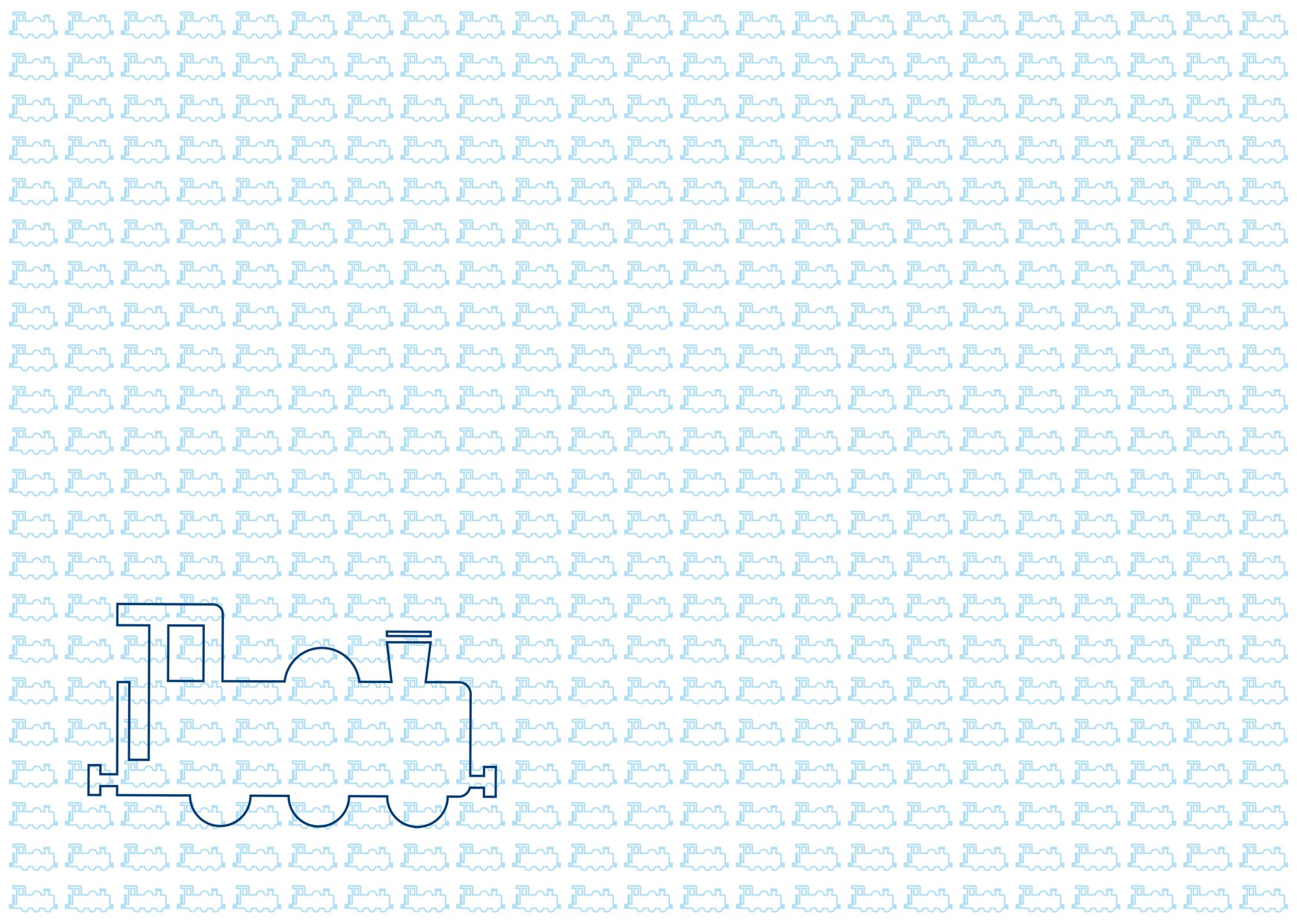




Interim Report 2010
České dráhy Group





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We are changing according to the needs of our customers and we will become a modern and financially stable passenger carrier with the ability to compete on the Czech liberalized market with the ambition to provide profitable passenger transportation.

01 Key Interim Indicators of the ČD Group

KEY INDICATORS	2010	2009	DIFFERENCE	INDEX
Passenger transportation [ČD, a.s.]				
Transportation performance [millions of passenger-kilometres]	3,229	3,227	2	100
Traffic performance [millions of train-kilometres]	61	63	-2	97
Average transportation distance [km]	40	39	1	103
Occupancy ratio [%]	23	22	1	105
Freight transport [ČD Cargo, a.s.]				
Transportation volume [millions of tonnes]	36	31	5	116
Transportation performance [millions of tariff tonne-kilometres]	6,510	5,856	654	111
Train performance [millions of train-kilometres]	13	13	0	100
Average transportation distance [km]	181	189	- 8	96
Operational management of train circulation [ČD, a.s.]				
Observance of train schedules [%]	91	92	-1	99
Length of operated routes [km]	9,420	9,430	-10	100
Trains monitored in the SŽDC network [thousand]	2,595	2,622	-27	99

02 Opening Statement of the Chairman of the Board of Directors

Dear Colleagues,

Compared to the last two years, when we had to deal with the additional funding issues for the regional transportation and implement tough savings measures, 2010 is full of the round-the-clock work, which has resulted in the real improvements to the quality of our services.

Thanks to the increasing number of new trains, better customer service, and the new business policy, people are using trains more often for the long distance travelling, and this makes the railway comply with its key role in the domestic transportation.

For us, the increase in the number of sales of domestic passenger transportation is the very positive news. In the first half of 2010, sales of the domestic transportation increased by more than CZK 90 million on year-to-year basis, and this trend continues. I would like to point out that České dráhy ("CD") did not increase the fares, not even after the January increases in VAT. Thus, it is apparent that the growth in sales is due to the pro-active business policy, focus on marketing activities and product promotion, and the extension of the sale point network in cooperation with the external vendors. This model is common in commercial companies and it works similarly for the state-owned enterprise like ČD.

Thanks to the long-term contracts with the state and regions ordering the public transport, we were able to introduce the first new RegioShuttle trains in the first half of 2010, which will be purchased with the contribution of the European Union for the regional transportation. We are continuing with our extensive plan to renovate the rolling stock by bringing the additional supplies of trains that passengers already know. For example, we brought thirty Regionova trains and five CityElefant trains into operation, and we are calling the tenders for the modernisation of long-distance vehicles. In total, we will invest approximately CZK 7 billion in renovating the rolling stock in 2010. Further, I would like to point out that we are increasing the quality of services provided to the end customers and that assets of ČD, i.e. the state-owned assets, are appreciating.

ČD has always provided and will continue to provide the guarantee that the service provision of the state transport will be ensured in the required scope and in the adequate quality. ČD is often criticised for the long-term contracts with the state and regions that order the public transportation; however, no one realizes that thanks to these contracts the European Union will provide us with the contribution to purchase vehicles and that we have saved hundreds of millions of Czech crowns for the state. Every other businessman would do the same. The only difference is the fact that we administer the state-owned assets.

I hope that a new way of thinking, as well as new business and operations, will permeate through all structures of ČD. As a strong transportation company, we have the potential to successfully compete with our rivals. We will not meet this goal by sitting in the office reminding ourselves of the old times.

03 Calendar of Events in the First Half of 2010

JANUARY

▶ On 1 January 2010, ČD started purchasing the traction electricity directly from ČEZ, which meant that SŽDC, s.o. had been removed from the supply chain. In this new system ČD anticipates annual savings of no less than tens of millions of Czech crowns. ČD supplies the electricity to all other transporters on the state railway network.

FEBRUARY

▶ ČD started an extensive modernization of regional trains. The first round of public tender for modernization and purchase of new train sets was undertaken. The first international tender was for 33 low – floor diesel trains for Vysočina and Liberec regions.

MARCH

▶ In cooperation with the Czech police, BESIP programme of the Ministry of Transportation, Rail Safety Inspection and ČD Cargo, a.s. ČD dispatched a special “Preventive Train”, which projects students and the general public short films showing fatal railway accidents, hands-on first aid training with the rescuers, and discussions with the railway investigators, policemen, and BESIP professionals.

▶ ČD, a. s. signed a contract for modernization of 19 diesel locos of 750 series, so called „brejlovec“, and 58 express carriages for EuroCity and InterCity trains. These will have completely new toilettes with the internal closed A/C system.

APRIL

▶ The 680 series Pendolino vehicles exceeded the mileage of 10 million kilometres.

MAY

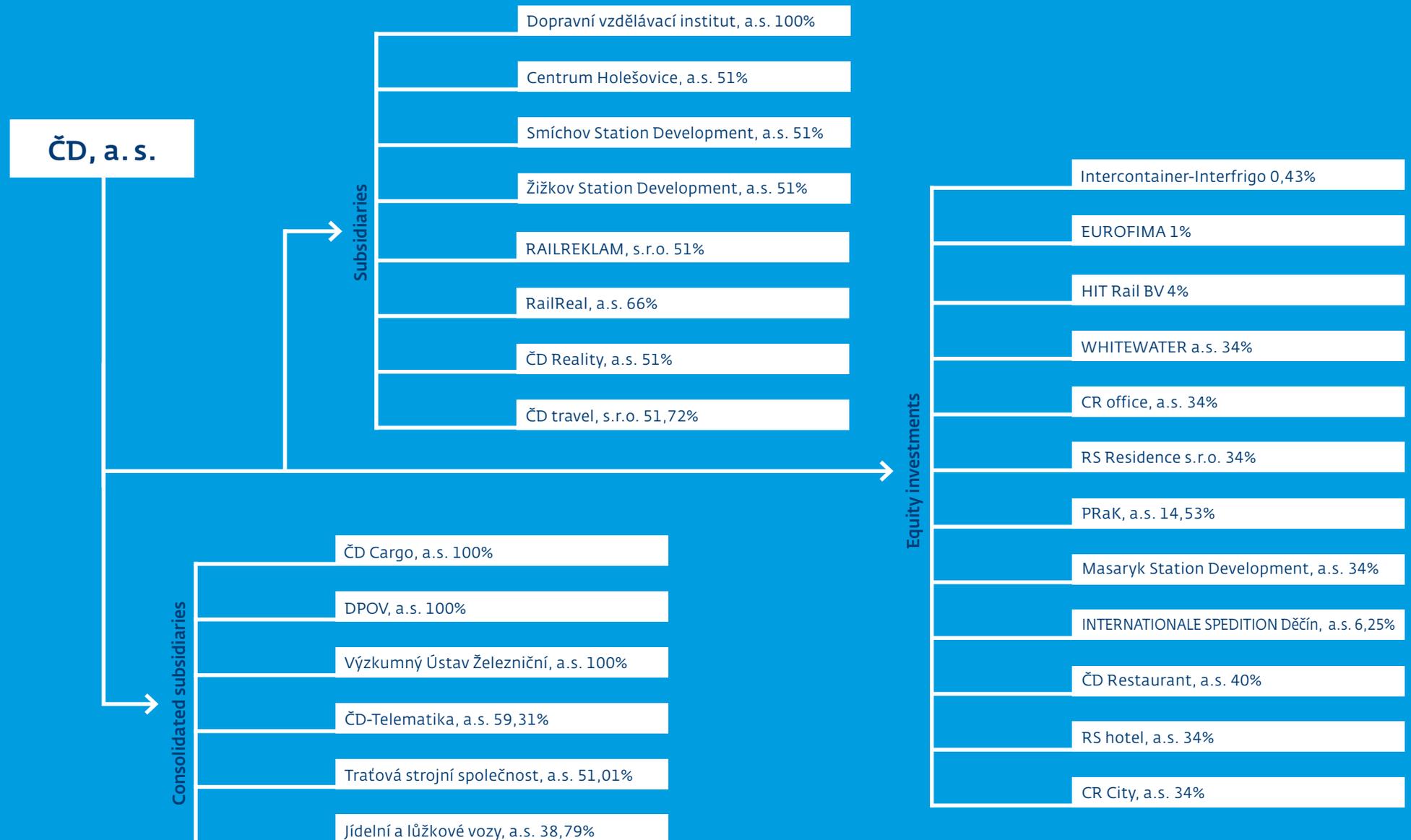
▶ On 29 May, Public Transportation Day, the Karlovy Vary region commemorated 10 years of EgroNet, a unique system of cross-border integrated transportation with the participation of 62 Czech and German transporters.

▶ ČD, a. s. signed two contracts for the delivery of 33 RegioShuttle RS 1 trains. The first trains should be put into operation at the end of 2011.

JUNE

▶ On 8 June 2010, ČD’s Supervisory Board discussed and subsequently approved the “2010 and 2011 Strategy of Investment Funding of ČD, a.s.” The document states that ČD intends to obtain an international rating withing the investment grade in autumn 2010 and subsequently will be able to enter the capital market through the issue of bonds up to the amount of EUR 300 million (CZK 7.5 billion).

04 Organisational Structure of the ČD Group



05 Interim Report on the Business Results of the ČD Group

► 5.1 České dráhy, a.s.

► 5.1.1 Business Development

ČD reported a profit in the first half of 2010 despite the facts that the regions paid CZK 212 million less than in 2009 for the passenger transportation based on the long-term contracts, and the costs of repairs and maintenance of the rolling stock increased by CZK 350 million. The successful result of operations is predominantly due to the internal savings and the increased sales. At the end of June, ČD reported a profit of CZK 24 million (before tax), which is CZK 80 million more than in the same period last year.

KEY INDICATORS OF ČD, A.S.	2010	2009	DIFFERENCE	INDEX
Total revenues [CZK mil]	14,432	13,745*	687	105
EBITDA [CZK mil]	933	1,047*	-114	89
EBT [CZK mil]	24	-56*	80	243
Total assets [CZK mil]	57,693	54,089	3,604	107
CAPEX [CZK mil]	2,566	2,347	219	109
Vehicles [railway vehicles]	2,370	2,212	158	107
Construction	101	135	-34	75
Other	95	–	0	0
Depreciation of railway vehicles and buildings [CZK mil]	810	883	-73	92
ROCE [%]	0	0	0	0
Average recalculated headcount	27,262	28,837	-1,575	95

| *) Results in the first half of 2009 are increased by the state subsidy of CZK 1.6 billion, which was half of the CZK 3.2 billion as of 30 June 2009 for the additional funding of passenger transportation.

In comparison to the last year, ČD performance results are more stable and the effectiveness of the operation has significantly improved.

- ▶ Total revenues increased by 5% mainly thanks to the higher sales in the domestic transportation and the higher sales of the assets.
- ▶ Compared to the last year, EBITDA fell by 11%. The slight decrease is the result of lower compensation from the state and regions ordering the public transportation based on the long-term contracts by CZK 212 million and the CZK 350 million rise in the repair and maintenance costs. The impact of these items was offset by the decreasing operational and overhead costs, particularly the payroll costs. Compared to the year 2009, payroll costs decreased by CZK 252 million, i.e. 3.8%.
- ▶ EBT increased by CZK 80 million as compared to the previous year and ČD reported profit of CZK 24 million (before tax) in the first half of 2010.
- ▶ Investments in railway vehicles that mainly include the modernisation of the existing vehicles and the purchase of new vehicles increased year-to-year by 7% to CZK 2.4 billion. These significant investments were partially funded from the external sources, primarily from the bonds that were issued at the end of 2009.
- ▶ ROCE (Return on Capital Employed), which is the key indicator for comparing with other railway transporters, stayed at the “moderately profitable” level for the second year. ČD’s mid-term target is 6-8%; the best practice in the industry is 8%.

► 5.1.2 Passenger Transportation

Despite the fact that the total transportation performance decreased and the higher VAT rate was not reflected in the price of the fares, sales from the passenger transportation slightly increased in comparison to the first half of 2009. Sales in domestic transportation increased by CZK 90 million year-to-year (+3.9%). The suburban transportation primarily contributed to the increase of sales, and within this segment, it was mainly the result of the expansion of some IDS and also the changes in the portion of sales of IDS in favour of ČD. The long-distance transportation is the next segment with the permanent sales increase.

Lower sales from the international transportation by CZK 23 million (-4.7%) are to a large extent attributable to the CZK/EUR exchange rate fluctuation. Passenger transport operations under the public service commitment regime achieved a moderate profit. Commercial transportation, which is in majority the operation of SC trains (Pendolino), incurred a similar loss as in the previous year.

KEY PERFORMANCE INDICATORS	2010			2009		
	REGIONAL TRANSPORT	LONG-DISTANCE TRANSPORT	COMMERCIAL TRANSPORT	REGIONAL TRANSPORT	LONG-DISTANCE TRANSPORT	COMMERCIAL TRANSPORT
Operating profit/loss [CZK mil]						
Income from passenger transportation	1,226	1,746	169	1,159**	1,749**	187**
Settlements from regions and the state	4,011	2,034	n/a	4,284*	2,015	n/a
Operating costs	4,816	3,493	286	5,144	3,295	280
of which:						
Repairs by external supplier	482	262	48	262	121	35
EBITDA	426	292	-109	523	451	-83
EBT	-41	46	-204	-138	175	-196
CAPEX [CZK mil]						
New railway vehicles	956	347	0	1,620	0	0
Renovation of railway vehicles	911	156	0	581	11	0
In-kind indicators						
Number of transported passengers [mil]	63	18	0,4	64	19	0,6
Occupancy ratio [%]	18	26	30	19	25	37
Average transportation distance [km]	20	102	300	26	109	304
Performance indicators						
Train-kilometres [mil]	40	19	2	41***	18***	1***
Destination-kilometres [mil]	7,024	6,384	479	7,490***	6,835***	335

*) Results in the first half of 2009 are increased by the state subsidy of CZK 1.6 billion, which was half of the CZK 3.2 billion as of 30 June 2009 for the additional funding of passenger transportation.

**) In 2010, the methodology for sales records issued by the Ministry of Transport Ministry changed. The indicators of sales for 2009 are adjusted so that they correspond to the new methodology and are comparable with the results in the first half of 2010.

***) Performance indicators for the year 2009 are adjusted according to the change in reporting the values in 2010, based on the valid policy of reporting the operation performance of ČD, a. s.

- ▶ Sales in the domestic transport increased by CZK 90.5 million (3.9%) year-to-year. This growth is caused by the year-to-year increase in the sales of the customer applications on In-karta cards and the increase in sales in the long-distance and the regional transportation. In addition, sales from the billed fare notably increased as a result of the cooperation with the external distribution partners and increased payments for IDS fares.
- ▶ International transportation slightly decreased, by CZK 23 million (-4.7%). The decrease is the result of the year-to-year CZK/EUR exchange rate fluctuation (by 6%), in particular lower sales of international tickets sold abroad. Sales of international tickets by České dráhy for foreign routes, however, significantly increased and thus the ČD commission for these sales increased.
- ▶ Operating expenses in all segments of transportation significantly decreased, primarily the payroll costs and traction electricity costs. The traction electricity is currently purchased by ČD directly rather than through SŽDC. The costs of electricity decreased by almost CZK 110 million year-to-year. On the other hand, costs of railway vehicles repairs doubled in comparison to the last year. The increased costs reflect the emphasis on improving traffic safety and passenger comfort.

▶ 5.1.2.1 Investments in Railway Vehicles

	REGIONAL TRANSPORT	LONG-DISTANCE TRANSPORT	COMMERCIAL TRANSPORT	TOTAL
Investments [CZK mil]	1,866	504	0	2,370

▶ 5.1.2.2 Regional Transport

In the first half of 2010, ČD invested CZK 1,866 million in purchasing new and renovating old railway vehicles for the regional transport. ČD purchased 12 new CityElefant trains, and received 68 two-car Regionova trains and 6 modernised three-car Regionova trains. In addition, ČD modernised 37 motor vehicles of the 842.5 series and received 17 steering vehicles of the 954 series. Passenger vehicles of the 053 and 054 series were modernised for steering vehicles at the amount of CZK 346 million. Half of the steering vehicles and passenger vehicles are used for the regional transportation and half are used for the long-distance transportation. The Company arranged a finance lease for modernising 19 motor locomotives of the 753 series, half of which are used for the regional transportation and half for the long-distance transportation.

▶ 5.1.2.3 Long-Distance Transport

In the first half of 2010, ČD invested CZK 504 million in the long-distance transportation. In June 2010, ČD arranged a finance lease for modernising 58 passenger vehicles. In addition, it received 6 modernised catering vehicles and 34 modernised steering vehicles.

► 5.1.2.4 Commercial Transport

Commercial transport predominantly includes operation of the SC category trains and some other activities, such as the lease of the historical and special trains. In the first half of 2010, ČD did not make any significant investments in the commercial transportation.

► 5.1.3 Asset Management

Asset management is slightly profitable. ČD continues to prepare the concept of station fees, which should provide sufficient funds for the necessary investments and the railway station maintenance.

The “Live Railway Stations” project was re-assessed and focuses on simplifying the contractual relationships with the external partners in order to achieve rapid and tangible results in renovations of principal railway stations. Investments in real estate are prepared in a comprehensive manner, i.e. in addition to the renovation of the building itself or its infrastructure, ČD always considers the entire location and area in front of the train station and removes non-functional, unsightly annex buildings, warehouses, dumps, and refurbishes vegetation, etc. in the form of landscape recultivation.

Using the operational programme ‘Environment’ subsidised from the Cohesion Fund and the European Regional Development Fund and in relation to the projects focused on reducing energy consumption through the improvement of thermal and technical properties of building cladding, ČD plans to increase the insulation in 60 of its buildings. At present, the individual regional asset management units are preparing projects, which include the energy audits of the individual railway station buildings.

► 5.1.4 Railway Infrastructure Operation

The railway infrastructure operation includes the provision of infrastructure services to SŽDC as the administrator of the railway infrastructure. The railway infrastructure operation is not a business activity; rather it is a service of which costs are reported in detail to the infrastructure administrator and are subsequently refunded. In the first half of 2010, the performance of the railway infrastructure operation is balanced.

The observance of train schedules, which is one of the principal tasks of the railway infrastructure operation, was 91% in the first half of 2010, which is a year-to-year decrease of 1%.

► 5.2 Financial Development of Consolidated Companies

[CZK MIL.]	REVENUES			
	2010	2009	DIFFERENCE	INDEX
České dráhy, a. s.	14,432	13,745*	687	105
ČD Cargo, a. s.	7,073	6,935	138	102
ČD – Telematika, a. s.	708	728	-20	97
Výzkumný Ústav Železniční, a. s.	108	147	-39	73
DPOV, a. s.	536	568	-32	94
Traťová strojní společnost, a. s.	328	351	-23	93
JLV, a. s.	145	159	-14	91
Group	23,330	22,633	697	103

[CZK MIL.]	EBITDA			
	2010	2009	DIFFERENCE	INDEX
České dráhy, a. s.	935	1,047*	-112	89
ČD Cargo, a. s.	619	181	438	342
ČD – Telematika, a. s.	102	112	-10	91
Výzkumný Ústav Železniční, a. s.	52	80	-28	65
DPOV, a. s.	36	28	8	129
Traťová strojní společnost, a. s.	35	71	-36	49
JLV, a. s.	19	20	-1	95
Group	1,798	1,539	259	117

[CZK MIL.]	EBT			
	2010	2009	DIFFERENCE	INDEX
České dráhy, a. s.	24	-56*	80	243
ČD Cargo, a. s.	-95	-371	276	174
ČD – Telematika, a. s.	12	9	3	133
Výzkumný Ústav Železniční, a. s.	37	66	-29	56
DPOV, a. s.	28	21	7	133
Traťová strojní společnost, a. s.	-15	32	-47	-47
JLV, a. s.	11	11	0	100
Group	2	-288	290	201

*) Results in the first half of 2009 are increased by the state subsidy of CZK 1.6 billion, which was half of the CZK 3.2 billion for the additional funding of passenger transportation.

► 5.2.1 ČD Cargo, a.s.

Based on the preliminary results of the company's economic performance for the period from January to June 2010, ČD Cargo's total revenues amounted to CZK 7 billion in the first half of 2010. The profit before the interest, taxes and depreciation (EBITDA) amounts to CZK 619 million and the result of operations expressed in terms of EBT is a loss of CZK 95 million in the first half of 2010.

During the first half of 2010, ČD Cargo transported 36.2 million tonnes of goods and transport performance amounted to 6.472 billion of tariff tonne-kilometres.

► 5.2.2 ČD – Telematika, a.s.

Total revenues for the first half of 2010 amounted to CZK 708 million, which is a slight year-to-year decrease of 3%. EBITDA amounted to CZK 102 million and EBT was CZK 12 million. The restructuring of the company from the financial, HR, business, and operational perspectives was reflected in savings, which is proved by the 33% improvement in the company's EBT. Compared to the last year, the number of employees was reduced by almost 7% and the company continues to put significant pressure on decreasing operating costs. In addition, the company improved its cash position year-to-year and carries no bank debts except for leasing.

In 2010, ČD – Telematika wants to complete the consolidation of the organisational structure and structure of its products and services. It also plans to invest in new technologies to increase the quality of services and increase its competitiveness on the telecommunication and IT services market. The planned investments in the TS division (former EC – electronic communications) include the projects of CZK 45 million, which will be funded by the leasing.

► 5.2.3 Výzkumný ústav železniční, a.s..

Total revenues of the company in the first half of 2010 amount to CZK 108 million, which is a year-to-year decrease of 27%. EBITDA amounted to CZK 52 million and EBT reached CZK 37 million. The company's plan was exceeded thanks to the measures undertaken by the company's management, which led to the cost savings. The development in the sales corresponds to the planned trend.

The year-to-year decrease in the result of the economic performance is primarily due to the fact that the previous year was very successful for the company and substantially exceeded the plan. The successful results of the performance were caused by a unique accumulation of the orders from the railway vehicles manufacturers for testing in the Velim Testing Centre. In 2010, on the other hand, few prominent foreign customers, such as CAF Spain, ALSTOM TRANSPORT France, withdrew from the testing that was planned in the long-term in 2010 or deferred the dates of testing. The development trend of the authorised/notified activities focused on assessing the interoperability of the European railway system and accredited activities relating to the testing and certifying products is positive and even. In addition, the results in the first half of 2010 are impacted by a partial reduction of the railway testing circuit operation, when the sales decreased in relation to the started renovation of the traction distribution system and other planned repairs, which will contribute to a significant improvement of the service quality offered to the customers and maintain the prestigious position and competitiveness on the market. The company places great emphasis on cost savings and continues to be one of the most prosperous companies in the ČD group.

The company is involved in the international railway system and railway transportation projects. It closely cooperates with the leading manufacturers, academic institutions, and trade unions in the European Union and beyond.

► 5.2.4 DPOV, a.s.

The company's total revenues in the first half of 2010 amount to CZK 536 million, which is a slight decrease of 6% year-to-year. EBITDA amounted to CZK 36 million and EBT was CZK 28 million. Both these indicators significantly increased year-to-year (by 30%). It is apparent that the company is focusing on decreasing the operating costs, especially the savings in energy and overhead costs.

The company, which is engaged in repairs of railway vehicles, is dependent on orders from its parent company ČD, a.s. and its fellow subsidiary ČD Cargo, a.s. up to 85%. In terms of the future success, the company has significant importance for the ČD group.

► 5.2.5 Traťová a strojní společnost, a.s.

The company's total revenues in the first half of 2010 amounted to CZK 328 million, which is a slight decrease of 7% year-to-year. EBITDA amounts to CZK 35 million and EBT is CZK -15 million. The loss in earnings before tax in this period was anticipated according to the plan, owing to the standard, seasonal character in the performance of the company. The reason is the decline in the performance and growth in costs, mainly the repairs and maintenance, consumption of material and depreciation. Since the beginning of 2010, the loss has been gradually decreasing.

The company's principal objectives for 2010 include strengthening the dominant position on the local market, with a slight expansion to the neighbouring foreign markets. Together with its strategic partner, OHL ŽS, a.s. the company might expand its activities to Bosnia and Herzegovina in the future. In technological transportations, the company will focus on increasing its marketing and business activities in order to utilize the existing capacities more effectively.

► 5.2.6 JLV, a.s.

In the first half of 2010, JLV, a.s. total revenues amounted to CZK 145 million, which is a slight decrease of 9% year-to-year. EBITDA amounted to CZK 145 million and EBT was CZK 11 million, which was the same as in the first half of 2009. Lower performance and an unchanged profit are attributable to the cost savings.

The company focuses on stabilising and developing its position on the Czech and European market. JLV extended its cooperation with DB AutoZug by offering its stewards in DB trains. In the Czech Republic, it extends its stationary activities and operates 11 various brands, some of which are its own and some are operated through a franchising licence.

06 Internal Management of the ČD Group

BONDS

On 8 June 2010, the ČD's Supervisory Board approved the 2010-2011 Investment Funding Strategy, which involves issuing bonds on the international capital markets at the total maximum amount of EUR 300 million. The issue is conditioned on obtaining an international rating from a reputable rating agency. Proceeds of the issue will be used to fund investments in railway vehicles.

TRACTION ELECTRICITY

Since 1 January 2010, ČD has been purchasing traction electricity for the entire local distribution railway system. The reason for this change was the fact that the price achieved in the public tender held by SŽDC in 2008 exceeded the price on the market. In 2009, the Company investigated the possibility of purchasing electricity at its own risk. Before mid-2009, it was impossible to change the system. In July 2009, an amendment to Act No. 458/2000 Coll., the Energy Act, entered into the effect and extended the distribution voltage levels, which allowed ČD to connect to the local distribution system. In September 2009, ČD requested the distributor, SŽDC, to be connected to the collection points on the distribution system. Based on the positive statement of the Energy Regulatory Office, SŽDC complied with the request and ČD was able to hold a tender for an electricity supplier. The disadvantage of this system is that ČD has to purchase the electricity for the entire traction, i.e. all users of the traction electricity. Currently, from the technical and legal perspective it is not possible to have several purchasers in the traction, and this is the reason why ČD has to purchase the electricity for all the transporters.

Pursuant to the tender, ČD concluded a contract for the first half of 2010 with ČEZ Prodej s.r.o. For the following period from July 2010 to December 2011, in an open tender, as it had the best price, ČD selected ČEZ Prodej s.r.o. again. ČEZ Prodej s.r.o., however, revoked the contract with a three-month notice period and ČD were forced to hold the new electricity supply tender for the period from October to December 2010. The supplier E.ON ENERGIE, a.s. was selected in the tender.

MARKETING

In the first half of 2010, Marketing reported a 28% decrease in costs compared to the last year.

The sales activities of this segment mainly reflect into the weekend and leisure time travelling of „ČD Relax“, the preparation of the communication and support of „ČD Eurotrip“ cross border travelling, the support of regular commuting to work and school „ČD Takt“, and also the support of In-karta sales. In June, the Company started a promotional campaign of the „ČD Eurotrip“ project – „Comfortable travelling to selected European destinations“, which predominantly focuses on supporting sales of discounted tickets to Berlin, Vienna, Budapest, Bratislava, and Dresden.

As part of the Vize 2012 programme, Marketing is preparing a pilot project entitled “Compensation in domestic transportation in the event of failure to meet the required quality standards”.

ČD held a presentation at the 11th Annual Czech Raildays trade fair in Ostrava, organised a ride in the 814 series Regionova train in the Moravian – Silesian region, and opened a renovated railway station in Jablonec nad Nisou. ČD dispatched the Train Full of Smiles to Zlín for the disabled children and children from foster homes, as well as a steam train for physically and mentally disabled children from the Kociánka home and for children from SOS villages.

07 Employees

In the first half of 2010, the Company implemented savings measures and reduced the number of employees in all departments. One important success is the fact that the employer usually agreed with the employees on dismissals and people used the increased severance pays from the company collective agreement or the additional social programme. To increase the quality of the newly-staffed positions, ČD updated the Guideline for Staffing in ČD and new managers are recommended to the Board of Directors for the appointment following the resolution of the selection commission.

In this period, the first graduates of the ČÉDés Scholarship Programme (a total of 8 students) finished their studies and those, who are not continuing their studies at the university, have been employed at ČD. In the first year of its existence, this attractive project gained a positive reputation and is very attractive: in this year's selection procedure, ČD could select from numerous applicants and eventually signed a scholarship agreement with 98 new students. As with ČÉDés, another human resources project, entitled "Talents", focused on motivating young and prospective employees successfully continued by meetings with managers of individual departments and young employees were gradually involved in projects throughout ČD.

In cooperation with the section for the passenger transport and the subsidiary DVI, ČD started to implement the largest educational project of 2010 entitled "Change Communication". The objective of the project is to increase the quality of services for passengers through the effective communication and pro-customer behaviour. Both train crews and their direct supervisors and colleagues—heads of an on board service personnel, supervisors, crew dispatchers, station masters and train controllers – were involved in the first phase.

The average registered number of employees recalculated to full time employees was 27,262 between January and June 2010, i.e. a year-to-year decrease of 1,575 employees. As of 30 June 2010 (physical headcount), the Company employed 27,058 employees, i.e. a decrease of 894 employees as of 31 December 2009.

08 Prospects for the End of 2010

- ▶ The prospect for the end of 2010 indicates a balanced plan, i.e. ČD's economic results will be balanced and the whole consolidated group will report a profit.
- ▶ The group's economic results can be significantly impacted by the EUR/CZK exchange rate fluctuation as a significant part of ČD's loans are denominated in Euros and a significant part of the sales of the freight transport are collected in Euros.
- ▶ Another factor influencing the economic performance may be a significant decrease in the number of employees for 2011 and the related severance pays as an expense at the end of 2010.
- ▶ A positive effect, predominantly on freight transportation, may include higher sales in the second half of 2010 in relation to the gradual ending of the economic crisis.

09 Information on the ČD Group

The České dráhy group includes the parent company ČD, a.s. and consolidated subsidiaries ČD Cargo, a.s., DPOV, a.s., TSS, a.s., ČD – Telematika, a.s., VÚŽ, a.s. and JLV, a.s. The České dráhy group provides comprehensive services relating to the operation of railway routes, operation of passenger and freight transportation, and additional and related activities, primarily repairs, railway research, testing, IT services, accommodation and catering services.

► 9.1 Identification and Contact Details

Name of the company: ————— České dráhy, a.s.

Registered office: ————— Nábřeží L. Svobody 1222,
————— Prague 1, 110 15

Corporate ID: ————— 70994226

Tax ID: ————— CZ70994226

Register of Companies: — Prague

Reference: ————— File B, Insert 8039

Telephone: ————— 972 111 111

Fax: ————— 972 232 498

E-mail: ————— info@cd.cz

————— info@cdcargo.cz

Http: ————— www.ceskedrahy.cz

————— www.cd.cz

————— www.cdcargo.cz

————— www.cdvuz.cz

————— www.dpov.cz

————— www.cdt.cz

————— www.tssas.cz

————— www.jlv.cz

