

INTERIM REPORT OF THE
ČESKÉ DRÁHY GROUP

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KEY INDICATORS OF THE ČD GROUP

Key indicators	Jan-Jun/2020	Jan-Jun/2019	Difference
Revenue (CZK million)	17,240	20,321	(3,081)
EBITDA from continued operations (CZK million)	2,793	4,808	(2,015)
EBIT from continued operations (CZK million)	(826)	1,176	(2,002)
Profit/loss for the period from continued operations (CZK million)	(1,982)	441	(2,423)
Total assets (CZK million)	94,336	101,353	(7,017)
CAPEX (CZK million)	3,408	3,561	(153)
Depreciation and amortisation (CZK million)	3,619	3,632	(13)
Leverage (%) (liabilities / total assets)	59.2	59.8	(0.6)
Current liquidity (%) (Current assets / Current liabilities)	117.6	121.4	(3.8)
Average full time employees equivalent	23,225	23,501	(276)
Passenger transport			
Number of passengers (million)	59.8	91.6	(31.8)
Traffic performance (million passenger-kilometres)	2,565	4,195	(1,630)
Transport performance (million train-kilometres)	56.3	62.2	(5.9)
Average traffic distance (km)	43	46	(3)
Occupancy ratio (%)	21	30	(9)
Freight transport			
Traffic volume (million tons)	29.0	33.4	(4.4)
Traffic performance (million tariff ton-kilometres)	5,055	5,902	(847)
Transport performance (billion gross ton-kilometres)	9.8	12.0	(2.2)

Foreword of the Chairman of the Board of Directors

Dear ladies and gentlemen,

the economy of České dráhy in the first half of 2020 was significantly affected by the global pandemic COVID-19. As a result of measures against the spread of the disease, the mobility of the population and the volume of goods transported by rail have been limited. Revenues in both main segments of our business decreased significantly. Thus, in accordance with International Financial Reporting Standards (IFRS), the Group České dráhy closed half-yearly operations with a loss.

Following the introduction of measures against the spread of the disease, the number of passengers in our trains has fallen by more than 90% compared to the standard conditions. Due to the need to maintain sufficient capacity and frequency of transport in order to minimize the impact on the state's economy and the health of the population, it was not possible to significantly reduce costs. However, revenues fell to a minimum. Although the gradual easing of restrictions subsequently led to a revival of interest in travel, unfortunately we did not reach last year's passenger volume or sales. Especially in international transport, where foreign tourists are notably missing. In the whole half-year, we transported 60 million customers, which is approximately a third less year-on-year. The loss of the passenger transport segment thus reached CZK 1.9 billion.

Similarly, the freight transport segment had to deal with the coronavirus pandemic. In some commodities, shipments almost stopped. Examples are freight transport for automotive industry or missing containers from/to China. The slowdown in industrial production in the Czech Republic and abroad also caused an overall decline in shipments of other commodities. Although thanks to cost-saving and rationalization measures, the positive operating result of the freight transport segment was maintained in the first six months of the year, similarly to passenger transport, the freight transport segment reported a loss of CZK 44 million.

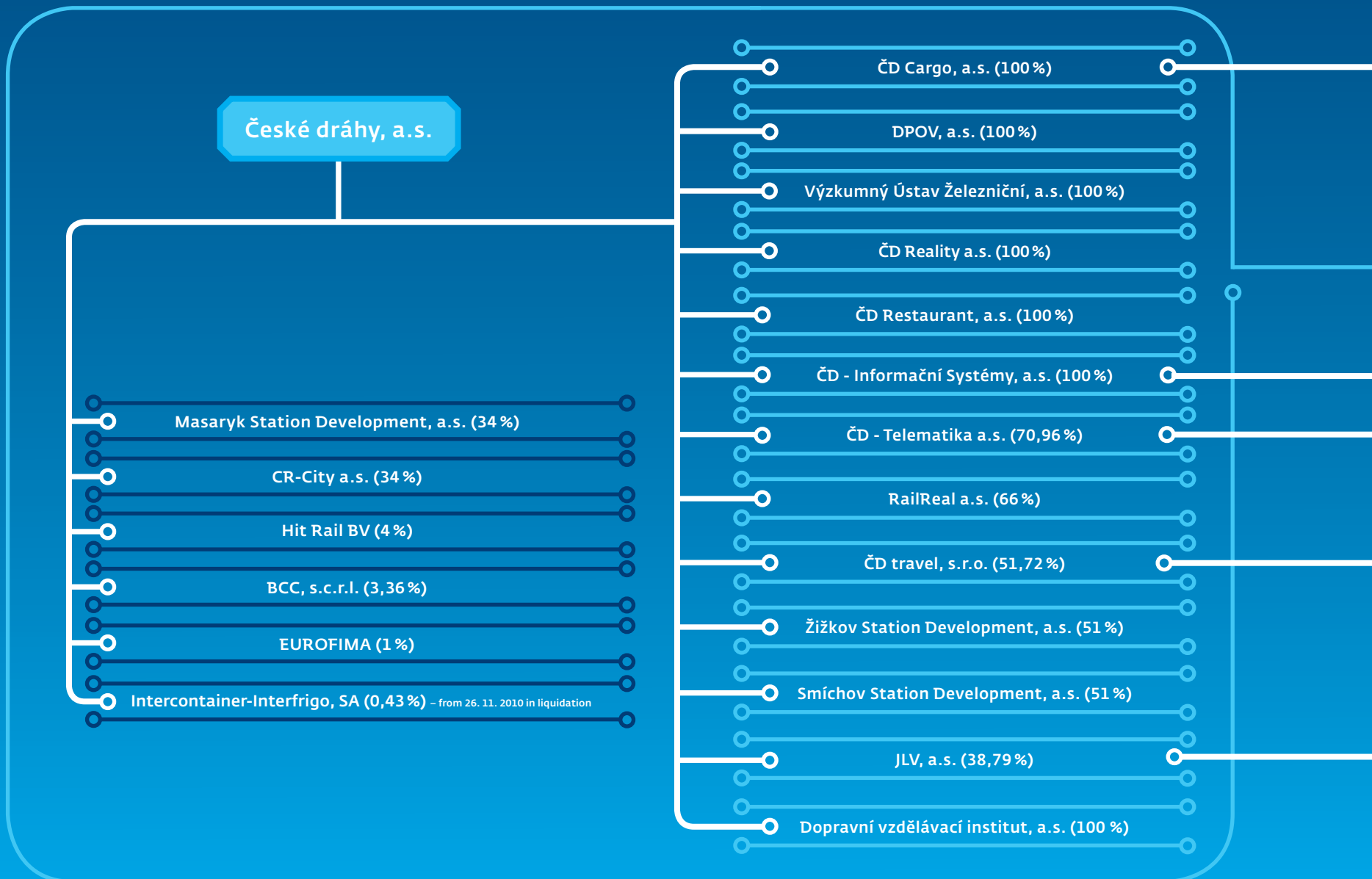
Despite the crisis, České dráhy and ČD Cargo fulfilled the expectations of their customers and did not stop ensuring stable, safe and reliable transport. In order to reduce the economic impact of the crisis, both companies utilised Antivirus and COVID programs, and they also try to achieve a more favorable economic result by searching for internal reserves and introducing cost-savings and rationalization measures. For example, in reducing overhead or personnel costs. Both largest entities of the Group continue to renew the vehicle fleet and improve services and ČD Cargo successfully expands into foreign markets. Expansions are already performed on own license in all neighbouring countries, i.e. in Poland, Austria, Germany and Slovakia, which improves stability and resilience of our Group. In spring, České dráhy defended its international rating at Baa2 level with a stable outlook.

The liquidity readiness with which we started the year 2020 is a solid basis for our economy in the future.



Václav Nebeský
Chairman of the Board of Directors
České dráhy, a.s.

OVERVIEW OF THE INVESTMENT SHARES HELD BY THE ČD GROUP



- CD CARgO gERMAny gMBH (100%)
- CD Cargo Poland sp. z.o.o. (100%)
- CD Cargo Slovakia, s.r.o. (100%)
- Auto Terminal Nymburk, s.r.o. (100%)
- ČD Logistics a.s. (100%)
- Terminal Brno, a.s. (66,93%)
- ČD-DUSS Terminál, a.s. (51%)
- RAILLEX, a.s. (50%)
- Ostravská dopravní společnost, a.s. (50%)
- BOHEMIAKOMBI, spol. s r.o. (30%)
- Ostravská dopr. společnost - Cargo, a.s. (20%)

- CD Cargo Austria GmbH (100%)
- CD Cargo Hungary, Kft. (100%)

AS AT
30 JUNE
2020

- CHAPS spol. s r.o. (100%)
- ODP–software, spol. s r.o. (100%)
- XT-Card a.s. (34%)
- Smart Ticketing s.r.o. (100%)
- Tramex Rail s.r.o. (100%)
- ECHIS a.s. (100%)
- ČD relax s.r.o. (100%)
- CZ servis, s.r.o. (100%)
- BK Team, a.s. (45%)
- JPServis, a.s. (20,45%)

- INPROP, s.r.o. (100%)
- ČSAD SVT Praha, s.r.o. (100%)
- SVT Slovakia s.r.o. (80%)



Information on Business Activities of the ČD Group for the Period of 6 Months Ended 30 June 2020

Economic results

Profit/Loss by Segment

[CZK mil]		Passenger transport	Freight transport	Asset management	Other	Elimination	Total
Revenue	6/2020	10,304	5,774	169	2,570	(1,577)	17,240
	6/2019	12,354	6,680	185	2,529	(1,427)	20,321
Purchased consumables and services	6/2020	(4,446)	(2,610)	(110)	(1,566)	1,281	(7,451)
	6/2019	(4,964)	(2,937)	(107)	(1,489)	1,195	(8,302)
Staff costs	6/2020	(4,451)	(2,118)	(100)	(667)	148	(7,188)
	6/2019	(4,553)	(2,237)	(101)	(620)	121	(7,390)
EBITDA from continued operations	6/2020	1,500	1,000	18	646	(371)	2,793
	6/2019	2,853	1,582	70	643	(340)	4,808
Depreciation and amortization	6/2020	(2,462)	(950)	(42)	(201)	36	(3,619)
	6/2019	(2,431)	(985)	(47)	(195)	26	(3,632)
EBIT from continued operations	6/2020	(962)	50	(24)	445	(335)	(826)
	6/2019	422	597	23	448	(314)	1,176
Profit (loss) for the period from continued operations	6/2020	(1,924)	(44)	(37)	381	(358)	(1,982)
	6/2019	85	270	34	369	(317)	441

Passenger Transport

In the first half of 2020, traffic performance in passenger transport decreased significantly compared to 2019 and the plan for 2020, similarly to revenues from passenger transport. The main reason for the negative results is the effect of the COVID-19 coronavirus pandemic. The coronavirus pandemic had a major impact on reducing population mobility as a result of government measures, restrictions on school facilities, restrictions on travel abroad and reduced performance of the Czech economy.

In the period January to June 2020, the number of passengers transported equalled 59.8 million (year-over-year decrease by 31.8 million passengers) and the **traffic performance** reached 2,565 million passenger-kilometres (year-over-year decrease by 1,630 million passenger-kilometres).

In the period January to June 2020, in the area of **transport performance** was a year-over-year decrease in output due to the loss of part of the market in long-distance and regional transport (liberalization).

Revenues in passenger transport segment in the period January to June 2020 were mainly negatively influenced by coronavirus pandemic as compared to the same period of 2019, which resulted in revenues decrease from passenger transport (CZK (1,933) million, i.e. (44.7)%). On the other hand, higher payments from public service orders were reached (CZK +104 million).

Compared to the same period of 2019, decrease in revenues from **domestic transport** in the period January to June 2020 by CZK 1,407 million (i.e. (39.5%)) is caused by a decrease in revenues due to a significant reduction in the mobility of persons as the result of the pandemic of the coronavirus COVID-19. There was a year-over-year decrease compared to the values in all areas of transport revenues (sale of travel and reservation documents, compensation of fare discounts, shares of revenues from integrated transport systems, etc.).

In the period January to June 2020, **international transportation** recorded an decrease compared to the same period of the previous year (CZK (526) million, i.e. (68.5)%), which, with regard to the complete restriction of travel by train abroad during a state of emergency in the Czech Republic, is higher than domestic transport.

The year-over-year comparison of the passenger transport segment is also negatively influenced by the worse financial result where negative effects of the weakening CZK/EUR exchange rate was reflected in the financial result of the period January to June 2020.

In the first half of 2020, in the area of **capital expenditures** (Capex), the most significant items in the passenger transport segment include the supply of push-pull trainsets of independent traction, supply of Class 794 shunting diesel locomotives, transition of WR restaurant cars to ARmpee bistro cars, modernisation of passenger cars and modernization of type 809, 810 railcars.

The development of revenues in the second half of 2020 will be strongly dependent on the development of the epidemiological situation in the Czech Republic and neighboring countries. It can be expected that the continuing negative effects will be particularly pronounced in the area of international transport, which is more affected by the coronavirus pandemic than domestic transport.

Freight Transport

In the first half of this year, the freight transport segment was very negatively affected by measures against the spread of the COVID-19 pandemic.

In some commodities, shipments of goods have almost stopped, usually automotive or container shipments from / to China. However, a decrease in output was also recorded by other transported commodities due to a reduction in industrial production in the Czech Republic and abroad, which affected a year-on-year decrease in revenues by CZK 906 million, i.e. by 13.6 %.

Despite the current economic situation in Europe, the expansion of the ČD Cargo brand abroad continues. Expansions are already performed on own license in all neighboring countries, i.e. in Poland, Austria, Germany and Slovakia. ČD Cargo wants to further expand its attraction radius.

Significantly greater decline in profit was prevented by the adopted austerity and rationalization measures of the company to reduce operating costs and more efficient use of internal capacity. As a result of these measures, the freight transport segment managed to maintain a positive operating profit of CZK 50 million in the first half of 2020. However, compared to the same period in 2019, this indicator decreased by almost CZK 550 million.

For this reason, in the second half of this year, the company's management will continue to rationalize measures that will ensure long-term economic stability and liquidity of the company for the coming period. At the same time, the freight carrier will continue to modernize vehicle fleet, which is a necessary condition for its successful operation on the European transport market.

Asset Management

In the asset management segment, planned sales of real estate were mainly realised. Due to the coronavirus situation, several sales negotiations with buyers have been delayed. For this reason, the segment's result is slightly loss-making. However, the company expects that all planned transactions will be completed in the second half of the year. One of the main sales was the sale for the National Technical Museum in the area within the cadastral district of Nové Město for CZK 32 million.

The most important project in the asset management segment is UMVŽST project (Regulation of property relations in railway stations). Within the UMVŽST project the preparatory phase of the project is still ongoing, within which the elaboration and registration of geometric plans at individual railway stations is being completed. Based on them, a list of real estate is continuously created, which will be transferred in the second stage of the project through the sale to SŽ, s.o. Currently a valuation methodology is being prepared with the participation of representatives of both parties.

Interim Consolidated Financial Statements

for the Period of 6 Months Ended 30 June 2020

Interim Statement of Profit or Loss for the Period Ended 30 June 2020

(in CZK million)

	Period ended 30 June 2020 (unaudited)	Period ended 30 June 2019 (unaudited)
CONTINUING OPERATIONS		
Revenue	17,240	20,321
Other operating income	816	514
Purchased consumables and services	(7,451)	(8,302)
Employee benefit costs	(7,188)	(7,390)
Depreciation and amortisation	(3,619)	(3,632)
Other operating expenses	(624)	(335)
Profit/(Loss) on operating activities	(826)	1,176
Financial expenses	(1,463)	(769)
Financial income	354	281
Share of income of joint ventures and associates	(2)	10
Profit/(Loss) before tax	(1,937)	698
Income tax	(45)	(257)
Profit/(Loss) for the period from continuing operations	(1,982)	441
Profit/(Loss) for the period	(1,982)	441
Attributable to equity holders of the parent Company	(1,990)	432
Attributable to non-controlling interests	8	9

Interim Statement of Other Comprehensive Income for the Period Ended 30 June 2020

(in CZK million)

	Period ended 30 June 2020 (unaudited)	Period ended 30 June 2019 (unaudited)
Profit/(Loss) for the Period	(1,982)	441
Actuarial gains/losses on liabilities related to employee benefits	(16)	(20)
Remeasurement of financial assets at fair value through other comprehensive income	(1)	4
Other comprehensive income for the period (items that are not subsequently reclassified to profit or loss)	(17)	(16)
Exchange differences of foreign units translation	8	1
Cash-flow hedges	(1,524)	554
Hedge accounting expenses	59	(141)
Related income tax	37	(10)
Other comprehensive income for the period (items that may be reclassified to profit or loss)	(1,420)	404
Other comprehensive income for the period after tax	(1,437)	388
Total comprehensive income for the period	(3,419)	829
Attributable to equity holders of the parent Company	(3,427)	820
Attributable to non-controlling interests	8	9

Interim Statement of Financial Position (Balance Sheet) as at 30 June 2020

(in CZK million)

	30 June 2020 (unaudited)	31 December 2019 (unaudited)
Property, plant and equipment	72,796	72,941
Investment property	588	606
Goodwill	142	141
Intangible assets	1,026	1,094
Right-of-use assets	3,985	3,964
Investments in joint ventures and associates	190	199
Deferred tax asset	17	18
Trade receivables	16	-
Other financial assets	775	846
Other assets	7	5
Total non-current assets	79,542	79,814
Inventories	2,296	1,923
Trade receivables	2,899	3,340
Prepaid income tax	19	13
Other financial assets	440	437
Other assets	2,225	2,028
Cash and cash equivalents	6,915	8,436
Total current assets	14,794	16,177
TOTAL ASSETS	94,336	95,991
Share capital	20,000	20,000
Reserve and other funds	16,484	17,889
Retained earnings	1,407	3,429
Equity attributable to equity holders	37,891	41,318
Non-controlling interests	617	621
Total equity	38,508	41,939
Loans and borrowings	40,823	38,990
Deferred tax liability	1,750	1,748
Provisions	299	274
Other financial liabilities	226	184
Other liabilities	153	203
Total non-current liabilities	43,251	41,399
Trade payables	4,710	5,647
Loans and borrowings	3,998	2,847
Income tax payables	44	94
Provisions	370	372
Other financial liabilities	471	449
Other liabilities and contract liabilities	2,984	3,244
Total current liabilities	12,577	12,653
TOTAL LIABILITIES	94,336	95,991

Interim Statement of Changes in Equity for the Period Ended 30 June 2020

(in CZK million)

	Share capital	Reserve and other funds ^{*)}	Cash flow hedge reserve	Hedge accounting expenses	Revaluation reserve at fair value through other comprehensive income	Retained earnings	Equity attributable to equity holders of the Parent Company	Non-controlling interests	Total equity
Balance as at 1 January 2019 (audited)	20,000	16,902	493	(264)	110	2,183	39,424	613	40,037
Comprehensive income									
Profit for the period	-	-	-	-	-	432	432	9	441
Other comprehensive income for the period	-	1	544	(141)	4	(20)	388	-	388
Total comprehensive income for the period	-	1	544	(141)	4	412	820	9	829
Transactions with owners									
Allocation to the reserve fund	-	55	-	-	-	(55)	-	-	-
Dividends paid	-	-	-	-	-	-	-	(12)	(12)
Total transactions with owners for the period	-	55	-	-	-	(55)	-	(12)	(12)
Balance as at 30 June 2019 (unaudited), (adjusted)^{**)}	20,000	16,958	1,037	(405)	114	2,540	40,244	610	40,854
Balance as at 1 January 2020 (audited)	20,000	16,956	1,026	(215)	122	3,429	41,318	621	41,939
Comprehensive income									
Profit/(Loss) for the period	-	-	-	-	-	(1,990)	(1,990)	8	(1,982)
Other comprehensive income for the period	-	8	(1,487)	59	(1)	(16)	(1,437)	-	(1,437)
Total comprehensive income for then period	-	8	(1,487)	59	(1)	(2,006)	(3,427)	8	(3,419)
Transactions with owners									
Allocation to the reserve fund	-	16	-	-	-	(16)	-	-	-
Dividends paid	-	-	-	-	-	-	-	(12)	(12)
Total transactions with owners for the period	-	16	-	-	-	(16)	-	(12)	(12)
Balance as at 30 June 2020 (unaudited)	20,000	16,980	(461)	(156)	121	1,407	37,891	617	38,508

^{*)} Reserve and other funds include share premium in the amount of CZK 16,440 million (as at 1 January 2019, 30 June 2019, 1 January 2020 and 30 June 2020).

^{**)} The figures reflect the impact of the implementation of IFRS 9.

Interim Cash-flow Statement for the Period Ended 30 June 2020

(in CZK million)

	Period ended 30 June 2020 (unaudited)	Period ended 30 June 2019 (unaudited)
CASH FLOW FROM OPERATING ACTIVITIES		
Profit/(Loss) before tax for the period	(1,937)	698
Dividend income	(3)	(20)
Financial expenses - interests	536	592
Profit from the sale and disposal of non-current assets	(99)	(129)
Depreciation and amortisation of non-current assets	3,619	3,632
Impairment / (Reversal of impairment) of property, plant and equipment, investment property and assets held for trade	58	(108)
Impairment / (Reversal of impairment) of trade receivables	12	(19)
Change in provisions	23	(7)
Foreign exchange rate gains (losses)	599	(85)
Other	37	(53)
Cash flows from operating activities before changes in working capital	2,845	4,501
Decrease (increase) in trade receivables	361	169
Decrease (increase) in inventories	(375)	(124)
Decrease (increase) in other assets	(236)	(887)
Increase (decrease) in trade payables	(534)	(252)
Increase (decrease) in other liabilities and contract liabilities	(357)	(289)
Total changes in working capital	(1,141)	(1,383)
Cash flows from operating activities	1,704	3,118
Interest paid	(750)	(398)
Income tax paid	(71)	(71)
Dividends received	8	20
Net cash flows from operating activities	891	2,669
CASH FLOWS FROM INVESTMENT ACTIVITIES		
Payments for property, plant and equipment	(3,342)	(3,482)
Proceeds from disposal of property, plant and equipment	126	152
Payments for investment property	(4)	(11)
Payments for intangible assets	(62)	(68)
Received interest	57	25
Net cash flows from investment activities	(3,225)	(3,384)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from loans and borrowings	1,720	13,880
Repayments of loans and borrowings	(106)	(14)
Payment of leasing instalments	(801)	(1,040)
Net cash flows from financing activities	813	12,826
Net increase (decrease) in cash and cash equivalents	(1,521)	12,111
Cash and cash equivalents at the beginning of the reporting period	8,436	3,438
Cash and cash equivalents at the end of the reporting period	6,915	15,549

Notes to the Interim Consolidated Financial Statements for the Period Ended 30 June 2020

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1. General Information

1.1 General Information

The Parent Company České dráhy, a.s. (further as “the Company” or “ČD”) was incorporated on 31 March 2002. The sole shareholder of the Company is the Czech Republic. The Parent Company’s share capital is CZK 20,000 million. The Company’s registered office is located in Prague 1, Nábř. L. Svobody 1222.

The Group has been principally engaged in operating railway transportation. In addition, the Group has been engaged in other activities related to its principal business activities.

The assets comprising railway routes are in the ownership of the State, not the Group. The management rights to these assets are executed by Správa železniční dopravní cesty, s.o. (further as “SŽ”). SŽ secures the operability and servicing of the railway routes and the management of the real estate property (railway stations).

1.2 Changes in the Consolidation Group

On 1 April 2020, the name of the company UniControls-Tramex s.r.o. was changed to Tramex Rail s.r.o.

On 4 May 2020, a subsidiary of ČD Cargo, ČD Cargo Slovakia, s.r.o. acquired a 100% shareholder in CD Cargo Hungary, Kft. The purchase price was EUR 30,000.

2. Statement of Compliance and Significant Accounting Policies

The interim consolidated financial statements for the six months ended 30 June 2020 were prepared in accordance with IAS 34. They do not include all the information required to be disclosed in the annual financial statements and should be read in conjunction with the consolidated financial statements of the Group for the year ended 31 December 2019.

These interim consolidated financial statements were not audited by independent auditors.

These interim consolidated financial statements were prepared using the same accounting policies that were applied in the Consolidated Financial

Statements of the Group for the year ended 31 December 2019.

The Group applied no standards or interpretations adopted by the European Union before their effective date.

2.1 Changes in the Application of Accounting Policies and Adjustment of Reporting Methods

From 1 January 2020, the company ČD Cargo began to apply hedge accounting for the revaluation of lease liabilities. Changes in the value of the hedging instrument (lease) resulting from a change in the spot value of the exchange rate are recognized in equity in the item Cash flow hedging reserve.

3. Seasonal Character of Activities

The parent company’s revenues are not significantly affected by seasonal effects. National traffic may be affected by fuel prices and the reluctance to use individual transport for regular commuting, by weather in the recreational segment as well as by the holiday season with a decrease in the number of student passengers, but a greater number of passengers traveling on trips and leisure. International transport is also influenced by the economic and security situation in Europe.

The revenues of ČD Cargo, a.s. is influenced by various seasonal factors and economic cycles in commodities that are beyond the influence of the railway carrier. In addition to fluctuations in the consumption of coal, these mainly include seasonal sales of grains and other agricultural products that primarily depend on the quantity and quality of the harvest in the prior year and political decisions in the food trade. Other impacts include the consumption of fuel for road vehicles, which follows overall economy development. It is also necessary to note fluctuations in the prices of scrap metal and seasonal changes in the construction industry, which are interconnected with almost all commodities transported by rail. Recently, the impact of the global economy also increases – performance and revenue of the Group are impacted by events happening overseas and abroad. In the country and in the world, there are also public holidays and the use of company-wide holidays in industries (e.g. automotive). So-called force majeure interventions (e.g. floods, droughts) can also have a negative impact on transport.

4. Related Party Transactions

The Parent Company is fully owned by the State of Czech Republic. In accordance with the exception stated in IAS 24 Related Party Disclosures, the Group does not disclose quantitative information related to individu-

ally insignificant transactions with state-owned companies. Listed below are significant related party transactions that the Group managed to identify: transportation orderers in the public service obligation (Regions and the Ministry of Transport), the state organization SŽ and ČEZ Group.

(in CZK million)

Revenues	Counterparty	30 June 2020	30 June 2019
Income from rental property	SŽ	10	10
Payment for rail replacement bus service	SŽ	104	238
Payments from ordering the services – payment from the state budget	State - Ministry of Transport	2,141	2,373
Fare rebate compensation 75%	State - Ministry of Transport	601	1,088
COVID-19 grant (Antivirus and others)	State/regions	139	-
Payments from ordering the services– payment from the regional budgets	regions	5,201	4,869
Revenues from Telecommunication Services	SŽ	328	298
Revenues from the sale of employee recreation	SŽ	28	47
Revenues from freight transport	ČEZ	54	173
Operation and maintenance of SW	SŽ	30	64

(in CZK million)

Expenses	Counterparty	30 June 2020	30 June 2019
Use of railway route and allocated capacity of the railway - passenger transport	SŽ	825	934
Use of railway route and allocated capacity of the railway - freight transport	SŽ	394	472
Consumption of electric traction energy - passenger transport	SŽ	744	840
Consumption of electric traction energy - freight transport	SŽ	338	433
Real estate rental	SŽ	24	24

(in CZK million)

Receivables	Counterparty	30 June 2020	30 June 2019
Payment for replacement bus service	SŽ	-	75
Fare rebate compensation 75%	State - Ministry of Transport	177	179
Public service obligation	regions	111	210
Telecommunication services	SŽ	249	172
Advances provided	SŽ	45	66

(in CZK million)

Liabilities	Counterparty	30 June 2020	30 June 2019
Use of railway route and allocated capacity of the railway - passenger transport	SŽ	441	418
Use of railway route and allocated capacity of the railway - freight transport	SŽ	211	182
Telecommunication services	SŽ	27	34
Consumption of electric traction energy - passenger transport	SŽ	26	72
Consumption of electric traction energy – freight transport	SŽ	68	77

5. Income Tax

The income tax reported in the statement of profit or loss as at 30 June 2020 of CZK (45) million includes the current tax payable of CZK (72) million and deferred tax expense of CZK (27) million.

On the grounds of prudence, the Parent Company does not account for deferred tax assets, which primarily has an impact on the effective tax rate.

6. Segments

(in CZK million)

Period ended 30 June 2020	Passenger transport	Freight transport	Assetmanagement	Total of segments	Other	Elimination *)	Total
Revenue							
Revenues from passenger transport	2,762	-	-	2,762	-	(3)	2,759
Revenues from freight transport	-	5,157	-	5,157	-	-	5,157
Revenues from orderers	7,342	-	-	7,342	-	-	7,342
Revenues from sales of products and other services	200	617	169	986	2,570	(1,574)	1,982
	10,304	5,774	169	16,247	2,570	(1,577)	17,240
of which revenues from external customers outside the Group:							
Revenues from passenger transport	2,759	-	-	2,759	-	-	2,759
Revenues from freight transport	-	5,157	-	5,157	-	-	5,157
Revenues from orderers	7,342	-	-	7,342	-	-	7,342
Revenues from sales of products and other services	81	585	148	814	1,168	-	1,982
	10,182	5,742	148	16,072	1,168	-	17,240
Purchased consumables and services							
Traction costs	(1,232)	(557)	-	(1,789)	-	5	(1,784)
Payments for use of the railway route	(801)	(436)	-	(1,237)	-	1	(1,236)
Purchased consumables and services	(2,413)	(1,617)	(110)	(4,140)	(1,566)	1,275	(4,431)
	(4,446)	(2,610)	(110)	(7,166)	(1,566)	1,281	(7,451)
Personnel costs							
Payroll costs	(3,228)	(1,516)	(73)	(4,817)	(480)	101	(5,196)
Social security and health insurance	(1,082)	(498)	(24)	(1,604)	(158)	33	(1,729)
Other social costs and employee benefit costs	(141)	(104)	(3)	(248)	(29)	14	(263)
	(4,451)	(2,118)	(100)	(6,669)	(667)	148	(7,188)
Depreciation and amortisation	(2,462)	(950)	(42)	(3,454)	(201)	36	(3,619)
Impairment **)	46	(123)	4	(73)	11	-	(62)
Other operating income	227	437	63	727	330	(245)	812
Other operating expenses	(180)	(360)	(8)	(548)	(32)	22	(558)
Profit (Loss) for the period from operating activities	(962)	50	(24)	(936)	445	(335)	(826)
Financial expenses	(1,294)	(144)	(22)	(1,460)	(27)	24	(1,463)
Financial income	332	45	9	386	9	(43)	352
Profit/(Loss) before tax	(1,924)	(49)	(37)	(2,010)	427	(354)	(1,937)
Tax expense	-	5	-	5	(46)	(4)	(45)
Profit (Loss) for the period from discontinued operations	(1,924)	(44)	(37)	(2,005)	381	(358)	(1,982)
Profit (Loss) for the period	(1,924)	(44)	(37)	(2,005)	381	(358)	(1,982)

*) The Elimination column includes the elimination of intragroup relations.

**) Impairment includes impairment of property, plant and equipment, investment property, receivables, write-off of inventories to net realizable value.

Interim Consolidated Financial Statements for the Period of 6 Months Ended 30 June 2020

(in CZK million)

Period ended 30 June 2019	Passenger transport	Freight transport	Assetmanagement	Total of segments	Other	Elimination *)	Total
Revenue							
Revenues from passenger transport	4,926	-	-	4,926	-	(3)	4,923
Revenues from freight transport	-	6,053	-	6,053	-	-	6,053
Revenues from orderers	7,238	-	-	7,238	-	1	7,239
Revenues from sales of products and other services	190	627	185	1,002	2,529	(1,425)	2,106
	12,354	6,680	185	19,219	2,529	(1,427)	20,321
of which revenues from external customers outside the Group:							
Revenues from passenger transport	4,923	-	-	4,923	-	-	4,923
Revenues from freight transport	-	6,053	-	6,053	-	-	6,053
Revenues from orderers	7,239	-	-	7,239	-	-	7,239
Revenues from sales of products and other services	68	592	166	826	1,280	-	2,106
	12,230	6,645	166	19,041	1,280	-	20,321
Purchased consumables and services							
Traction costs	(1,475)	(690)	-	(2,165)	-	6	(2,159)
Payments for use of the railway route	(910)	(519)	-	(1,429)	-	1	(1,428)
Purchased consumables and services	(2,579)	(1,728)	(107)	(4,414)	(1,489)	1,188	(4,715)
	(4,964)	(2,937)	(107)	(8,008)	(1,489)	1,195	(8,302)
Personnel costs							
Payroll costs	(3,306)	(1,599)	(73)	(4,978)	(449)	79	(5,348)
Social security and health insurance	(1,095)	(532)	(25)	(1,652)	(149)	26	(1,775)
Other social costs and employee benefit costs	(152)	(106)	(3)	(261)	(22)	16	(267)
	(4,553)	(2,237)	(101)	(6,891)	(620)	121	(7,390)
Depreciation and amortisation	(2,431)	(985)	(47)	(3,463)	(195)	26	(3,632)
Impairment **)	59	76	(1)	134	6	-	140
Other operating income	113	149	107	369	249	(243)	375
Other operating expenses	(157)	(149)	(13)	(319)	(33)	16	(336)
Profit (Loss) for the period from operating activities	421	597	23	1,041	447	(312)	1,176
Financial expenses	(559)	(202)	-	(761)	(33)	25	(769)
Financial income	223	80	11	314	4	(27)	291
Profit before tax	85	475	34	594	418	(314)	698
Tax expense	-	(205)	-	(205)	(49)	(3)	(257)
Profit (Loss) for the period from discontinued operations	85	270	34	389	369	(317)	441
Profit (Loss) for the period	85	270	34	389	369	(317)	441

*) The Elimination column includes the elimination of intragroup relations.

**) Impairment includes impairment of property, plant and equipment, investment property, receivables, write-off of inventories to net realizable value.

7. Property, Plant and Equipment

In the period from 1 January to 30 June 2020 the Group acquired property, plant and equipment in the amount of CZK 2,908 million (as at 31 December 2019: CZK 9,209 million).

The Parent Company's largest additions represent the modernization of railway vehicles (RV) for CZK 180 million.

Other significant additions at ČD Cargo, a.s. comprise purchase of new freight wagons and traction vehicles, modernization and periodic repairs of traction vehicles and freight wagons and acquisition of new wheelsets at the company ČD Cargo, a.s.

Property, plant and equipment with the net book value of CZK 64 million were disposed by the Group in the period from 1 January to 30 June 2020 (as at 31 December 2019: CZK 344 million).

The largest impairment loss relates to tilting trains series 680 (Pendolino) and locomotive series 380. As at 30 June 2020, the impairment charge for the 680 series trains amounted up to CZK 429 million (as at 31 December 2019: CZK 443 million) and for the 380 series locomotives amounted up to CZK 533 million as at 30 June 2020 (as at 31 December 2019: CZK 544 million).

During the interim period, the Parent Company acquired property, plant and equipment financed with grants of CZK 15 million.

8. Intangible Assets

In the period from 1 January to 30 June 2020, the Group acquired intangible assets in the amount of CZK 75 million (as at 31 December 2019: CZK 342 million).

The acquisition of intangible assets by the Parent Company consists of expenses for the development of passenger transport systems and SAP licenses.

9. Right-of-use Assets

In the period from 1 January to 30 June 2020, the Group concluded a lease agreements in the amount of CZK 776 million. The most important items of the newly leased property include the rental of freight wagons and traction vehicles and the superstructure of Innofreight technology.

In the period from 1 January to 30 June 2020, right-of-use assets with a residual value of CZK 222 million were disposed by the Group. Mainly the contracts for the rental of freight wagons were terminated.

10. Inventories

The write-off of inventories to their net realisable value as at 30 June 2020 amounts to CZK 86 million (as at 31 December 2019: CZK 93 million).

11. Cash and Cash Equivalents

(in CZK million)

	30 June 2020	31 December 2019
Cash in hand and cash in transit	51	69
Cash at bank	5,764	5,969
Depository promissory notes	1,100	2,398
Total	6,915	8,436

12. Loans and Borrowings

(in CZK million)

	30 June 2020	31 December 2019
Short-term bank loans	100	-
Payables from leases	869	836
Leaseback liabilities	584	601
Overdraft account	734	61
Issued bonds	1,696	1,327
Other - received short-term loans and borrowings	15	22
Short-term total	3,998	2,847
Payables from leases	3,696	3,593
Leaseback liabilities	1,231	1,417
Issued bonds	34,956	33,840
Other - received long-term loans and borrowings	940	140
Long-term total	40,823	38,990
Total	44,821	41,837

In March, the company ČD Cargo, a.s. implemented an investment loan of CZK 1 billion with a maturity of 10 years and a fixed interest rate of 2.05%.

13. Contractual Obligations Related to Expenses

As of the interim consolidated balance sheet date, the Group concluded contracts for the purchase of land, property, plant and equipment in the amount of CZK 19,453 million (31 December 2019: CZK 17,798 million). A significant portion of the obligations represents investments in railway vehicles.

14. Derivative Financial Instruments

Company ČD Cargo, a.s. concluded five new currency par forwards during the interim period. The fair value of these newly concluded transactions as at 30 June 2020 is CZK 21 million. Further, ČD Cargo, a.s. concluded 9 new commodity swaps to hedge the price of diesel, the fair value of which, as at 30 June 2020 is CZK 8 million.

15. Dividends

During the interim period, the Parent Company received a dividend of CZK 3 million from the company Eurofima.

16. Provisions

	(in CZK million)				
	Balance as at 31 December 2019	Creation	Use	Release of unused parts	Balance as at 30 June 2020
Provision for legal disputes	48	44	-	12	80
Provision for employee benefits	424	65	56	-	433
Provision for business risks	20	-	3	5	12
Provision for loss-making transactions	19	-	17	-	2
Other provision	135	24	17	-	142
Total provisions	646	133	93	17	669
<i>Long-term</i>	274				299
<i>Short-term</i>	372				370

The Group recognizes a provision for legal disputes according to the anticipated result of all ongoing legal disputes and the relating cash outflows from the Group. The detailed information on provisions created for other legal disputes cannot be disclosed by the Group as it might negatively impact its position.

17. Legal Disputes

Railway Freight Transportation Market

Office for the Protection of Competition (OPC) imposed a fine on ČD, a.s. for abusing its position on the market in the area of freight transportation of significant volumes of natural resources and raw materials of approximately CZK 250 million. Based on ČD defence the case was passed to the Administrative Court. The Supreme Administrative Court dismissed the OPC's appeal in December 2017. The case is finally resolved at the level of the administrative courts in ČD, a.s. favour and returned to the OPC, back to the first instance. In June 2018, the ÚOHS released a new first-instance decision substantially reducing the extent of the sanctioned conduct of ČD and imposed a substantially lower fine of about CZK 15.6 million. The Company ČD filed an appeal against this decision in July 2018. The Chairman of the ÚOHS dismissed the remonstrance and thus upheld the fine of approximately CZK 15.6 million. ČD disagrees with the imposition of a fine and filed an administrative action against the decision, however, since the decision was final and the court would probably not suspend the action due to its amount, the fine was paid within the due date and will be claimed back in case of administrative justice success. The administrative action was dismissed and a cassation appeal was filed against the rejection decision.

Proceedings for Alleged Abuse of a Dominant Position on the Prague – Ostrava Line

In January 2012, the OPC initiated proceedings against ČD, a.s. regarding the alleged abuse of ČD, a.s.'s dominant position on the Prague – Ostrava line in the form of inadequately low (predatory) prices in response to an entry of a new competitor railway transporter. In November 2016 in reference to this case the formal investigation was initiated by the European Commission. The OPC has suspended investigation due to initiation of European Commission investigation. The matter has not been decided yet. ČD has filed a legal action to EU Court against execution of the local European Commission investigation in the seat of ČD. The EU Court partially upheld the application (i.e. it ruled that the local investigation was partially ordered unlawfully) and ČD appealed against the decision. The ČD appeal was rejected. However, it is only a procedural decision on the legality of the control itself, not the decision on whether or not ČD committed a misconduct. The court did not deal with it at all.

Legal Action by LEO Express for Compensation of Damage in the Amount of CZK 434 million (the Defendant Being České dráhy, a.s.)

In July 2014, LEO Express filed a legal action for the compensation of damage amounting to approximately CZK 419 million which was allegedly caused to LEO Express by ČD through their pricing policy. The first-instance court rejected the lawsuit of LEO Express. LEO Express partially withdrew the legal action, against which ČD applied the legal remedy, but the court accepted such partial withdrawal, while LEO Express appealed against the decision of Court of first instance of dismissing the application to the extent of which there was no withdrawal. At the end of December 2016 LEO Express filed a new legal action against ČD for approximate amount of CZK 434 million with appurtenance and for similar reason. The second legal action is mostly overlapped with part of legal action which was withdrawn by LEO Express after failure in first instance in Municipal Court in Prague. In March 2018, the High Court in Prague canceled the decision rejecting the first LEO Express claim for damages and returned the case to the Municipal Court in Prague for further proceedings. Both above-mentioned proceedings (LEO Express claims that, after partial withdrawal, payment of approximately CZK 34 million and the second action for payment of approximately CZK 434 million), are now taking place before the Municipal Court in Prague as a court of first instance. The proceedings were stayed until the European Commission decides in the Falcon case.

Legal Action of RegioJet for the Return of Allegedly Prohibited Public Support (the Defendants Being ČD, SŽ and the Czech Republic Represented by the Czech Ministry of Transport)

In April 2015, RegioJet filed a legal action for the return of approximately CZK 7 billion plus default interest due to allegedly prohibited public support. The assets involving the 'assets required to maintain rails and their operability' ("mrtvá dopravní cesta" in Czech), which were transferred by ČD to SŽ in 2008 for the consideration of CZK 12 billion, were allegedly overstated by this amount. On 6 February 2019, the Municipal Court in Prague as the first instance court, dismissed RegioJet's action in its entirety. RegioJet appealed against the decision of the court of first instance to the High Court. České dráhy, a.s. appealed against the costs.

RegioJet's Call for the Payment of Compensation for Detriment

RegioJet sent a pre-trial call to ČD, a.s. for the payment of the compensation for the detriment dated 10 April 2015 in which it seeks the payment of approximately CZK 717 million. The alleged detriment was caused by ČD's illegal activities in operating the Prague – Ostrava line, involving the application of dumping prices. ČD refused to pay the detriment. RegioJet filed a claim seeking a payment of the compensation in the amount of approximately CZK 717 million with accrued interest and charges that resulted in legal proceedings. In the course of hearing the case at first instance, the court stayed the proceedings until the European Commission decides in the Falcon case (investigating whether ČD applied dumping prices on the Prague-Ostrava route). The company RegioJet sent a statement to the court on the proposal of ČD for suspension of enforceability, resp. legal force and appeal to ČD. As these statements contained a number of misleading and untrue allegations, ČD addressed the reply to the court.

Legal Claims of Grandi Stazioni Česká republika, s.r.o. Against SŽ and ČD Relating to the Transfer of Prague Main Railway Station to SŽ

Grandi Stazioni Česká republika, s.r.o. ("GS") filed three legal claims against both SŽ and ČD. The first of claims, GS is seeking a compensation in the amount of CZK 777 million, increased by contractual penalty and due interest from SŽ or ČD, depending on the court's decision as to who will be determined as the owner of Prague Main Railway Station (Praha hlavní nádraží) property (Fantova building and check-in halls). SŽ and ČD agree that SŽ is the owner of this property, hence ČD should not be a party within the dispute. This was confirmed by the District Court for Prague 1, which dismissed the claim on 5 April 2019. Also Municipal Court in Prague legally upheld the negative decision against ČD by a judgment on 3 December 2019.

On 27 September 2017 GS's action was dismissed as to the determination of the ownership of Fantova's building. However, this judgment was subsequently upheld by the Municipal Court in Prague (23 October 2018) and the Supreme Court (27 September 2019) in favor of ČD.

The ownership of the new check-in hall has not yet been decided.

Legal Claims of Grandi Stazioni Česká republika, s.r.o. Against SŽ and ČD for Damages for Pre-contractual Liability

In August 2017, Grandi Stazioni Czech Republic, s.r.o. (GS) filed the lawsuit

to the District Court in Prague 1, in which seeks the payment of CZK 1,256 million from SŽ and ČD for the payment of the compensation of pre-contractual liability. The alleged damage was caused by failure to apply the Amendment No. 5 to the lease agreement regarding the lease and revitalization of Prague - Main Railway Station (Praha hlavní nádraží).

On 13 August 2019, the claim of Grandi Stazioni Česká republika, s.r.o. against SŽ and ČD for damages for pre-contractual liability was dismissed by District Court in Prague 1. On 2 December 2019, the GS filed an appeal against the decision of the District Court in Prague. On 29 April 2020, the Municipal Court in Prague, as a court of appeal upheld the decision dated 13 August 2019 of the District Court in Prague 1. Appeal was not filed in relation to ČD, thus the dispute ended in full success for ČD.

Proceedings Concerning the Possible Abuse of a Dominant Position on the Routes Pardubice - Liberec and Plzeň - Most

In April 2016 the Office for the Protection of Competition (OPC) initiated administrative proceedings. Alleged violation of competition rules were charged to ČD for the reason that during the tender held in 2005 concerning the railway transport and provision of public services on the routes Pardubice-Liberec and Plzeň-Most for the duration of the 2006/2007 timetable they have presented a price offer which did not cover the costs of service provision on the routes in question. Such an agree upon commitment was to be performed by ČD on the stated routes until the end of the 2013/2014 timetable. OPC imposed a fine of CZK 368 million on 14 December 2017. ČD filed a remonstrance against the decision, which was on 15 July 2019 dismissed by the second instance decision of the OPC and a fine of CZK 275 million was imposed on ČD. An administrative action was filed against the decision. The application for a suspensory effect of the lawsuit was not considered and ČD paid the fine. If the court in the main proceedings ruled in favour of ČD, the fine paid by ČD would be returned. The decision not to grant suspensory effect is only a decision of a procedural nature and is not a decision as to whether ČD allegedly engaged in harmful conduct.

Audit of Subsidies Used from the Regional Operational Program for the Acquisition of Railway Vehicles

Since early 2014, the Audit Body of the Czech Ministry of Finance (the „Audit Body“) has been conducting a due audit of operation at ČD, in terms of Section 7 (2) and Section 13a of Act No. 320/2001 Coll., on financial Auditing in Public Administration and Changes to Certain Acts (the „Financial Auditing

Act”), as amended, and Article 62 (1) (b) of Council Regulation (EC) No. 1083/2006. Following the audits of Audit Body, individual regional councils of issued payment assessments for a total of approximately CZK 549 million. ČD does not agree with the abovementioned corrections and appealed against them to the Ministry of Finance. In June 2018, the Ministry of Finance decided in one case that the levy of CZK 272 million will be reduced to CZK 68 million. ČD subsequently filed an administrative action against this decision, which was granted a suspensory effect. The remaining appeal proceedings before the Ministry of Finance are still pending, therefore the payment orders are not final yet. Thus, in none of the cases ČD was not obliged to pay the payment assessment.

For assessment no. 3/2019 for the amount of CZK 5 million, a delay in payment was allowed within 30 days from the date of delivery of the decision on the appeal against the payment assessment. For the assessment 2/2019 for the amount of CZK 36 million, a delay in payment was allowed within 30 days from the date of delivery of the decision on the appeal against the payment assessment.

The Alleged Cartel Agreement Between ČD, ZSSK and ÖBB on the Sale of Scrapped Railway Vehicles

In June 2016, a European Commission (“EC”) local investigation was conducted at ČD headquarters for suspicion of a cartel agreement on the mutual sale of railway vehicles. The EC verifies whether ČD, ZSSK and ÖBB concluded a prohibited agreement to restrict the sale of scrapped railway vehicles in order to restrict the entry of new carriers to the market. ČD filed a lawsuit with the EC Court of Justice against the EC’s local investigation at ČD’s registered office. The court rejected the action against the local investigation and subsequently also rejected the appeal filed by ČD against the rejection of the claim. However, this is only a procedural matter, i.e. a decision on the legality of its own control, not a decision on whether ČD has committed any harmful conduct, which the court does not deal with at all.

ČD does not recognize that a cartel has been concluded on their part. At present, no official “administrative proceedings” are commenced against ČD in this matter, the case is in the phase of investigating the complaint and gathering information; no formal proceeding was initiated but at the same time the investigation was not concluded.

Legal Claims of CB Station Development, a.s. Against ČD

On 25 October 2018, the contractual partner of ČD, CB Station Development, a.s. (hereinafter „CBSD”), sent a letter to ČD requesting information

on the sale of area’s part at the České Budějovice railway station and a proposal to start negotiations on the conclusion of Amendment no. 3 to the Project Agreement. During the 10 years of the project, the contractor CBSD did not meet the basic condition for the implementation of the project concept: changing the spatial development plan and then obtaining a decision on development conditions on the potentially sold land.

On 5 November 2018, the Board of Directors of ČD did not consent to the conclusion of a real estate sale agreement with the company CBSD, which was affected by the Project Agreement. At the same meeting, the Board of Directors of ČD did not agree to start negotiations on the draft Amendment no. 3, and thus to continue the development project in České Budějovice. CBSD demands from ČD its claims a contractual penalty in the amount of CZK 50 million. Claims for other damages (damages, pre-contractual liability) also cannot be excluded. On 29 January 2020, for one of the projects, ČD received by the District Court in České Budějovice a legal claims on replace the expression of will from Station CB. ČD received also a call of the District Court in České Budějovice to comment on the lawsuit. For the second project, ČD received a pre-litigation summons.

Administrative Proceedings of Výzkumný Ústav Železniční, a.s. at ÚOHS

The company Výzkumný Ústav Železniční, a.s. registers an administrative proceeding with the Office for the Protection of Competition (OPC) regarding possible mutual agreement and/or agreement of the participants in the administrative proceeding, consisting in coordinating participation and/or tenders in a public procurement tender for a comprehensive technical operational study in areas of high-speed lines entitled Technical-operational study – Technical solutions of VRT of the contracting authority SŽ, s.o., at least in 2014 and 2015.

18. Post Balance Sheet Events

On 31 July 2020, ČD Cargo a.s. issued bonds with a nominal value of CZK 1 billion.

19. Approval of the Consolidated Financial Statements

These interim consolidated financial statements were approved on 1 September 2020.

Responsibility for the Interim Report of the ČD Group

Declaration

The persons responsible for preparing the Interim Report of the issuer declare that, to the best of their knowledge, the consolidated interim report gives a true and fair view of the financial position, business activity and performance of the issuer and its Group for the six months ended and the outlook for future development of the financial position, business activity and performance of the issuer and its Group.

Prague, 1 September 2020



Václav Nebeský
Chairman of the Board of Directors
České dráhy, a.s.



Patrik Horný
Member of the Board of Directors
České dráhy, a.s.

This report was not audited.

Identification and Contact Details

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