seven by way of changing the Articles of Association of ČD Cargo, a.s., which took effect on 15 March 2014 and additionally recalled members of the Supervisory Board, Miroslav Zámečník and Dušan Svoboda, at its meeting. Their memberships on the Supervisory Board expired on 11 March 2014. Another point on the meeting's agenda was the election of Ludvík Urban and Jan Kasal as members of the Supervisory Board of ČD Cargo, a.s. with effect from 12 March 2014 and Pavel Krtek as a member of the Supervisory Board of ČD Cargo, a.s. with effect from 16 March 2014.

34. Approval of the financial statements

The financial statements were approved by the Board of Directors and authorised for issue on 28 March 2014.

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16 Consolidated Financial Statements (IFRS)

Consolidated Financial Statements for the Year Ended 31 December 2013

Prepared under IFRS as adopted by the EU

STATEMENT OF FINANCIAL POSITION (BALANCE SHEET) AS OF 31 DECEMBER 2013

(CZK'000)		31 Dec 2013	31 Dec 2012	1 Jan 2012
Property, plant and equipment	14	14 510 283	14 845 991	13 939 197
Intangible assets	15	263 585	237 030	195 870
Investments in subsidiaries and associates	16	56 445	52 162	41 380
Deferred tax asset	13	6 190	587	0
Trade receivables	18	0	3 211	6 577
Other financial assets	19	11 543	10 972	19 025
Other assets	20	601	434	494
Total non-current assets		**18 848 647**	**15 150 387**	**14 202 543**
Inventories	17	110 279	89 311	89 955
Trade receivables	18	1 777 638	1 844 048	1 873 776
Tax receivables	13	620	7 079	4 009
Other financial assets	19	36 956	96 105	121 126
Other assets	20	296 275	85 783	298 149
Cash and cash equivalents	28	588 681	239 036	165 552
Total current assets		**2 810 449**	**2 361 362**	**2 552 567**
TOTAL ASSETS		17 659 096	17 511 749	16 755 110
Share capital	21	8 494 000	8 494 000	8 494 000
Reserve and other funds	21	157 261	224 156	229 536
Accumulated loss		-3 152 117	-3 480 555	-2 693 013
Equity attributable to owners of the Company		**5 500 144**	**5 237 601**	**6 030 523**
Non-controlling interests		39 676	32 847	27 442
Total equity		**5 539 820**	**5 270 448**	**6 057 965**
Loans and borrowings	22	4 279 025	4 749 073	4 353 050
Deferred tax liability	13	440 442	270 149	89 045
Provisions	23	64 100	70 070	65 298
Other financial liabilities	25	158 350	243 014	479 740
Other liabilities	26	462 945	375 591	381 498
Total non-current payables		**5 404 862**	**5 707 897**	**5 368 631**
Trade payables	24	2 063 568	2 438 820	2 142 403
Loans and borrowings	22	2 328 189	1 645 788	969 946
Tax payables	13	51 574	9 974	6 980
Provisions	23	1 345 906	1 250 989	706 993
Other financial payables	25	308 945	508 755	753 255
Other payables	26	616 232	679 078	748 937
Total current payables		**6 714 414**	**6 533 404**	**5 328 514**
TOTAL LIABILITIES		17 659 096	17 511 749	16 755 110

STATEMENT OF PROFIT OR LOSS FOR THE YEAR ENDED 31 DECEMBER 2013

(CZK'000)		Year ended 31 Dec 2013	Year ended 31 Dec 2012
CONTINUING OPERATIONS			
Revenue from principal operations	5	13 023 134	14 166 628
Other operating income	6	552 499	662 682
Purchased consumables and services	7	-7 006 859	-8 186 565
Employee benefit costs	8	-4 245 665	-4 414 367
Depreciation and amortisation	9	-1 135 360	-1 885 768
Other operating losses	10	-472 131	-664 526
Profit (loss) before interest and tax		**715 618**	**-321 916**
Financial expenses	11	-268 275	-270 366
Other gains (losses)	12	144 213	-12 628
Share in the profit of associates and joint ventures	16	5 581	13 463
Profit (loss) before tax		**597 137**	**-591 447**
Income tax expense	13	-260 791	-196 271
Profit (loss) for the period from continuing operations		**336 346**	**-787 718**
DISCONTINUED OPERATIONS			
Profit (loss) from discontinued operations		0	0
Profit (loss) for the period		**336 346**	**-787 718**
Attributable to equity holders of the parent company		329 555	-787 542
Attributable to non-controlling interests		6 791	-176

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2013

(CZK'000)	Year ended 31 Dec 2013 CZK thousand	Year ended 31 Dec 2013 CZK thousand
Profit (loss) for the year	336 346	-787 718
Foreign exchange rate gains or losses from the transfer of foreign operations	7 375	-2 135
Cash flow hedging	-116 480	-4 203
Relating deferred income tax	22 131	799
Other comprehensive income (loss) for the year	**-66 974**	**-5 539**
Total comprehensive income (loss) for the year	**269 372**	**-793 257**
Attributable to equity holders of the parent company	262 581	-793 081
Attributable to non-controlling interests	6 791	-176

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2013

(CZK'000)	Year ended 31 Dec 2013	Year ended 31 Dec 2012
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit (loss) for the year before tax	597 137	-591 447
Financial expenses	266 437	270 366
Profit from the sale and disposal of non-current assets	-71 630	-35 660
Depreciation and amortisation of non-current assets	1 135 359	1 885 768
Impairment (increase in the value) of non-current assets	186 123	-47 369
Impairment of trade receivables	27 573	34 954
Foreign exchange rate (gains) losses	-32 962	6 809
Other	4 192	-12 602
Cash flow from operating activities before changes in working capital	**2 112 229**	**1 510 819**
Decrease (increase) in trade receivables	102 753	-15 694
Decrease (increase) in inventories	-22 341	-1 775
Decrease (increase) in other assets	101 053	228 979
Increase (decrease) in trade payables	342 730	606 304
Increase (decrease) in provisions	88 947	548 768
Increase (decrease) in other payables	-344 877	-650 220
Total changes in working capital	**268 265**	**716 362**
Cash flows from operating activities	**2 380 494**	**2 227 181**
Interest paid	-256 703	-152 017
Income tax paid	-29 384	-21 210
Net cash flow from operating activities	**2 094 407**	**2 053 954**
CASH FLOWS FROM INVESTMENT ACTIVITIES		
Payments for property, plant and equipment	-1 963 663	-2 969 643
Proceeds from the sale of property, plant and equipment	60 973	14 005
Costs of acquisition of intangible assets	-71 361	-86 490
Received interest	1 065	1 818
Repayments of loans from related parties	8 575	8 924
Net cash flows (used in) from investment activities	**-1 964 411**	**-3 031 386**
CASH FLOWS FROM FINANCING ACTIVITIES		
Use of loans and borrowings	3 527 480	3 868 522
Repayments of loans and borrowings	-3 307 451	-2 817 606
Net cash flow from financing activities	**220 029**	**1 050 916**
Net increase in cash and cash equivalents	**350 025**	**73 484**
Cash and cash equivalents at the beginning of the reporting period	239 036	165 552
Cash and cash equivalents at the end of the reporting period	**589 061**	**239 036**

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2013

(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 at 31 December 2011	**8 494 000**	**229 536**	**-2 693 013**	**6 030 523**	**27 442**	**6 057 965**
Share capital change				0	5 488	5 488
Derivatives		-4 203		-4 203		-4 203
Deferred tax		799		799		799
Loss for the year			-787 542	-787 542	-176	-787 718
Allocation to the reserve fund		184		184	93	277
Foreign exchange rate gains or losses from the transfer of foreign operations		-2 135		-2 135		-2 135
Allocation to other funds		-25		-25		-25
Balance at 31 December 2012	**8 494 000**	**224 156**	**-3 480 555**	**5 237 601**	**32 847**	**5 270 448**
Share capital change				0		0
Derivatives		-116 480		-116 480		-116 480
Deferred 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 exchange rate gains or losses from the transfer of foreign operations		27 375		27 375		27 375
Use of other funds			-38	-38	38	0
Balance at 31 December 2013	**8 494 000**	**157 261**	**-3 151 117**	**5 500 144**	**39 676**	**5 539 820**

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 2013, 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 2013. The reporting period is the calendar year, i.e. from 1 January 2013 to 31 December 2013.

1.2. PRINCIPAL OPERATIONS
The principal activities of the Group include the provision of railway transportation of goods with a 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 five-member Board of Directors, the supervisory body is the six-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 Oldřich Mazánek
- Member Václav Andrýsek
- Member Zdeněk Meidl
- Member Pavel Lamacz
- Member vacant as of 31 December 2013

At its meeting held on 30 May 2013, the Board of Directors discussed the written announcement on the resignation of the member, Vlastimil Chobot. His position of the member of the Board of Directors expired on 31 May 2013. On 24 June 2013, České dráhy, a.s., as the sole shareholder of the Company, acting in the capacity of the General Meeting, appointed Zbyšek Wacławik a member of the Board of Directors with effect from 24 June 2013.

On 31 July 2013, České dráhy, a.s., as the sole shareholder of the Company, acting in the capacity of the General Meeting, recalled Petr Žaluda as Chairman of the Board of Directors and appointed Pavel Lamacz a member of the Board of Directors with effect from 1 August 2013.

At its meeting held on 1 August 2013, the Board of Directors discussed the written announcement on the resignation of the member, Zbyšek Wacławik. His position of the member of the Board of Directors expired on 1 August 2013.

On 20 August 2013, 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 the Company which defined that the Board of Directors will newly have five members.

On 20 August 2013, České dráhy, a.s., as the sole shareholder of the Company, acting in the capacity of the General Meeting, appointed Oldřich Mazánek, Václav Andrýsek, and Zdeněk Meidl members of the Board of Directors with effect from 26 August 2013.

At its meeting held on 26 August 2013, the Board of Directors appointed Oldřich Mazánek Chairman of the Board of Directors.

At its meeting held on 11 November 2013, the Board of Directors discussed the written announcement on the resignation of the member of the Board of Directors, Petr May. His position of the member of the Board of Directors expired on 11 November 2013.

Supervisory Board

- Chairman Dalibor Zelený
- Member Zdeněk Žemlička
- Member Dušan Svoboda
- Member Miroslav Zámečník
- Member Radek Nekola
- Member Jindřich Nohal

On 20 August 2013, České dráhy, a.s., as the sole shareholder of the Company, acting in the capacity of the General Meeting, recalled Milan Špaček and Zdeněk Prosek as members of the Supervisory Board with effect from 25 August 2013. In addition, it appointed Dušan Svoboda, Dalibor Zelený and Zdeněk Žemlička members of the Supervisory Board with effect from 26 August 2013.

At its meeting held on 18 September 2013, the Supervisory Board appointed Dalibor Zelený Chairman of the Supervisory Board.

Administration Board of ČD Cargo, a.s.
On 3 September 2013, České dráhy, a.s., as the sole shareholder of the Company, acting in the capacity of the General Meeting, decided to cancel the Administration Board of the Company. Concurrently, all its members were recalled.

Audit Committee

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

No changes were made in this body during the reporting period.

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
ČD Interport, s.r.o.	Jankovcova 1569/2c, 170 00 Prague 7	01484494	51.00	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	56.00	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

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.
ČD Interport, s.r.o.	Shipping.
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".

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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 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.

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 leases, 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, ie 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 attaching 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 Group 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.

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 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.

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

2.19.9. 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.

2.19.10. 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.

2.19.11. Hedge Accounting
The Group designates certain hedging instruments as either fair value hedges, cash flow hedges, or hedges of net investments in foreign operations.

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.

2.19.12. 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.

2.19.13. Financial Derivatives Held for Trading
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 2013, 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 13 – Fair Value Measurement	1 January 2013
IAS 19 – Employee Benefits (revised in 2011)	1 January 2013
Amendments to IFRS 1 Severe Hyperinflation	1 January 2013
Amendments to IFRS 1 Removal of Fixed Dates for First-time Adopters	1 January 2013
Amendments to IFRS 1 Government Loans	1 January 2013
IFRS 7 Offsetting Financial Assets and Financial Liabilities and Relating Disclosures	1 January 2013
Amendments to IAS 1 Presentation of Items of Other Comprehensive Income	1 July 2012
Amendments to IAS 12 Deferred Tax: Recovery of Underlying Assets	1 January 2013
IFRIC 20 – Stripping Costs in the Production Phase of a Surface Mine	1 January 2013
Improvements to IFRS - 2009 -2011 revised IFRS 1, IAS 1, IAS 16, IAS 32, IAS 34	1 January 2013

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 the detailed disclosure of fair value measurement under IFRS 13 which is provided in Note 32.11 Financial Instruments.

3.2. STANDARDS AND INTERPRETATIONS APPROVED FOR USE IN THE EU WHICH ARE NOT BINDINGLY EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2013, HOWEVER MAY BE USED EARLIER

The below table shows the list of new and revised IFRS adopted by the EU which are not yet bindingly effective (however allow an earlier use) for the year ended 31 December 2013. This list relates to the effective date of 31 December 2013.

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

The Group did not use any standard or interpretation before their effective dates. Management of the Group anticipates that the adoption of the above standards, revised standards and interpretations in the following periods will have no significant impact on the Group, except for the detailed disclosure under IFRS 12.

3.3. 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 listed 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 (published in 2009) and subsequent revised standards issued in October 2010 and November 2013	will be determined
Amendments to IFRS 9 Financial Instruments and IFRS 7 Financial Instruments: Disclosure - Mandatory Effective Date and Transition Disclosures (issued in December 2013)	will be determined
Amendments to IAS 19 – Defined Benefit Plans: Employee Contributions	1 July 2014
Improvements to IFRS 2010-2012 (published in December 2013) Revised IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16, IAS 38, IAS 24	1 July 2014
Improvements to IFRS 2011-2013 (published in December 2013) Revised IFRS 1, IFRS 3, IFRS 13, IAS 40	1 July 2014
IFRIC 21 Levies (published in May 2013)	1 January 2014

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. VALUATION OF RAILWAY VEHICLES

4.2.1. Impairment of Property, Plant and Equipment

As disclosed in Notes 2.14 and 4.2., at each balance sheet date, the Parent 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).

In the comparative period ended 31 December 2012, the Parent Company recognised impairment primarily in respect of wagons and traction vehicles intended for scrapping and whose recoverable value was estimated to be lower than their net book value as of 31 December 2012.

In the year ended 31 December 2013, the Parent Company continued applying the above accounting policy primarily with regard to railway vehicles intended for scrapping. However, given the changes in the approach to the scope and frequency of inspection repairs (components) with respect to wagons and the subsequent change in their depreciation, the accounting policy regarding the review of the assets for impairment was fine-tuned and amended. Based on the decrease in the number of performed inspection repairs, other wagons were identified during the year ended 31 December 2013 which suffered a temporary impairment loss.

The above change of the estimate negatively impacted profit or loss through the recognition of the provision against wagons that did not pass the technical inspection in the amount of CZK 224,765 thousand in the year ended 31 December 2013.

4.2.2. Component Depreciation

As disclosed in Note 2.12., the Parent Company depreciates the component over the use separately from other components and from the remaining part of assets or a set of assets.

Starting from 1 January 2013, the Parent Company has changed the estimate upon depreciating components in traction vehicles and wagons from the time depreciation to the mileage depreciation.

In the year ended 31 December 2012, the component depreciation plan in respect of wagons corresponded to the frequency of technical inspections. The depreciation period of components in wagons was as follows:

Wagons with the speed lower than 120 km/hour .... 2 years
Wagons with the speed lower than 100 km/hour .... 6 years
Wagons with short spring carriers .... 4 years

In regard to traction vehicles whose frequency of repairs depends on the mileage, the average depreciation period was determined on the basis of a reasonable estimate of the Maintenance and Repairs of Railway Vehicles Department specialists, for each series of traction vehicles in the year ended 31 December 2012. The average depreciation period for general repairs ranged from 4 to 12 years, for major repairs from 8 to 24 years.

In the year ended 31 December 2013, the depreciation of components in wagons and traction vehicles is made on the basis of the actual mileage per month (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 maximum mileage which is determined for the specific type of the major and general repair of traction vehicles and inspection repair of wagons. As of the transition date, ie 1 January 2013, the rate per 1 kilometre in wagons and traction vehicles was determined as a proportion of the net book value as of 1 January 2013 of the relevant component and the number of the remaining kilometres that remained to the maximum mileage in individual wagons and traction vehicles.

The above changes in the estimate upon the depreciation of components in the year ended 31 December 2013 positively impacted the profit in the amount of CZK 468,679 thousand.

4.2.3. Depreciation to the Amount of the Anticipated Residual Value

The Parent Company changed the estimate upon the depreciation of traction vehicles and wagons to the anticipated residual value in the year starting on 1 January 2013.

The anticipated residual value is taken to mean a justifiable positive estimated amount that the Parent Company could obtain at the moment of the anticipated disposal of assets, less the anticipated costs relating to its disposal. The anticipated residual value of wagons and traction vehicles is based on the value of the scrap that can be obtained upon liquidation.

The above change in the estimate upon the depreciation in the year ended 31 December 2013 positively impacted the profit in the amount of CZK 112,021 thousand.

4.3. CHANGE IN THE CASH FLOW STATEMENT FOR 2012

In the year ended 31 December 2013, the Parent Company changed the reporting of cash flows in relation to intercompany loans.

In the consolidated financial statements for the year ended 31 December 2012, the cash flow statement line 'Repayments of loans from related parties' amounted to CZK 0. For the sake of comparability of the financial statements for 2012 and 2013, the value in this line was changed to CZK 8,924 thousand. Concurrently, reclassifications were made in the line 'Decrease (increase) in other assets' from CZK 237,903 thousand to CZK 228,979 thousand.

4.4. 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.

4.5. 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.

4.6. MEASUREMENT OF FINANCIAL DERIVATIVES

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

4.7. 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.

4.8. 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.

4.9. 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.

4.10. 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.

5. Revenue from principal operations

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

(CZK '000)	2013	2012
Revenue from freight transportation:	**12 427 926**	**12 965 721**
Revenue from freight transportation - local	4 544 579	4 756 602
Revenue from freight transportation – foreign	7 883 346	8 209 119
Other revenue from freight transportation:	**504 022**	**1 091 504**
Other revenue from freight transportation - local	332 796	310 312
Other revenue from freight transportation - foreign	171 226	781 192
Other revenue related to transportation	**91 186**	**109 403**
Total revenue from principal operations – continuing operations	**13 023 134**	**14 166 628**

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.
- ČEZ, a.s.
- NH TRANS SE
- ČD Logistics, a.s.
- Express-Interfracht Czech

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

Other companies

- Koleje Czeskie Sp. z.o.o
- Express Slovakia „Mezinárodná preprava a.s."
- A.P. Möller - Maersk A/S
- ČD Generalvertretung GmbH
- BLG AutoRail GmbH
- DB Schenker Rail Automotiv

6. Other operating income

(CZK '000)	2013	2012
Gain from disposal of property, plant and equipment and investment property	71 985	33 510
Gain from the sale of inventory	3 064	5 740
Rental income	400 338	451 537
Compensations for deficits and damage	41 231	48 652
Gain on material	0	20 162
Other subsidies	0	3
Other	35 881	103 078
Total other operating income – continuing operations	**552 499**	**662 682**

Other operating income predominantly includes income from contractual penalties and default interest and income from compensation of damage for railway traffic closures in relation to Správa železniční dopravní cesty, s.o. (refer to Note 27.7.).

7. Purchased consumables and services

(CZK '000)	2013	2012
Traction costs	**-1 694 480**	**-1 821 424**
Traction fuel (diesel)	-513 376	-570 060
Traction electricity	-1 181 104	-1 251 364
Payment for the use of railway route	**-1 814 037**	**-2 220 595**
Other purchased consumables and services	**-3 498 342**	**-4 144 546**
Consumed material	-273 150	-330 984
Consumed other energy	-110 479	-109 442
Consumed fuel	-12 141	-13 246
Repairs and maintenance	-231 675	-279 847
Travel costs	-37 965	-41 037
Telecommunication, data and postal services	-62 467	-68 591
Other rental	-204 295	-186 914
Rental for rail vehicles	-670 069	-724 865
Transportation charges	-1 295 908	-1 695 634
Services associated with the use of buildings	-36 190	-35 087
Operational cleaning of rail vehicles	-7 153	-9 188
Border area services	-171 403	-181 181
Advertising and promotion costs	-15 425	-60 558
Leases	1 556	-671
Other services	-371 578	-407 301
Total purchased consumables and services – continuing operations	**-7 006 859**	**-8 186 565**

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

8. Employee benefit costs

(CZK '000)	2013	2012
Payroll costs	-2 769 293	-2 994 936
Severance pay	-284 447	-140 022
Statutory social security and health insurance	-952 747	-1 008 179
Benefits resulting from the collective agreement	-42 469	-53 111
Statutory social costs	-177 123	-191 425
Other employee benefit costs	-19 586	-26 694
Total employees benefit costs – continuing operations	**-4 245 665**	**-4 414 367**

9. Depreciation and amortisation

(CZK '000)	2013	2012
Depreciation of property, plant and equipment	-1 093 392	-1 840 439
Amortisation of intangible assets	-41 968	-45 329
Total depreciation and amortisation – continuing operations	**-1 135 360**	**-1 885 768**

10. Other operating income (losses)

(CZK '000)	2013	2012
Change in provisions	-70 783	-549 660
Losses from impaired receivables	-27 576	-33 400
Reversal of losses from impaired property, plant and equipment and property investments	-186 123	47 369
Taxes and fees	-20 752	-4 599
Other operating expenses	-166 897	-124 236
Total other operating losses – continuing operations	**-472 131**	**-664 526**

Other operating expenses predominantly include damages and insurance payments.

11. Financial expenses

(CZK '000)	2013	2012
Interest on bank overdraft accounts and loans	-12 964	-12 431
Interest on finance lease payables	-146 710	-148 747
Interest expenses - bonds	-89 510	-52 856
Other interest expenses	-21 458	-54 843
Unwinding of the discount of provisions	2 756	-1 489
Other financial expenses	-389	0
Total financial expenses – continuing operations	**-268 275**	**-270 366**

12. Other gains (losses)

(CZK '000)	2013	2012
Net foreign exchange gains (losses)	157 120	-12 692
Loss from the sale of securities and equity investments	0	-737
Received interest	1 065	1 819
Banking fees	-1 754	-3 657
Actuarial gains (losses)	-11 129	2 452
Other	-1 089	187
Total other gains (losses) - continuing operations	**144 213**	**-12 628**

13. Income taxation

13.1. INCOME TAX REPORTED IN PROFIT OR LOSS

(CZK '000)	2013	2012
Current income tax for the period reported in the statement of profit or loss	-73 603	-14 955
Deferred tax recognised in the statement of profit or loss	-187 188	-181 316
Total tax charge relating to continuing operations	**-260 791**	**-196 271**

13.2. INCOME TAX RECOGNISED IN OTHER COMPREHENSIVE INCOME

(CZK '000)	2013	2012
Remeasurement of financial instruments recognised as cash flow hedging	22 131	799
Total income tax recognised in other comprehensive income	**22 131**	**799**

13.3. DEFERRED TAX

(CZK '000)	Unutilised tax losses	Non-current assets	Provisions	Leases	Receivables	Derivatives	Other	Total
Balance at 1 Jan 2012	**-20 906**	**111 988**	**-146 524**	**141 126**	**-5 015**	**-6 980**	**15 356**	**89 045**
Deferred tax recognised in profit or loss	13 810	187 731	-104 414	91 527	-2 678	0	-4 660	181 316
Deferred tax recognised in other comprehensive income	0	0	0	0	0	-799	0	-799
Balance at 31 Dec 2012	**-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 at 31 Dec 2013	**0**	**458 803**	**-269 631**	**287 638**	**-23 598**	**-29 910**	**10 950**	**434 252**

14. Property, plant and equipment

Cost (CZK '000)	Balance at 1 Jan 2012	Additions	Disposals	Reclassification	Balance at 31 Dec 2012	Additions	Disposals	Reclassification	Revaluation	Balance at 31 Dec 2013
Land	126 194	0	0	0	126 194	0	0	0	0	126 194
Structures	1 286 173	95 525	2 009	0	1 379 689	98 611	337	0	404	1 478 367
Individual movable assets	36 474 018	2 521 322	888 754	0	38 106 586	1 110 403	2 281 504	1 119 623	60 545	38 115 653
Machinery, equipment, and furniture and fixtures	*517 435*	*62 512*	*29 677*	*20 593*	*570 863*	*9 171*	*7 117*	*1 689*	*2*	*574 608*
Vehicles	*30 103 349*	*2 376 937*	*722 109*	*-1 015 122*	*30 743 055*	*1 061 795*	*2 226 961*	*597 008*	*32 605*	*30 207 502*
Vehicles acquired under finance leases	*5 828 046*	*81 790*	*130 361*	*1 002 255*	*6 781 730*	*39 313*	*46 367*	*520 926*	*27 937*	*7 323 539*
Other	*25 188*	*83*	*6 607*	*-7 726*	*10 938*	*124*	*1 059*	*0*	*1*	*10 004*
Other assets	0	0	0	0	0	0	0	52	0	52
Assets under construction	146 664	2 487 693	0	-2 469 821	164 536	1 002 714	25 025	-1 008 469	5 336	139 092
Prepayments	245 373	1 479 130	1 618 773	0	105 730	147 414	231 137	0	-488	21 519
Total	**38 278 422**	**6 583 670**	**2 509 536**	**-2 469 821**	**39 882 735**	**2 359 142**	**2 538 003**	**111 206**	**65 797**	**39 880 877**

Accumulated depreciation (CZK '000)	Balance at 1 Jan 2012	Additions	Disposals	Reclassification	Balance at 31 Dec 2012	Additions	Disposals	Reclassification	Revaluation	Balance at 31 Dec 2013
Structures	678 215	32 051	1 102	0	709 164	36 008	280	0	-31	744 861
Individual movable assets	23 554 664	1 799 320	1 085 381	0	24 268 603	1 131 916	1 877 907	857 931	40	24 380 583
Machinery, equipment, and furniture and fixtures	*353 043*	*39 860*	*25 434*	*18 230*	*385 699*	*39 901*	*6 927*	*188*	*-8*	*418 853*
Vehicles	*21 655 967*	*1 476 097*	*923 034*	*-223 550*	*21 985 480*	*773 750*	*1 826 930*	*488 075*	*54*	*21 420 329*
Vehicles acquired under finance leases	*1 528 453*	*282 659*	*130 361*	*207 040*	*1 887 791*	*318 095*	*43 007*	*369 668*	*0*	*2 532 547*
Other	*17 201*	*704*	*6 552*	*-1 720*	*9 633*	*270*	*1 043*	*0*	*-6*	*8 854*
Other assets	0	0	0	0	0	26	0	23	0	49
Total	**24 232 879**	**1 831 371**	**1 086 483**	**0**	**24 977 767**	**1 167 950**	**1 878 187**	**857 954**	**9**	**25 125 493**

Impairment (CZK '000)	Balance at 1 Jan 2012	Additions	Disposals	Reclassification	Balance at 31 Dec 2012	Additions	Disposals	Reclassification	Revaluation	Balance at 31 Dec 2013
Buildings	0	0	0	0	0	441	0	0	0	441
Individual movable assets	102 646	58 977	102 646	0	58 977	185 682	0	0	0	244 659
Vehicles	*102 646*	*58 977*	*102 646*	*0*	*58 977*	*185 682*	*0*	*0*	*0*	*244 659*
Prepayments	3 700	5 000	8 700	0	0	0	0	0	0	0
Total	**106 346**	**63 977**	**111 346**	**0**	**58 977**	**186 123**	**0**	**0**	**0**	**245 100**

Reclassifications predominantly include transfers of asset items between individual groups (IAS 16, IAS 17), in financial leaseback of wagons and traction vehicles.

Net book value (CZK '000)	Balance at 1 Jan 2012	Balance at 31 Dec 2012	Balance at 31 Dec 2013
Land	126 194	126 194	126 194
Buildings	607 958	670 525	733 065
Individual movable assets	12 816 708	13 779 006	13 490 411
Machinery, equipment, and furniture and fixtures	*164 392*	*185 164*	*155 755*
Vehicles	*8 344 736*	*8 698 598*	*8 542 514*
Vehicles acquired under finance leases	*4 299 593*	*4 893 939*	*4 790 992*
Other	*7 987*	*1 305*	*1 150*
Other assets	0	0	3
Assets under construction	146 664	164 536	139 092
Prepayments	241 673	105 730	21 519
Total	**13 939 197**	**14 845 991**	**14 510 283**

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 441 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 244,659 thousand.

Principal additions to individual movable assets in the year ended 31 December 2013 included the modernisation of the 363.5 series traction vehicles of CZK 446,773 thousand, major and general repairs (components) of traction vehicles of CZK 375,558 thousand, purchase of wagons after the lease of CZK 774,293 thousand, inspection repairs (components) of wagons of CZK 59,474 thousand and improvements on wagons of CZK 48,486 thousand. Additions to inspections repairs of leased wagons in the year ended 31 December 2013 amounted to CZK 23,032 thousand and improvements on leased wagons amounted to CZK 3,999 thousand.

In the years ended 31 December 2013 and 2012, the Parent Company acquired tangible assets recognised in expenses in the amounts of CZK 25,908 thousand and CZK 30,360 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 54 thousand and CZK 105,237 thousand as of 31 December 2013 and 2012, respectively.

In 2012, the Parent Company decided to restructure its rolling stock and selected 4,700 wagons and approximately 100 traction vehicles for scrapping. In respect of this planned transaction, the Company reported an impairment of vehicles of CZK 58,977 thousand and recognised an extraordinary write-off of CZK 101,655 thousand.

In the year ended 31 December 2013, the Parent Company scrapped several traction vehicles. 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 remaining parts of wagons intended for direct scrapping. Management of the Parent Company anticipates that the scrapping process will be largely performed during 2014.

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. For a detailed description of their depreciation refer to Note 4.2.2. Component Depreciation. 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 2013 and 2012, no assets of the Group were pledged as collateral.

15. Intangible assets

Cost (CZK'000)	Balance at 1 Jan 2012	Additions	Disposals	Reclassification	Balance at 31 Dec 2012	Additions	Disposals	Reclassification	Balance at 31 Dec 2013
Software	328 542	31 108	0	0	359 650	109 444	27 103	4	441 995
Valuable rights	118 349	4 755	0	0	123 104	1 531	422	0	124 213
Assets under construction	41 994	84 186	0	-33 163	93 017	70 568	112 787	0	50 798
Total	**488 885**	**120 049**	**0**	**-33 163**	**575 771**	**181 543**	**140 312**	**4**	**617 006**

Accumulated amortisation (CZK'000)	Balance at 1 Jan 2012	Additions	Disposals	Reclassification	Balance at 31 Dec 2012	Additions	Disposals	Reclassification	Balance at 31 Dec 2013
Software	237 122	33 340	0	0	270 462	30 791	27 103	0	274 150
Valuable rights	55 893	12 386	0	0	68 279	11 414	422	0	79 271
Total	**293 015**	**45 726**	**0**	**0**	**338 741**	**42 205**	**27 525**	**0**	**353 421**

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 at 1 Jan 2012	Balance at 31 Dec 2012	Balance at 31 Dec 2013
Software	91 420	89 188	167 845
Valuable rights	62 456	54 825	44 942
Assets under construction	41 994	93 017	50 798
Total	**195 870**	**237 030**	**263 585**

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 operational business information system – PROBIS, that was put into use in 2013, in the amount of CZK 72,164 thousand, ie amount reduced by the financial support from OPD. Intangible assets additionally include the information system supporting the activities of the freight transport not financed from the subsidy, development of the SAP information system, the Microsoft Enterprise Agreement licence, the OPT information system, the system for the support of office work and other systems used by ČD Cargo, a.s.

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 2013	Value of investment as of 31 Dec 2012
BOHEMIAKOMBI, spol. s r.o.	Opletalova 6, 11000 Prague 1	2 837	4 514
Ostravská dopravní společnost, a.s.	U Tiskárny 616/9, 70200 Ostrava, Přívoz	41 558	37 955
RAILLEX a.s.	Trnkovo nám. 3, 15200 Prague 5	12 050	9 693
Total		**56 445**	**52 162**

Name of the entity	Principal activities	Investment as of 31 Dec 2013	Investment as of 31 Dec 2012
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 2013	31 Dec 2012
Total assets	578 132	557 380
Total liabilities	336 787	333 172
Net assets	241 345	224 208
Share of the Company in associates' net assets	**56 445**	**52 162**

(CZK'000)	2013	2012
Total income	1 598 434	1 656 284
Profit for the period	27 069	50 307
Share of the Company in associates' profit for the period	**5 581**	**13 463**

17. Inventories

(CZK'000)	31 Dec 2013	31 Dec 2012	1 Jan 2012
Spare parts and other components for rail vehicles and locomotives	19 282	8 351	9 044
Other machinery, tools and equipment and their spare parts	74 415	65 799	66 690
Fuels, lubricants and other oil products	3 880	4 053	3 347
Work clothes, work shoes, protective devices	805	731	553
Other	11 897	10 377	10 321
Total cost	**110 279**	**89 311**	**89 955**
Write-down of inventories to their net realisable value	0	0	0
Total net book value	**110 279**	**89 311**	**89 955**

The inventory was not impaired based on the inventory count in 2013 and 2012.

18. Trade receivables

(CZK'000)	31 Dec 2013	31 Dec 2012	1 Jan 2012
Long-term	0	3 211	6 577
Short-term	1 777 638	1 844 048	1 873 776
Total	**1 777 638**	**1 847 259**	**1 880 353**

18.1. AGING OF TRADE RECEIVABLES

	Category	Before due date	Past due date					Total past due date	Total
(CZK'000)			1 - 30 days	31 – 90	91- 180	181 -365	365 and more		
31 Dec 2013	Gross	1 570 401	54 791	137 288	53 927	10 247	155 340	411 593	1 981 994
	Allowances	-68 604	-603	-151	-18 933	-2 004	-114 061	-135 752	-204 356
	Net	**1 501 797**	**54 188**	**137 137**	**34 994**	**8 243**	**41 279**	**275 841**	**1 777 638**
31 Dec 2012	Gross	1 705 170	36 757	28 568	20 593	16 152	148 380	250 450	1 955 620
	Allowances	0	-426	-5 166	-6 096	-4 118	-92 555	-108 361	-108 361
	Net	**1 705 170**	**36 331**	**23 402**	**14 497**	**12 034**	**55 825**	**142 089**	**1 847 259**
1 Jan 2012	Gross	1 507 370	313 478	14 265	8 672	5 090	87 977	429 482	1 936 852
	Allowances	0	-1 060	-9 846	-5 903	-3 552	-36 138	-56 499	-56 499
	Net	**1 507 370**	**312 418**	**4 419**	**2 769**	**1 538**	**51 839**	**372 983**	**1 880 353**

19. Other financial assets

(CZK '000)	31 Dec 2013	31 Dec 2012	1 Jan 2012
Other non-current financial assets	11 543	10 972	19 025
Other current financial assets	36 956	96 105	121 126
Total	**48 499**	**107 077**	**140 151**

Other financial assets predominantly include the loan provided to RAILEX, a.s., receivables for deficits and damage, and receivables registered for recovery with the courts and financial derivatives. Allowances of CZK 2,931 thousand and CZK 6,185 thousand are recognised for receivables registered for recovery through the courts in the years ended 31 December 2013 and 2012, respectively.

20. Other assets

(CZK '000)	31 Dec 2013	31 Dec 2012	1 Jan 2011
Total non-current assets	**601**	**434**	**494**
Prepayments made	84 986	53 122	50 209
Tax receivables (except for the corporate income tax)	174 817	12 876	175 351
Prepaid expenses	35 164	17 298	70 131
Other	1 308	2 487	2 458
Total current assets	**296 275**	**85 783**	**298 149**
Total	**296 876**	**86 217**	**298 643**

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 2013, the Company reports the share capital of CZK 8,494,000 thousand fully paid.

21.2. RESERVE AND OTHER FUNDS

(CZK '000)	31 Dec 2013	31 Dec 2012	1 Jan 2011
Share premium	197 658	197 658	197 658
Statutory reserve fund	61 814	61 764	61 581
Cash flow hedging reserve	-127 511	-33 163	-29 759
Foreign currency translation fund	25 211	-2 158	-23
Other	89	55	79
Total	**157 261**	**224 156**	**229 536**

Allocations to the statutory reserve fund are made in accordance with the national legislation.

21.2.1. Cash Flow Hedging Reserve

(CZK '000)	2013	2012
Balance at the beginning of the year	-33 163	-29 759
Loss from revaluation	-113 551	-9 495
Accrued cost	0	0
Reclassifications to profit or loss upon settlement	-2 928	5 292
Total change in the cash flow hedging reserve	**-116 479**	**-4 203**
Relating income tax	22 131	799
Balance at the year-end	**-127 511**	**-33 163**

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 2013	31 Dec 2012	1 Jan 2011
Short-term bank loans	0	20 000	40 279
Payables from finance leases	472 468	756 610	579 884
Overdraft accounts	844 691	859 579	349 709
Issued bonds	1 000 000	0	0
Other received short-term loans and borrowings	11 030	9 599	74
Total short-term	**2 328 189**	**1 645 788**	**969 946**
Issued bonds	1 505 813	2 486 483	1 980 109
Other – received loans and borrowings – long-term	51 170	57 616	6 991
Payables from finance leases	2 722 042	2 204 974	2 365 950
Total long-term	**4 279 025**	**4 749 073**	**4 353 050**
Total	**6 607 214**	**6 394 861**	**5 322 996**

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. The issued bonds are not registered on a regulated market.

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
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

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

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 2013	31 Dec 2012	1 Jan 2012	31 Dec 2013	31 Dec 2012	1 Jan 2012
Less than 1 year	605 767	879 815	710 066	472 468	756 610	579 884
From 1 to 5 years	2 039 156	1 658 070	1 846 284	1 688 405	1 359 357	1 559 776
5 years and more	1 111 903	918 159	875 844	1 033 637	845 617	806 174
Total	**3 756 826**	**3 456 044**	**3 432 194**	**3 194 510**	**2 961 584**	**2 945 834**
Less future finance expenses	-562 316	-494 460	-486 360			
Present value of minimum lease payments	**3 194 510**	**2 961 584**	**2 945 834**	**3 194 510**	**2 961 584**	**2 945 834**
In the statement of financial position as:						
short-term loans				472 468	756 610	579 884
long-term loans				2 722 042	2 204 974	2 365 950
Total				**3 194 510**	**2 961 584**	**2 945 834**

The fair value of finance lease payables is calculated in Note 32.11.1.

23. Provisions

(CZK '000)	Balance at 1 Jan 2012	Charge	Use	Balance at 31 Dec 2012	Charge	Use	Balance at 31 Dec 2013
Provision for legal disputes	16 893	52 732	16 252	53 373	52 921	16 650	89 644
Provision for outstanding vacation days	26 570	28 370	26 636	28 304	27 822	28 405	27 721
Provisions for employees benefits	390 000	149 988	0	539 988	362 959	0	902 947
Provisions for business risks	109 466	55 513	56 217	108 762	36 566	35 381	109 947
Provisions for restructuring	110 365	535 000	110 365	535 000	0	285 027	249 973
Provision for the fee for the use of trademark	95 000	0	95 000	0	0	0	0
Other provisions*	23 997	56 792	25 157	55 632	66 634	92 492	29 774
Total provisions	**772 291**	**878 395**	**329 627**	**1 321 059**	**546 902**	**457 955**	**1 410 006**
long-term	*65 298*			*70 070*			*64 100*
short-term	*706 993*			*1 250 989*			*1 345 906*

** 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 increase the amount of the non-tax deductible provision to cover potential expenses relating to potential risks for business transactions by CZK 362,959 thousand. The total balance of the reserve as of 31 December 2013 is CZK 902,947 thousand.

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. These funds will be available to the Parent Company to cover the costs relating to the restructuring in the following reporting period. The restructuring involves the inspection of the rolling stock and the scrapping of redundant wagons and traction vehicles as disclosed in Note 14.

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 109,947 thousand using an actuarial model. For details on this model, refer to Note 4.6.

24. Trade payables

Year (CZK '000)	Category	Before due date	Past due date (days) 1 - 30 days	31 - 90	91–180	181-365	365 and more	Total past due date	Total
31 Dec 2013	Short-term	1 984 250	9 844	68 823	331	235	85	79 318	**2 063 568**
31 Dec 2012	Short-term	2 390 535	36 933	3 220	512	7 546	74	48 285	**2 438 820**
1 Jan 2012	Short-term	2 101 318	35 755	4 539	535	180	76	41 085	**2 142 403**

Supplier invoices typically mature in 101 days.

25. Other financial liabilities

(CZK '000)	31 Dec 2013	31 Dec 2012	1 Jan 2011
Hedging derivatives	50 661	71 145	31 748
Other	107 689	171 869	447 992
Long-term other financial liabilities	**158 350**	**243 014**	**479 740**
Hedging derivatives	139 240	28 954	6 209
Other	169 705	479 801	747 046
Short-term other financial liabilities	308 945	508 755	753 255
Total other financial liabilities	**467 295**	**751 769**	**1 232 995**

"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 2013	31 Dec 2012	1 Jan 2012
Long-term other liabilities	**462 945**	**375 591**	**381 498**
Received prepayments	-1 319	40 287	59 554
Payables to employees	304 527	379 664	383 805
Social security and health insurance payables	117 206	119 101	119 979
Other	195 818	140 026	185 599
Short-term other liabilities	**616 232**	**679 078**	**748 937**
Total other liabilities	**1 079 177**	**1 054 669**	**1 130 435**

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

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**

2012 (CZK '000)	Sale of tangible FA	Sale of inventory	Sale of services	Other income	Financial income	Total
ČD, a.s.	0	1491	23 987	4 914	0	30 392
ČD – Telematika a. s.	0	0	175	0	0	175
ČD - Informační Systémy, a.s.	0	0	0	0	0	0
DPOV, a.s.	0	1563	17 256	379	0	19 198
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	4 725	0	0	4 725
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	**0**	**3 054**	**46 143**	**5 293**	**0**	**54 490**

27.2. PURCHASES FROM RELATED PARTIES

2013 (CZK '000)	Assets	Material	Services	Other expenses	Total
České dráhy a.s.	10 896	667 754	1 280 381	8 907	1 967 938
ČD - Telematika, a.s.	96	813	15 816	7	16 732
ČD - Informační Systémy, a.s.	41 074	1 321	100 253	0	142 648
DPOV, a.s.	103 381	870	17 118	0	121 369
ČD Travel, s.r.o.	0	0	13 955	0	13 955
Dopravní vzdělávací institut, a.s.	0	2	16 202	0	16 204
Výzkumný Ústav Železniční, a.s.	0	0	0	0	0
RAILREKLAM, spol. s r.o.	0	0	5 230	0	5 230
Jídelní a lůžkové vozy, a.s.	0	0	1 146	0	1 146
Smíchov Station Development, a.s.	0	0	0	0	0
Žižkov Station Development, a.s.	0	0	0	0	0
Masaryk Station Development, a.s.	0	0	0	0	0
Centrum Holešovice, a.s.	0	0	0	0	0
Total	**155 447**	**670 760**	**1 450 101**	**8 914**	**2 285 222**

2012 (CZK '000)	Assets	Material	Services	Other expenses	Total
ČD - Telematika, a.s.	84 038	212	17 913	0	102 163
ČD - Informační Systémy, a.s.	33 722	1 761	105 274	0	140 757
Výzkumný Ústav Železniční, a.s.	210	0	30	0	240
DPOV, a.s.	212 251	72	26 830	0	239 153
ČD, a.s.	416	693 018	1 427 666	16 660	2 137 760
Smíchov Station Development, a.s.	0	0	0	0	0
Žižkov Station Development, a.s.	0	0	0	0	0
Centrum Holešovice, a.s.	0	0	0	0	0
Dopravní vzdělávací institut, a.s.	0	0	18 614	0	18 614
ČD Travel, s.r.o.	0	0	25 343	5	25 348
Jídelní a lůžkové vozy, a.s.	0	0	1 543	0	1 543
Masaryk Station Development, a.s.	0	0	0	0	0
Total	**330 637**	**695 063**	**1 623 213**	**16 665**	**2 665 578**

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

Sales

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.

In the year ended 31 December 2012, the Group recorded no sales of intangible, tangible or financial assets of related parties.

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Purchases

Purchases (CZK '000)	Intangible assets	Property, plant and equipment	Intangible assets	Property, plant and equipment
	2013	**2013**	**2012**	**2012**
ČD, a.s.	118	17 650	406	10
ČD - Telematika a. s.	0	96	0	84 038
ČD – Informační Systémy, a.s.	41 074	0	33 722	0
Výzkumný Ústav Železniční, a.s.	0	0	0	210
DPOV, a.s.	0	103 381	0	212 251
Total	**41 192**	**121 127**	**34 128**	**296 509**

Purchases of fixed assets from DPOV, a. s. include purchases of railway vehicles components – performance of significant periodical repairs.

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

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**	**380 173**

31 Dec 2012 (CZK '000)	Receivables	Payables
ČD, a.s.	9 175	301 204
ČD – Telematika, a.s.	91	6 375
ČD – Informační Systémy, a.s.	0	51 276
DPOV, a.s.	16 463	58 432
ČD Travel, s.r.o.	0	3 081
Výzkumný Ústav Železniční, a.s.	1 272	0
Smíchov Station Development, a.s.	0	0
Žižkov Station Development, a.s.	0	0
Centrum Holešovice, a.s.	0	0
JLV, a.s.	0	185
Masaryk Station Development, a.s.	0	0
Dopravní vzdělávací institut, a.s.	0	2 457
Total	**27 001**	**423 010**

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 at 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**

Balance at 31 December 2012

LOAN (CZK '000)	Long-term part of the loan	Short-term part of the loan	Total
Principal	7 200	4 800	12 000
Interest	252	409	661
Total	**7 452**	**5 209**	**12 661**
Sale of the railway siding	**Long-term part of the loan**	**Short-term part of the loan**	**Total**
Principal	3 095	3 095	6 190
Interest	116	271	387
Total	**3 211**	**3 366**	**6 577**

27.6. BONUSES TO KEY MANAGEMENT MEMBERS

Directors and other members of key management received the following bonuses in the reporting period:

(CZK '000)	2013	2012
Short-term employee benefits	32 017	26 694
Total	**32 017**	**26 694**

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 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 2012 and 2013. The costs for the years ended 31 December 2012 and 2013 are disclosed in Note 7.

The income of the Group predominantly includes compensation for increased costs incurred as a result of traffic closures. The income for the years ended 31 December 2012 and 2013 is disclosed in Note 6.

The Parent Company is conducting 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 not finalised as of the 2013 financial statements date.

In addition, the Parent Company is conducting a legal dispute with Správa železniční dopravní cesty, s.o. on the method of settlement arising from the damages due to traffic closures of SŽDC, s.o. This dispute was not finalised as of the 2013 financial statements date.

Expenses and income of the Group resulting from the transactions conducted with SŽDC for the years ended 31 December 2013 and 2012 were as follows:

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**

2012 (CZK'000)	**Expenses**	**Income**
Operation of the railway route	53 765	0
Use of the railway route and allocated route capacity – freight transportation	2 219 052	0
Use of traction electricity	156	0
Other	44 158	60 435
Total	**2 317 131**	**60 435**

Given the above activities, the Group records receivables from and payables to SŽDC:

(CZK'000)	**31 Dec 2013**	**31 Dec 2012**	**1 Jan 2012**
Receivables	17 330	29 363	5 092
Payables	547 020	439 769	505 445
Prepayments made	1 531	12 626	9 745
Estimated payables	6 226	14 785	10 778
Estimated receivables	2 290	3 274	3 455

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 2012 and 2013 primarily include the payments for electricity and amounted to CZK 47,413 thousand and CZK 8,291 thousand as of 31 December 2012 and 2013, 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 1,334,811 thousand and CZK 747,829 thousand as of 31 December 2012 and 2013, respectively.

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

(CZK'000)	**31 Dec 2013**	**31 Dec 2012**	**1 Jan 2012**
Receivables	64 765	193 595	260 549
Payables	167	1 208	6 489
Prepayments made	1 897	0	0
Estimated payables	142	0	0
Estimated receivables	1 374	2 081	61

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 2013**	**31 Dec 2012**	**1 Jan 2012**
Cash on hand and cash in transit	2 327	2 043	2 315
Cash at bank	586 354	236 993	163 237
Cash on the cash-pooling account	380	0	0
Total	**589 061**	**239 036**	**165 552**

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 2013 and 2012 amount to CZK 38,829 thousand and CZK 36,854 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 2013 and 2012 amounted to CZK 10,749 thousand and CZK 9,521 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 2013 amounts to CZK 416,690 thousand (2012: CZK 514,173 thousand).

The Group as a lessor concluded no irrevocable contracts for operating leases.

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30. Contractual obligations relating to expenses

As of the balance sheet date, the Group concluded contracts for the purchase of property, plant and equipment and investment property in the amount of CZK 2,333,153 thousand, of which CZK 747,743 thousand relates to supplies agreed for 2014 and CZK 938,846 thousand relates to supplies agreed for the following years. The remaining amount of CZK 646,564 thousand was paid as of 31 December 2013. A significant part of the obligations relating to expenses CZK 1,456,402 thousand include investments in railway vehicles.

31. Contingent liabilities and contingent assets

31.1. BANK GUARANTEES ISSUED

Bank guarantees as of 31 December 2013 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 2013**

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	EUR	30 Sept 2014	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., Škrétova 490/12, 120 00 Prague 2, Corporate ID 27626130	Lease guarantee	16,517,056	CZK	30 June 2014	Bank guarantee in the event that ČD Cargo does not comply with the obligations stipulated by the Contract for the Lease of Buildings and Land in the Logistics Centre in Lovosice.

31.2. BANK GUARANTEES RECEIVED

- **List of active bank guarantees received by ČD Cargo, a. s. as of 31 December 2013**

Bank guarantee received from	**Guarantee provider**	**Amount**	**Currency**	**Until**	**Reason for the issuance of a bank guarantee**
ŠKODA TRANSPORTATION, a.s., corporate ID 62623753, with its registered office at Borská 2922/32, 301 00 Plzeň	Komerční banka, a.s.	179,550,000	CZK	31 Dec 2013	Bank guarantees arising from contract for work no. ŠT/03/018/08/SML dated 11 December 2008 for the "Modernisation of locomotives from 163 series to 363 series" project.

32. Financial instruments

32.1. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that it is able to continue as a going concern while optimising the debt and equity balance. The Board of Directors and the Supervisory Board of the Parent Company are regularly informed about the development of debt. Any additional significant debt is subject to approval by the Parent Company's statutory bodies, i.e. the Board of Directors and the Supervisory Board.

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, and retained earnings). The Parent Company is not subject to any externally imposed capital requirements.

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 2013**	**31 Dec 2012**
Cash and bank accounts	588 681	239 036
Derivative financial instruments	12 063	17 523
Loans and receivables	1 814 074	1 936 813
Total	**2 414 818**	**2 193 372**

Financial liabilities (CZK'000)	**31 Dec 2013**	**31 Dec 2012**
Derivative financial instruments	189 901	100 098
Trade payables, finance leases measured at amortised cost	8 948 176	9 485 350
Total	**9 138 077**	**9 585 448**

Výnosy z jednotlivých kategorií finančních aktiv jsou následující:

Financial assets (CZK'000)	**2013**	**2012**	**Reported in the statement of profit or loss line**
Interest on cash in bank accounts	1 065	1 818	Other gains
Total	**1 065**	**1 818**	

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 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 50%.

The carrying amounts of the Group's foreign currency denominated financial assets and financial liabilities at the end of the reporting period are as follows:

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

31 Dec 2012 (CZK'000)	EUR	USD	Other	Total
Financial assets	921 619	75	58 240	979 934
Financial liabilities	327 797	0	107 308	435 105

1 Jan 2012 (CZK'000)	EUR	USD	Other	Total
Financial assets	901 832	4	75 036	976 872
Financial liabilities	300 875	0	49 633	350 508

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)	2013	2012
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	99 995	33 024
Total impact on other comprehensive income	**99 995**	**33 024**

32.5.2. Currency Forwards
In line with its principles, the Group enters into currency forwards and options to cover the 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 2013	26.066	EUR	86 000	-117 642
31 Dec 2013	25.626	EUR	23 000	12 560

Foreign currency options – collar

Sale (CZK'000)	Average currency exchange rate	Foreign currency	Nominal value	Fair value
31 Dec 2013	26.45 – 27.25	EUR	24 000	-8 603
31 Dec 2013	25.17 – 26.20	EUR	12 000	3 123

The Group concluded no outstanding foreign currency forwards and options for the purchase of foreign currency in the years ended 31 December 2012 and 2013.

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)	2013	2012
Interest from loans and lease with variable rate for the period	1 358	2 669
Change in the present value of long-term provisions at the end of the period	7 687	8 075
Change in the fair value of derivatives at the end of the period	45 161	67 982
Total impact on the profit for the period	**54 206**	**78 726**
Change in the fair value of derivatives at the end of the period	32 656	39 598
Total impact on other comprehensive income	**32 656**	**39 598**

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 2013	Average contracted fixed interest rate	Principal in CZK thousand	Fair value of assets (liabilities) in CZK thousand
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**

31 Dec 2012	Average contracted fixed interest rate	Principal in CZK thousand	Fair value of assets (liabilities) in CZK thousand
Less than 1 year	3.265%	677 979	-14 595
1 to 5 years	3.265%	1 432 545	-34 665
5 years and more	3.265%	477 901	-8 055
Total			**-57 315**

Hedging of the Bonds Rate

31 Dec 2013	Average contracted fixed interest rate	Principal in CZK thousand	Fair value of assets (liabilities) in CZK thousand
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**

31 Dec 2012	Average contracted fixed interest rate	Principal in CZK thousand	Fair value of assets (liabilities) in CZK thousand
Less than 1 year	2.94%	1 000 000	-10 387
1 to 5 years	2.94%	1 000 000	-21 024
5 years and more			0
Total			**-31 411**

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.

	Hedged range	Principal in CZK thousand	Fair value of assets (liabilities) in CZK thousand at 31 Dec 2013	Fair value of assets (liabilities) in CZK thousand at 31 Dec 2012
Less than 1 year	1.13% - 3.13%	762 150	-2 585	-3 971
1 to 5 years	1.13% - 3.13%	686 457	3 242	-6 282
5 years and more	1.13% - 3.13%	331 369	662	31
Total			**1 319**	**-10 222**

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 hedging derivatives for oil purchase; and
- The risk arising from the purchase of electricity 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)	2013	2012
Costs of oil consumption for the period	517 916	574 238
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	13 472	12 158
Total impact on other comprehensive income	**13 472**	**12 158**

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 2013:

Purchase of oil	Hedged average price (USD/mt)	Volume of contracts (mt)	Fair value (CZK thousand)
31 Dec 2013	17 637.17	7 200	8 159
31 Dec 2012	17 348.62	6 900	691

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 consolidated financial statements on a net basis, which is net of impairment losses, represents the Group's maximum exposure to credit risk.

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 Parent Company issued bonds in the aggregate volume of CZK 2.5 billion and has available a bill of exchange programme in the aggregate amount of CZK 1.5 billion which, however, was not used during 2013.

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 interest rate curves at the end of the reporting period and may change if interest rates differ from the estimates. The contractual maturity is based on the earliest date on which the Group may be required to pay.

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	**2 233 653**	**934 976**	**1 775 518**	**3 909 894**	**1 113 614**	**9 967 654**

31 Dec 2012 (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	1 129 352	1 317 261	500 960	234 959	8 055	3 190 587
Finance lease liabilities	89 351	157 492	632 969	1 658 070	918 159	3 456 041
Variable interest rate instruments	861 089	23 297	94 829	2 173 066	0	3 152 281
Fixed interest rate instruments	15	30	19 730	608 421	26 618	654 814
Total	**2 079 807**	**1 498 080**	**1 248 488**	**4 674 516**	**952 832**	**10 453 723**

(The following tables present the Group's expected maturity for its financial assets. The tables have been drawn up based on the undiscounted cash flows of financial assets reflecting the anticipated maturity period. The table includes cash flows from the interest and principal.

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 2012 (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	1 933 183	227 487	18 519	3 211	0	2 182 400
Fixed interest rate instruments	0	0	0	10 772	200	10 972
Total	**1 933 183**	**227 487**	**18 519**	**13 983**	**200**	**2 193 372**

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 2013	31 Dec 2012
Cash-pool:		
loan facility at	600 000	-
balance at	600 000	-
Overdraft loans:		
loan facility at	1 200 000	1 810 000
balance at	355 309	950 494
Bill of exchange programme:		
loan facility at	1 500 000	1 500 000
balance at	1 500 000	-

32.10. STRATEGY FOR THE GROUP'S FUNDING IN SUBSEQUENT YEARS

32.10.1. Lease-Back

In 2013, the Parent Company made the second tranche of the lease-back of modernised 363.5 series traction vehicles. For 2014, the Parent Company is planning to use the lease-back for the funding of the modernisation of the last 10 locomotives from the 163 series to the 363.5 series.

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 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 Company.

32.10.5. Leases

To fulfil the strategic task involving the long-term achievement of the required level of financial stability and the strengthening of the cash flow, the Company has the objective of arranging for leases to become an achievable form of long-term funding in 2014.

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 Group will achieve a sufficient volume of available sources for funding its operating and investment activities with a sufficient reserve for potential unfavourable developments (shortfall in sales, change in the payment discipline, payment terms, legislative changes, etc).

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 2013 amounts to CZK 3,720,729 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 as of 31 December 2013 amounts to CZK 2,476,240 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 2013, 31 December 2012 and 1 January 2012 are included in Level 3. Financial assets available for sale include equity investments the fair value of which cannot be reliably determined and hence are measured at cost.

■ **Reconciliation of Level 3 fair value measurements of financial assets and liabilities:**

(CZK'000)	Available-for-sale financial assets - derivatives
Balance at 1 January 2012	**-34 983**
Total gains or losses	-52 884
in profit or loss	-43 389
in other comprehensive income	-9 495
Sales/settlement	5 291
Balance at 31 December 2012	**-82 576**
Total gains or losses	-92 335
in profit or loss	21 217
in other comprehensive income	-113 552
Sales/settlement	-2 928
Balance at 31 December 2013	**-177 839**

32.11.4. Derivatives – Other Comprehensive Income

(CZK'000)	31 Dec 2013	31 Dec 2012
Total other comprehensive income	-116 480	-4 204
Settlement	-2 928	5 291
Change in the fair value	-113 552	-9 495

33. Post balance sheet events

Management of the Parent Company decided to sell its equity investment in the subsidiary ČD Interport, s.r.o.; the 51 % equity investment was sold on 15 January 2014.

On 4 February 2014, České dráhy, a.s., as the sole shareholder of ČD Cargo, a.s., acting in the capacity of the General Meeting, decided to reduce the number of the members of the Company's Board of Directors to three by way of changing the Articles of Association of ČD Cargo, a.s., which took effect on 17 February 2014 and additionally recalled members of the Board of Directors, Václav Andrýsek and Pavel Lamacz, at its meeting. Their memberships on the Board of Directors expired on 4 February 2014 and 16 February 2014, respectively. In addition, it appointed Karel Adam a new member of the Board of Directors. His membership commenced on 17 February 2014.

On 21 February 2014, České dráhy, a.s., as the sole shareholder of ČD Cargo, a.s., acting in the capacity of the General Meeting, decided to recall members of the Supervisory Board of ČD Cargo, a.s., Dalibor Zelený and Zdeněk Žemlička, at its meeting. Their memberships on the Supervisory Board expired on 21 February 2014. Another point on the meeting's agenda was the election of Daniel Kurucz and Michal Zděnek as members of the Supervisory Board of ČD Cargo, a.s. with effect from 22 February 2014.

On 11 March 2014, České dráhy, a.s., as the sole shareholder of ČD Cargo, a.s., acting in the capacity of the General Meeting, decided to increase the number of the members of the Company's Supervisory Board to seven by way of changing the Articles of Association of ČD Cargo, a.s., which took effect on 15 March 2014 and additionally recalled members of the Supervisory Board, Miroslav Zámečník and Dušan Svoboda, at its meeting. Their memberships on the Supervisory Board expired on 11 March 2014. Another point on the meeting's agenda was the election of Ludvík Urban and Jan Kasal as members of the Supervisory Board of ČD Cargo, a.s. with effect from 12 March 2014 and Pavel Krtek as a member of the Supervisory Board of ČD Cargo, a.s. with effect from 16 March 2014.

34. Approval of the consolidated financial statements

The consolidated financial statements were approved by the Board of Directors and authorised for issue on 28 March 2014.

17 Significant Post Balance Sheet Events

ČD Cargo, a.s. sold its equity investment (51 %) in ČD Interport, s.r.o. to INTERPORT PARTNERS GROUP, a.s. in January 2014. The change in the owner was recorded in the Register of Companies as of 31 January 2014.

On 27 January 2014, the Board of Directors of České dráhy, a.s., as the sole shareholder of ČD Cargo, a.s., approved a change in the Articles of Association of ČD Cargo, a.s., in the following points, the sixteenth change in the Articles of Association took effect on 17 February 2014 (in no. 4119/2014 dated 27 January 2014).

On 11 March 2014, the Board of Directors of České dráhy, a.s., as the sole shareholder of ČD Cargo, a.s., approved the change in the Articles of Association of ČD Cargo, a.s. in the following points, the seventeenth change in the Articles of Association took effect on 15 March 2014 (in no. 4195/2014 dated 11 March 2014).

18 Report on Relations between Related Parties

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 2013 to 31 December 2013 in compliance with Section 82 of Act No. 90/2012 Coll., Act on Business Corporations and Cooperatives, as amended.

The accuracy of the data provided in this report is subject to audit by an independent auditor. 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 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

Petr Žaluda – Chairman of the Board of Directors before 30 July 2013
Dalibor Zelený, Chairman of the Board of Directors since 30 July 2013
Daniel Kurucz, member of the Board of Directors since 30 July 2013
Pavel Švagr, member of the Board of Directors from 30 July 2013 to 15 August 2013
Karel Otava, member of the Board of Directors since 16 August 2013
Ctirad Nečas, member of the Board of Directors before 30 July 2013
Miroslav Šebeňa, member of the Board of Directors before 30 July 2013
Roman Boček, member of the Board of Directors before 30 July 2013
(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

Petr Žaluda – Chairman of the Board of Directors before 31 July 2013
Oldřich Mazánek, Chairman of the Board of Directors since 26 August 2013
Zbyšek Waclawik, member of the Board of Directors from 24 June 2013 to 1 August 2013
Pavel Lamacz, member of the Board of Directors since 1 August 2013
Zdeněk Meidl, member of the Board of Directors since 26 August 2013
Václav Andrýsek, member of the Board of Directors since 26 August 2013
Petr May, member of the Board of Directors before 11 November 2013
Vlastimil Chobot, member of the Board of Directors before 31 May 2013
(hereinafter the "Controlled Entity")

3) Entities Controlled by the Controlling Entity – Related Parties

- **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
- **ČDT- 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, 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

(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 to the Controlled Entity, the Controlling Entity is its sole shareholder and exercises its shareholder rights through decisions made as part of the General Meeting of the Controlled Entity and the Controlled Entity implements these decisions in its conditions. In the ČD Group, the Controlled Entity provides the freight railway transportation of goods with a set of related services. Through the Controlled Entity, the Controlling Entity is able to indirectly exercise its influence on the subsidiaries of the Controlled Entity. Related parties enter into standard business and obligations relations.

Through the Controlled Entity, the Controlling Entity also can indirectly exercise its influence in the subsidiaries of the Controlled Entity.

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 of the Controlled Entity identified by the most recent financial statements amounts to CZK 604,922 thousand, no such activities were identified in the year ended 31 December 2013.

ARTICLE III.

Contracts and Agreements Concluded between Related Entities

During the relevant reporting period (year ended 31 December 2013), 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	Other	Total
Centrum Holešovice, a.s.	0	0	0	0	0
ČD-Informační Systémy, a.s.	6	0	0	3	9
České dráhy a.s.	6	1	2	28	37
ČD – Telematika, a.s.	0	0	0	0	0
ČD Reality, a.s.	0	0	0	0	0
ČD travel, s.r.o.	0	0	0	2	2
Dopravní vzdělávací institut, a.s.	0	0	0	0	0
DPOV, a.s.	3	0	0	3	6
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	2	2
Žižkov Station Development, a.s.	0	0	0	0	0
Total	**15**	**1**	**2**	**38**	**56**

In the reporting period, mutual sales and purchases between related parties included business transactions arising from both contracts concluded in the reporting period (ie year ended 31 December 2013) and from contracts not concluded in the reporting period (ie 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. in CZK thousand	Purchases of ČD Cargo, a.s. in CZK thousand
České dráhy a.s.	24,738	1,967,938
ČD – Telematika, a.s.	130	16,732
Výzkumný Ústav Železniční, a.s.	10,213	0
DPOV, a.s.	4,886	121,369
ČD – Informační Systémy, a.s.	0	142,648
Dopravní vzdělávací institute, a.s.	0	16,204
ČD travel, s.r.o.	0	13,955
Smíchov Station Development, a.s.	0	0
Žižkov Station Development, a.s.	0	0
Centrum Holešovice a.s.	0	0
RAILREKLAM, spol. s r.o.	0	5,230
Total	**39,967**	**2,284,076**

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 2013 to 31 December 2013:

- 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 2013;
- In the reporting period from 1 January 2013 to 31 December 2013, no legal acts were realised between the Controlled Entity and the Controlling Entity or other related party in the interest or at the initiative of the Controlling Entity or another related party; and
- 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 2013 to 31 December 2013, 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 2013 to 31 December 2013, 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.

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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.

According to Section 83 (3) of Act No. 90/2012 Coll., Act on Business Corporations and Cooperatives, as amended, the report is not subject to a review by the supervisory body of the Controlled Entity as the Controlling Entity of the Controlled Entity is the sole owner – České dráhy, a.s. 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 24 March 2014

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.:

Oldřich Mazánek
Chairman of the Board of Directors

Zdeněk Meidl
Member of the Board of Directors

19 List of Abbreviations

AEO	Authorised Economic Operator
APS	automated workstation driver
BOZP	health and safety protection at work
ČD	České dráhy, a.s.
ČDC	ČD Cargo, a.s.
DISC OŘ	dispatching system - operational management
DOMIN	database infrastructure constraints
Eas, ,Rs, Res	business series of freight wagons
EMAN	editing, modelling and analysis of the freight transportation plan
EMS	Environmental Management System
GŘ	General Directorate
HV	traction vehicles
HZS	Fire Brigade
IFRS	International Financial Reporting Standards
ISOŘ	Operational Management Information System
ISR	European Central System for the Monitoring of Movements of Freight Wagons and Consignments
JOS	organisational structure unit
KADR	Information System - Rail Capacity
EE	extraordinary events
OKV	rail vehicle repair plant
OSŽ	Railway Workers Union
PJ	operating unit
PPS	border crossing
PRIS	operational information system
PROBIS	Operational and Business Information System
QMS	Quality Management 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

20 Identification and Contact Details

Business name: ČD Cargo, a.s.

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

Corporate ID: 281 96 678

Tax ID: CZ 281 96 678

Register Court: Prague

File no.: Section B, File 12844

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Cargo

Czech Railways Group