

ANNUAL REPORT
OF THE ČESKÉ DRÁHY GROUP



2007



2007

ANNUAL REPORT
OF THE ČESKÉ DRÁHY GROUP
FOR 2007



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Pravidelný odjezd	Právní čas	Nást. Kolej	Zpoždění (min.)
14:04	14:03	3 / 2	
14:10		4 / 1	10
14:12		3 / -	15
14:12		3 / 4	
14:18		2 / 8	
14:20		2 / 6	

Odjezdy

Právní čas **14:03**

Druh vlaku	Číslo vlaku	Cílová stanice	Směr jízdy	Pravidelný odjezd	Nást. Kolej	Zpoždění (min.)
R	738	BRNO HL.N.	Hranice na Mor.	14:41	4 / -	
Os	3367	BOHUMÍN	Ostrava hl.n.	14:43	3 / -	
Os	3312	PŘEROV	Hranice na Mor.	14:44	4 / -	
IC	517	BOHUMÍN	Ostrava hl.n.	14:47	3 / -	
Os	3418	OPAVA VÝCHOD	Háj ve Slezsku	14:49	2 / -	
Os	2849	ČESKÝ TĚŠÍN	přes Havířov	14:50	- / -	



 -4. nástupiště platform


 centrum
 

3 6 5



České dráhy, a.s. ("ČD") is a national railway enterprise which satisfies the transportation needs of the Czech Republic and its individual regions and which provides transportation services to its business partners. The business activities of ČD contribute to the achievement of goals set by the Transportation policy of the Czech Republic, such as to decrease negative effects on the environment and to support environmental sustainability. The internal market of the EU as well as the opening of international railway markets represents an incentive for ČD to search for new business opportunities.

PROFILE OF THE ČESKÉ DRÁHY GROUP AND ITS SUBSIDIARIES

The České dráhy Group offers comprehensive railway transport-related services providing for the operation and maintenance of nation-wide railway lines, passenger and freight transport and other activities predominantly relating to railway research, testing, telematics, accommodation and catering services.

České dráhy, a.s. (ČD) is the national railway transport operator in the Czech Republic and is the major contractual operator of the Czech railway network. Based on a contractual relationship, ČD ensures maintenance and operation of the national and regional railway network administered by the state organisation SŽDC, s.o. (Railway Transport Route Administration). Thanks to the volume of passenger transport and the extent of the railroad lines maintained and operated by ČD, ČD ranks among the 10 most important railroad companies in the European Union. The most important customers in passenger transport are individual regions as well as the state represented by the Ministry of Transportation of the Czech Republic. České dráhy, a.s. was formed on 10 July 2002 based on Resolution No. 733/2002 of the Government of the Czech Republic, followed by its incorporation on 1 January 2003 pursuant to Act No. 77/2002 Coll. as the successor of the state enterprise České dráhy, s.o.

ČD Cargo, a.s. (ČDC) provides for the transportation of industrial and agricultural products, raw materials, fuels, goods, containers and oversize loads. It also ensures the rental of rail cars and other transportation services. The future activities of ČDC will be focused on investment in the development of infrastructure to support the linkage of industrial areas with railway transport by building combined transport terminals and logistics centres. The services provided by ČDC were certified by Moody International, s.r.o. on 19 February 2007.

Traťová strojní společnost, a.s., (TSS, a.s.) provides machines, services and technological transport within repair, maintenance and investment activities on routes for České dráhy, a.s. as well as construction companies in the Czech Republic and abroad. The company is primarily focused on the operation of special railway machines and equipment for the construction, renovation and maintenance of railways, including their repair and the production of spare parts.

Výzkumný Ústav Železniční, a.s. (VUZ, a.s.) provides special testing services. The main activities include certification and compliance-assessment of products and quality systems with a special focus on products and subsystems in the interoperability railway system. VUZ, a.s. is recognised as a respected certification entity in Central Europe which is authorised for all structural subsystems.

ČD - Telematika a.s. (ČD-T) offers a wide range of telecommunication and IT services. ČD-T uses the second largest telecommunication infrastructure in the Czech Republic; central data storage; server farms; development; service and other specialised workplaces. The most significant customer of ČD-T is České dráhy, a.s.; other important customers include several telecommunication operators and significant companies with decentralised administration.

DPOV, a.s. provides maintenance, repairs and modernizations of railway vehicles.

Jídelní a lůžkové vozy, a.s., (JLV) is a significant European company offering accommodation and catering services in railway passenger transportation. The company offers catering and retail services.

▼ ESSENTIAL ECONOMIC INDICATORS OF THE ČESKÉ DRÁHY GROUP AND ČESKÉ DRÁHY, A.S.

Indicator	ČD Group			České dráhy, a.s.			Index 07/06
	2007	2006	2005	2007	2006	2005	
Assets and liabilities (CZK million)							
Total assets	55,710	54,404	51,069	56,726	52,980	50,013	1.07
Non-current assets	47,256	44,367	42,222	51,426	43,740	41,689	1.18
Equity	34,731	35,703	36,543	41,309	36,447	37,151	1.13
Profit or loss (CZK million)							
Profit or loss from operating activities	51	-527	-714	159	-682	-806	-0.23
Profit or loss for the period	-597	-445	-587	59	-449	-590	-0.13
Income (CZK million)							
Total income	50,615	49,377	46,080	48,626	48,051	45,428	1.01
Sales of own products and services	38,147	37,614	35,459	36,262	36,656	34,901	0.99
Financial indicators							
Turnover of assets (total income/total assets)	0.91	0.91	0.90	0.86	0.91	0.91	0.95
Indebtedness (total liabilities/total assets)	0.34	0.31	0.25	0.27	0.31	0.25	0.87
Liquidity (short-term financial assets/short-term payables)	0.10	0.26	0.27	0.08	0.23	0.25	0.35
Employees							
Average headcount recalculated							
for full-time employees (number of employees)	56,672	60,594	66,739	53,549	58,823	65,232	0.91
Income per employee (CZK/employee)	893,122	814,883	690,451	908,066	816,874	696,407	1.11
Added value per employee (CZK/employee)	274,507	260,081	239,094	258,277	246,728	230,710	1.05

▼ Expenses/Income of CZK 1

1.00 1.01 1.01



2007 2006 2005

▼ Turnover of Assets

0.86 0.91 0.91



2007 2006 2005

▼ Indebtedness

0.27 0.31 0.25



2007 2006 2005

▼ Liquidity

0.08 0.23 0.25



2007 2006 2005

04 MAJOR EVENTS OF 2007

→ As of 1 January, DPOV, a.s., with its headquarters in Přerov, was established as a subsidiary of ČD, a.s.

→ As of 1 January, an organisational branch "Vlakový doprovod osobní dopravy" (Passenger Train Staff) was established to provide passenger trains with conductor teams which are responsible for the inspection of travel documents, passengers check-in, and for providing information to passengers.

→ On 23 January, ČD's Board of Directors approved an organisational change in the Office of the Deputy CEO for infrastructure to establish the Regional Department for Asset Administration (RSM) and to establish the Regional Sections of Economics (ROE) within the Finance Department under the Deputy CEO for Economics. This change was effective from 1 March.

→ On 27 February, ČD's Board of Directors approved the foundation of the company CD Generalvertretung Wien GmbH. The company was formed on 1 July, after the General Representation of ČD, a.s. in Vienna was wound up on 30 June.

→ On 6 March, ČD's Board of Directors approved the capital contribution of TARDUS, s.r.o. in ČD's subsidiary, RAILREKLAM, s.r.o. in the form of an increase in share capital. The aggregate equity share of TARDUS, s.r.o. is 49 percent.

→ On 17 April, ČD's Board of Directors approved the memorandum of foundation and the articles of association of ČD Logistics, a.s. The share capital of the subsidiary is CZK 10,000 thousand with the following equity share of the founders: České dráhy, a.s. – 34 percent, Čechofracht a.s. – 22 percent, EXIMTRA a.s. – 22 percent, and VIAMONT a.s. – 22 percent. The company was formed on 16 June.

→ On 15 May, ČD's Board of Directors decided to establish the Directors Council of the České dráhy Group as an advisory body to the Board of Directors of the parent company. The principal activities of the Council include coordinating the management of the individual Group companies. The Council members are the members of the Board of Directors of ČD, a.s. and CEOs/Managing Directors of the following subsidiaries: ČD - Telematika a.s., Traťová strojní společnost, a.s., Výzkumný Ústav Železniční, a.s., Dopravní vzdělávací institut, a.s., DPOV, a.s., ČD travel, s.r.o., and ČD Cargo, a.s. (as of 1 December).

→ On 24 October, 2006, ČD's Board of Directors approved the foundation of a subsidiary, Centrum Holešovice a.s. The company was founded on 2 May with ČD, a.s. holding 51 percent and NAVATYP a.s. holding 49 percent of the share capital.

→ On 17 July, ČD's Board of Directors approved the entrance of Logistics, a.s. into RAILLEX, a.s. by means of acquiring an equity share of 26 percent. Through this change, the equity share of ČD, a.s. in RAILLEX, a.s. decreased from 51 percent to 40 percent. Simultaneously, the aggregate amount of share capital of RAILLEX, a.s. increased to CZK 5,000 thousand. The monetary deposit of ČD, a.s. in RAILLEX, a.s. increased by CZK 980 thousand.

→ Pursuant to Resolution of the Government of the Czech Republic No. 848 of 25 July, the following issues were approved:

– Identification of the key areas of the business activities carried out by ČD, a.s. and their division between the subsidiaries of ČD, a.s. by 30 November 2007.

– Assignment of the function as an operator of the state owned national and regional railways from ČD, a.s. to SŽDC, s.o. by 1 April 2008.

– Assignment of some activities related to railway operation including the relevant material, technological and personnel capacities from ČD, a.s. to SŽDC, s.o. by 1 April 2008.

→ Simultaneously, the Government of the Czech Republic delegated to the Minister of Transport the preparation and presentation of the following documents, by 30 November 2007:

– Documents regulating the foundation of individual subsidiaries of ČD, a.s. and their key business activities; and documents regulating the assignment of the function as a railway operator and the performance of certain activities associated with the railway operation from ČD, a.s. to SŽDC, s.o. together with adequate capacities.

– Draft legislative changes which are material for the new organisational establishment within ČD, a.s. as a strategic holding company and for a new assignment of the function as a railway operator from ČD, a.s. to SŽDC, s.o., including certain activities and capacities related to the railway operation.

→ Pursuant to Resolution No. 1195 of the Government of the Czech Republic of 22 October 2007, the Government approved the foundation of ČD Cargo, a.s. as a subsidiary of ČD, a.s. engaged in freight railway transport. The foundation was planned for 1 December 2007, in a set manner and under agreed conditions. The first Deputy Prime Minister, and the Ministers of Regional Development, Transportation, Finance, Industry and Trade, and Defence were charged by the Government to ensure the realisation of the following issues via their representatives who are members of the Steering Committee of ČD, a.s.:

- To ensure the foundation, incorporation and further functioning of ČD's subsidiary engaged in freight railway transport according to this Resolution.
- To allow a change in the shareholders structure of ČD's subsidiary engaged in freight railway transport subsequent to the Government's approval.

→ Pursuant to Resolution No. 884 of the Government of the Czech Republic of 30 October 2007, ČD's Board of Directors approved the foundation of ČD Cargo, a.s. as of 1 December.

→ Pursuant to resolution No. 934 of 4 December 2007, ČD's Board of Directors approved the draft contract for the lease of a part of a business entered into between ČD, a.s. (as the lessor) and Dopravní zdravotnictví, a.s. The Chairman of the Board of Directors and ČD's CEO were commissioned to sign the rental contract after it has been discussed and approved by all statutory bodies of ČD. On 18 December 2007, the contract on the rental of Železniční zdravotnictví which is a branch of Dopravní zdravotnictví a.s. was signed. The contract came into effect on 1 January 2008.

→ Pursuant to Resolution No. 1352 of the Government of the Czech Republic from 4 December, 2007, the following transfers were approved:

1. With effect from 1 April 2008, the function as an operator of the national and regional railways owned by the state was transferred from ČD, a.s. to SŽDC, s.o.
2. A part of activities related to railway operation, including relevant material, technological and personnel capacities were transferred from ČD, a.s. to SŽDC, s.o.

→ Simultaneously, the Government of the Czech Republic charged:

1. the Ministers of Transportation, Finance, Industry and Trade, Regional Development and Defence with ensuring, via the ministerial representatives on ČD's Steering Committee, the transfer of the function as an operator of the national and regional railway including relevant material, technological and personnel capacities in the possession of the state, from ČD, a.s. to SŽDC, s.o.;
2. the Minister of Transportation to:
 - a) ensure via the representative of the Ministry of Transportation on the Board of Directors of SŽDC, s.o. the transfer of the function as operator of the national and regional railway, which is in the possession of the state, from ČD, a.s. to SŽDC, s.o.;
 - b) ensure the financial resources to cover the lump-sum expenditure related to the transfer of the function as operator of the national and regional railway, which is in the possession of the state, and some other activities related to railway operation including relevant material, technological, and personal capacities from ČD, a.s. to SŽDC, s.o.;
 - c) prepare an analysis of changes realised prior to 1 April 2008 and to present the proposed solution for the remaining activities of ČD, a.s. to the Government by 31 December 2008.

→ Pursuant to Resolution No. 1421 of the Government of the Czech Republic of 19 December 2007, the Government approved Governmental Regulation No. 370/2007 Coll. on the Conditions, Amount and Manner of Contribution Granting for Dealing with the Restructuring Changes of České dráhy, a.s. and Správa železniční dopravní cesty, s.o.

→ In September, ČD, a.s. obtained the Certificate in transportation quality management pursuant to the ISO 9001:2000 standard. The subject matter of the certification process included preparation and implementation of the railway timetable in regional and long-distance transport, seat reservations; information centre; organisation and management of courier shipping transportation; train staff management; and inspection of passenger transport services.

→ ČD has joined the European Transportation Safety Charter initiated by the European Commission to promote the education and preventive campaigns on railroad crossing safety.



Dear Ladies, Gentlemen, and Business Partners,

I am pleased to have the opportunity to briefly reflect on 2007, which was a breakthrough year for the Company in many respects. As you already know, I was appointed the Company's CEO in February 2008, and thus I am able to view the results and changes from the previous reporting period without any personal bias.

I believe that one of the most important issues is the Company's positive continuation of the restructuring process which led to achieving profit for the first time in the Company's recent past. In addition, customer satisfaction which proves the quality of our services, is the primary goal of our main business activity, passenger transportation. I am pleased that we have attained a positive change in this respect which is demonstrated by one million more passengers than in the previous year.

In 2007, the renovation of the rolling stock continued and aggregate investments in passenger transport of more than CZK 2.5 billion were made. In respect of the age of most rail cars, the investments made represent a mere fraction of the amount needed. Still, our customers can make use of new long-distance train cars and other electric units of suburban trains of the CityElefant or the Regionova type.

Undoubtedly, the major change in the structure of České dráhy, a.s. was the division of the freight section into an individually

operating subsidiary company, ČD Cargo, a.s., which was officially founded as of 1 December 2007. All key indicators of freight transport have demonstrated long-term growth in the amount of transported freight as well as in sales, which, on the other hand, is balanced by the growing investment in the freight rolling stock. The foundation of ČD Cargo represented the logical outcome of the restructuring process of the Company started in 2003 as an effort to make the financing of all internal processes of the Company more transparent.

I firmly believe that these changes are perceived positively by the professional as well as general public, and that the new management will be able to successfully capitalise on these changes. As I have already mentioned, our predominant priority is to increase the public image of railway transport and to ensure a sufficient amount of financial means to continuously increase the quality of services together with customer satisfaction.

In my short time as Chief Executive Officer, I have made sure that, despite the issues which still need to be improved, České dráhy is a company with sufficient potential to become a modern transportation company. This is why I would like to thank the previous management of the Company as well as all employees for their support, which I appreciate, and their help, which I rely on.



Ing. Petr Žaluda

Chairman of the Board of Directors and Chief Executive Officer

06

STATUTORY BODIES AND MANAGEMENT OF THE COMPANY



01 02 03

04 05

◀ 01 Josef Bazala / 02 Vladimír Filip / 03 Jiří Kolář
04 Petr David / 05 Rodan Šenekl

Board of Directors

01. Josef Bazala

Chairman of the Board of Directors (since 9 May 2005) and Chief Executive Officer (since 11 May 2005), age: 51

Josef Bazala graduated from the Faculty of Operations and Economics of the Transport University in Žilina where he majored in transport operations and economics. In 1981, he joined the then Československé státní dráhy (Czechoslovak State Railways) where he performed various positions relating to railway operations and was responsible for the management of passenger transport services. Upon the establishment of České dráhy, státní organizace (the State Organisation of Czech Railways) in 1993, Mr. Bazala was appointed Senior Manager of the Trade and Operations Division. In 1995, he acted in the capacity of CEO for ČD for a period of three months. From 1996 to 2003, Mr. Bazala was employed by Spedi-Trans Praha, s.r.o. In 2003, he returned to České dráhy where he acted in the capacity of First Deputy CEO and member of the Board of Directors.

02. Vladimír Filip

Member of the Board of Directors (since 7 March 2006) and Deputy CEO for Economics (since 17 February 2006), age: 40

Vladimír Filip graduated from the Faculty of Business Administration of the University of Economics in Prague where he specialised in the economics of transport. In 1998, he completed postgraduate studies at the European Business School Schloss Reichartshausen, attaining a Master's Degree in International Management. In 1989, he joined the then Československé státní dráhy (Czechoslovak State Railways) where he performed various duties relating to finance and economics. In 1996, he was made a Divisional Manager of the Financing and Economic Department of the Railway Infrastructure Division. Since 2003, he has been the Head of the Finance Dept. of the General Directorate of České dráhy, a.s.

03. Rodan Šenekl

Member of the Board of Directors (since 7 June 2005), age: 50

Rodan Šenekl graduated from the Transport University in Žilina where he majored in railway transport operations and economics. In 1983, he joined the then Československé státní dráhy (Czechoslovak State Railways) where he performed various duties relating to railway operations and was

responsible for the IT team. Between 1992 and 2005, he worked for: CAS Inc. Kanada as a Sales Manager; ICD spol. s r.o. as a Sales Manager; Container Train Bohemia, s.r.o., Praha as the company's Director and Statutory Executive; ČSKD Intrans as a Manager of the Praha Žižkov trans-shipment station; CID International as a Sales Manager; and European Rail Shuttle, s.r.o., Prague as the company's Director and Statutory Executive.

04. Jiří Kolář

Member of the Board of Directors (since 9 May 2005) and Deputy CEO for Passenger Transport (since 1 June 2005), age: 44

Jiří Kolář graduated from the Faculty of Operations and Economics of the Transport University in Žilina. In 1983, he joined the then Československé státní dráhy (Czechoslovak State Railways) where he performed various duties relating to railway operations. Between 1993 and 1999, he worked as the stationmaster in Kladno. In 1999, he completed postgraduate study at the University of Pardubice. Between 1999 and 2004, he was the Director of OPŘ Ústí nad Labem.

05. Petr David

Member of the Board of Directors (since 1 March 2005) and Deputy CEO for Asset Administration (since 1 December 2007), age: 49

Petr David graduated from the Faculty of Civil Engineering of the Czech Technical University in Prague where he specialised in economics and management in civil engineering. In 1998, he graduated from the European Business School in Schloss Reichartshausen. In 2002, he completed his postgraduate studies at the Faculty of Transport of the University of Jan Perner in Pardubice where he specialised in Technologies and Management in Transport and Telecommunications. In 1990, he joined the then Československé státní dráhy (Czechoslovak State Railways) where he performed various duties. After the establishment of ČD, s.o., in 1993, he held managerial positions.

Changes in the Compositions of the Board of Directors

At the meeting held on 27 November 2007, the Board of Directors decided to recall Rodan Šenekl from the position of Deputy CEO for Freight Transport with effect from 30 November 2007. Jaromír Kadlec was appointed the Deputy CEO for Operation as of 1 December 2007.

Supervisory Board

01. **Vojtěch Kocourek**, *Chairman of the Supervisory Board, age: 48*

Main employment and position: Ministry of Transportation of the Czech Republic, Deputy Minister. Participation in other bodies: Steering Committee of ČD, a.s.; Board of the State Fund of Transport Infrastructure.

Vojtěch Kocourek graduated from the Faculty of Civil Engineering of the Technical University in Brno in 1983. From 1983 to 1991, he worked for the Czechoslovak State Railways, Brno-jih Track Section Site, as a Railway Transport Engineer and Deputy Manager for Operations. From 1991 to 1996, he was employed by SEŽEV-REKO, s.r.o. as the firm's Statutory Executive. In 1996, he joined KPM CONSULT, a.s. as the CEO and Chairman of the Board of Directors, leaving on 1 November 2002, when he took up the position of Deputy Transport Minister.

02. **Karel Březina**, *Member of the Supervisory Board, age: 35*

Karel Březina graduated from the Faculty of National Economy of the University of Economics in Prague where he specialised in economic policies. Between 1998 and 2002, he was the Chairman of the Office of the Government of the Czech Republic and a minister of the Czech Government between 2000 and 2002. At present, he is a member of Prague City Council.

03. **Jan Černohorský**, *Member of the Supervisory Board, age: 56*

Jan Černohorský graduated from the Faculty of Operations and Economics of the Transport University in Žilina where he specialised in railway maintenance and reconstruction. Between 1975 and 2003, he worked for Československé státní dráhy (Czechoslovak State Railways) and later for České dráhy (Czech Railways). Since 2004, he has worked for the Transportation Ministry of the Czech Republic as Head of the Railway Infrastructure Department in the Infrastructure segment.

04. **Tomáš Chalánek**, *Member of the Supervisory Board, age 51*

Tomáš Chalánek graduated from the Faculty of Mechanical Engineering of the Technical University in Brno where he specialised in transportation machines and handling equipment, especially in internal combustion engines. Mr. Chalánek is an owner of ProMedica, spol. s r.o., Prostějov, and owner and Statutory Executive of MEDIHOPE s.r.o. Praha.

05. **Zdeněk Prosek**, *Member of the Supervisory Board, age 57*

Zdeněk Prosek graduated from the high school of Construction Engineering in Pilsen, and studied for some time at the Czech Technical University

in Prague. Between 1971 and 1990, he held the positions of Secretary for Investment Construction and Head of Investment Construction in Prefa Přeštice and ZD Komorno. Between 1990 and 1994, he was the Deputy Mayor of Pilsen and the Mayor of Pilsen from 1994 to 1998. Between 1999 and 2006, Mr. Prosek was the Human Resources Manager in ŠKODA STEEL. Since 2006, he has been a member of the Parliament of the Czech Republic – Economy Segment of the Industrial Property Office.

06. **Martin Roman**, *Member of the Supervisory Board, age: 38*

Martin Roman graduated from the Law Faculty of Charles University in Prague. In 1993, he was a Sales Manager of Wolf Bergstrasse Czech Republic. In 1994, he became the CEO of Janka Radotín, a.s., and in 1998 the Chairman of the Board of Directors of Janka Radotín, a.s. Between 2000 and 2004, Mr. Roman was the Chairman of the Board of Directors and the CEO of ŠKODA HOLDING. Since 2004, he has been the Chairman of the Board of Directors and the CEO of ČEZ, a.s.

07. **Jaromír Dušek**, *Member of the Supervisory Board, age: 55*

Jaromír Dušek graduated from Jan Perner University of Pardubice where he specialised in transportation marketing and management. Mr. Dušek holds a license for the production of electricity.

08. **Jiří Kratochvíl**, *Member of the Supervisory Board, age: 60*

Jiří Kratochvíl graduated from the High School of Construction Engineering, with a specialisation in ground structures. Mr. Kratochvíl is Vice-chairman of the Confederation of Railroad Unions.

09. **Jan Bitter**, *Member of the Supervisory Board, age: 51*

Jan Bitter graduated from Palacký University in Olomouc, School of Liberal Arts, where he specialised in adult education and obtained a PhD degree in philosophy in 2006. Since 1978, Mr. Bitter has performed various operation duties for ČSD/ČD. Mr. Bitter is Chairman of the Coordination Committee of the Confederation of Railroad Unions at DKV Prague, and a member of the Company Committee of the Confederation of Railroad Unions for ČD, a.s.

Changes in the Composition of the Supervisory Board of ČD, a.s.

On 19 April, 2007, the Steering Committee of České dráhy, a.s. recalled the following members of the Supervisory Board from their positions: František Formánek, Miroslav Kapoun, Karel Korytář and František Vašítek. With effect from 20 April, 2007, the following members of the Supervisory Board were elected: Karel Březina, Jan Černohorský, Zdeněk Prosek and Martin Roman.

07 ORGANISATIONAL STRUCTURE OF ČESKÉ DRÁHY, A. S. AS OF 31 DECEMBER 2007

STATE ADMINISTRATION ———— **Steering Committee**

BODIES OF ČESKÉ DRÁHY, A. S. ———— **General Meeting**
Supervisory Board
Board of Directors

CEO ČD

KGŘ CEO's Office
O5 International Dept.
O17 Internal Audit and Inspection Dept.
O25 Legal Dept.
O26 Strategy and IT
O27 Communications Dept.
ČD Representative to the EU in Brussels

Subsidiaries (consolidated)

ČD Cargo, a.s. (based in Prague)
Traťová strojní společnost, a.s. (based in Pardubice)
ČD – Telematika a.s. (based in Prague)
Výzkumný Ústav Železniční, a.s. (based in Prague)
DPOV, a. s. (based in Přerov)
Jídelní a lůžkové vozy, a.s.

Subsidiaries (others)

RailReal a.s. (based in Prague)
RAILREKLAM, spol. s r.o. (based in Prague)
ČD Reality a.s. (based in Prague)
Smíchov Station Development, a.s. (based in Prague)
ČD travel, s.r.o. (based in Prague)
Dopravní vzdělávací institut, a.s. (based in Prague)
Centrum Holešovice (based in Prague)
ČD Generalvertretung GmbH (based in Vienna)

Deputy CEO for Economics

- KEN Office of the Deputy CEO for Economics
- O1 Finance Dept
- O2 Economic Management Dept.
- O3 Investment Dept.
- O4 Administration Dept.
- O8 Supplying and Sales Dept.
- O10 HR Dept.

- OPT Traffic Receipts Clearing
- ZC Supplying Centre

Deputy CEO for Operations

- KNP Office of the Deputy CEO for Operations
- O11 Infrastructure Operating Dept.
- O18 Rail Transport Safety Inspectorate

- UŽST Railway Junction Stations

Deputy CEO for Passenger Transport

- KNOD Office of the Deputy CEO for Passenger Transport
- O12 Rolling Stock Dept.
- O15 Passenger Transport Marketing Dept.
- O16 Department for Passenger Transport

- DKV Rolling Stock Depots
- VDOD Passenger Train Crew

Deputy CEO for Asset Administration

- KNSM Office of the Deputy CEO for Asset Administration
- O13 Construction and Infrastructure Operability Dept
- O14 Automation and Electrical Technology Dept.
- O28 Environmental Protection Dept.
- O30 Crisis Management and Safety Dept
- O31 Property Trading Dept
- O33 Medical Care Dept.

- ŽŽ Railway Healthcare, branch
- TÚČD ČD Technical Centre
- SŽE Railway Energy Administration
- SDC Infrastructure Administration
- HZS Fire Service
- SŽG Railway Geodesy Centres
- RSM Regional Property Administration
- Railway Hospital
- Railway Polyclinics



FREIGHT TRANSPORT

◀ The fifth biggest railway operator in the EU

REPORT ON THE BUSINESS ACTIVITIES AND ASSETS OF ČD, A.S. AND THE ČESKÉ DRÁHY GROUP

Freight Transport Operation

For freight transport, 2007 was a breakthrough year, predominantly due to the division of freight transport into an individual subsidiary company as of 1 December 2007. The factors affecting the positive outcome included the implementation of toll fees for selected roads and the positive development in some industrial branches. Between January and November 2007, 84.2 million tonnes of goods were transported, which, in a year-on-year comparison, represents growth of 2.1 million tonnes. The sales for the period from January to November 2007 amounted to CZK 16.2 billion, which represents year-on-year a growth of CZK 673.7 million. The above-mentioned results were attained predominantly through the efforts of sales representatives, by incorporating České dráhy in logistics chains and also by the adoption of various measures which support the growth of freight transport efficiency, e.g. utilisation of freight cars.

The transportation of commodities such as iron or machinery products was stable (20.6 million tonnes transported), as was construction material (7.1 million tonnes). The transportation of brown coal increased primarily due to our good cooperation with ČEZ, a.s. and other operators of energy and heat resources as represented by the overall amount of 14.9 million tonnes transported, which is 3.7 percent more than in 2005 and 7 percent more than in 2006. The increase in brown coal consumption is directly related to increased transportation of desulphurisation units. Black coal and charcoal transportation decreased by approximately 1 million tonnes. In black coal transportation, the Company was superseded by private transportation companies; other factors affecting the decrease in transport of this commodity were the lack of black coal in the Karvina mines and technical problems related to black coal mining. The decrease in charcoal production

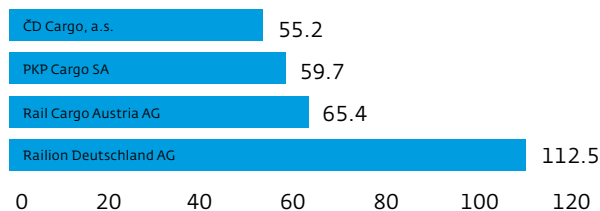
influenced the amount of transportation. Chemical products and liquid fuels transportation decreased slightly. In this respect, ČD is in an inconvenient position, as the number of suitable tankers owned by the Company is limited. Moreover, the competition is rather fierce in this segment.

The Company has successfully contributed to the removal of damage caused by the Kyrill tornado, which, compared to 2006, increased the amount of transported wood and paper products by nearly a quarter to 6.2 million tonnes.

The transportation of wood chips increased on the national basis as well as the international basis. The situation is favourable for food and agricultural products – even though no interventional purchase activities were initiated, solely transit transportation through the Czech Republic in the first half-year of 2007 increased by 130 tonnes of cereal transported from Slovakia and Hungary to German ports. The amount of transported cereal, malt, sugar and other food products totalled 1.7 million tonnes. Automotive products represent a dynamically developing commodity including cars, car bodies and spare parts. In the period from January to November 2007, ČD transported 1.3 million tonnes of these products, which represents a year-on-year increase of 16.1 percent (36.6 percent compared to 2005). Another positive step was finishing the reconstruction of a rail siding for the Škoda works in Kvasiny (Solnice station). The production of cars in Kolín's TPCA plant also met the expectations. In the previous reporting period, the representatives of ČD actively participated in the project preparation for construction of the rail siding at the KIA works in Nošovice. The transportation of other commodities and extraordinary shipments was balanced. As a result of stable price policy and good quality offer, the transit transportation through the Czech Republic increased by 7.1 percent, which is 557 thousand tonnes more than in 2006.

The year-on-year transportation of ship containers or road semi-trailers increased by 19.8 percent, compared to 2005 by 30.8 percent. The growth percentages reflect the dynamical development in the field of intermodal transport. In cooperation with the operators of combined transport, we succeeded in increasing the number of machines, predominantly from German and Dutch ports; we also implemented new lines of combined transport. In 2007, the preparations for the transport of disassembled ŠKODA cars from Mladá Boleslav were commenced for transportation to assembly plants in Kaluza, Russia. Transportation through the Lovosice terminal has recently started; the terminal also provides services such as reloading, storage and further goods handling. Many business meetings have been held predominantly with representatives of foreign private railway transportation companies to ensure the development of new projects and the maintenance of the present business relations. During 2007, a motivational programme was initiated which is targeted at ČD's freight transport sales representatives; at the same time, marketing activities were expanded. The freight transport services were presented on the internet sites of www.cdcargo.cz which are constantly being updated and developed. Further presentation was realised through print media, such as the ČD Cargo Bulletin, which is not only meant for clients, but also for the professional public; and Železničář, the weekly magazine of the ČD Group. Further information on freight transportation aimed at the general public is presented in Grand Express magazine. At the end of the reporting period, the portfolio of transportation media was expanded by a new magazine for our business partners' top management, Cargo Motion. ČD's business representatives also took part in professional fairs in Munich, Moscow, Bologna and Brno. A meeting with the representatives of our business partners in Špindlerův Mlýn has already become a tradition.

TOP 4 RAILWAY OPERATORS IN THE EU International Freight Traffic (Tonnes Carried in Millions)



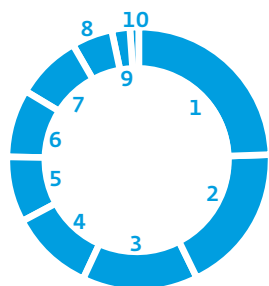
FREIGHT TRANSPORT

Indicator	Unit	2007 *)	2006 *)	2005 *)	Index 07/06
Total freight transport	mil. tonnes	91.62	89.62	83.92	1.02
Sales from freight traffic **)	CZK mil.	15,558	14,982	14,423	1.04
Total sales from freight transport **)	CZK mil.	17,604	17,252	16,479	1.02
Total income from freight transport **)	CZK mil.	17,772	17,436	16,728	1.02
Expenses on freight transport	CZK mil.	16,388	15,727	14,779	1.04
Payment for the use of the infrastructure	CZK mil.	4,459	4,364	4,200	1.02
Profit/loss from freight transport	CZK mil.	1,385	1,709	1,949	0.81
Transport rate per tonne	CZK per tonne	169.8	167.17	171.87	1.02
Tariff tonne kilometres of ČD Cargo	mil. ttkm	17,051	16,445	16,033	1.04
Transport rate per net kilometre	CZK per ttkm	0.91	0.91	0.90	1.00
Total ČD Cargo gross tonne kilometres	mil. gross tkm	33,404	32,355	30,950	1.03
– ČD Cargo gross kilometres in electric traction	mil. gross tkm	30,723	29,410	28,163	1.04
Total ČD Cargo train kilometres	thousands of train km	33,511	32,246	32,553	1.04
– ČD Cargo train kilometres in electric traction	thousands of train km	28,037	26,492	26,571	1.06
Total ČD Cargo train weight	tonne/train	997	1,003	951	0.99
Average transportation distance	km	186.1	183.5	191.1	1.01
Empty running/loaded ratio	%	69.17	71.33	73.26	0.97

*) The figures from the separate accounting books held for the operation of railway freight transport for 2005 and 2006 were audited in compliance with Section 10 of Act No. 77/2002 Coll., as amended. The figures for the period 2007 have not been audited and they are summed for ČD, a.s. for the period of January to November 2007 and those related to ČD Cargo, a.s. for December 2007.

**) Sales from freight traffic include income from the freight transport of goods. Total sales from freight transport also include, apart from sales from the transportation of goods, income from related activities associated with freight transport. Total income from freight transport is included in the sum of sales from freight transport and special-purpose grants (e.g. accompanying social programme).

► Share of Commodities in ČD's Transport of Merchandise in 2007



1	Iron	24.5%
2	Lignite	17.9%
3	Coal, coke	14.7%
4	Empty privately owned wagons	9.6%
5	Construction material	8.2%
6	Chemistry	7.9%
7	Intermodal transport	7.7%
8	Wood, peper	7.2%
9	Food, agri cultural products	2.0%
10	Others	0.3%

9 7 9 0 0 0

3.
KOLEJ

CILOVA STANICE - Směr
Druh vlaku Císlo vlaku

Pravidelný odjezd

Zemědělní
múst.



PASSENGER TRANSPORT

◀ Increase in numbers of passengers about 979,000 in 2007

Passenger Transport

In 2007, public passenger railway transport was specifically within the remit of the regions and the Ministry of Transport of the Czech Republic ("MD"). The cooperation between the MD and the regions in defining the capacity of the "basic transport services" (ZDO) stabilised. However, there were different views on financing the delectable loss arising from the realisation of ordered transportation.

ČD has treated the MD and the regions with professionalism, endeavouring to meet all their requirements. Thus, the development of the overall train schedule took into account the necessities of all routes. On the most important routes, transportation proceeded at set intervals, which guaranteed passengers the opportunity to transfer between trains of different types. This type of transport makes better use of engines and passenger cars, as the regular trains can seamlessly switch between individual routes. More and more, efforts are being made to establish conditions in the contracts for public service commitments so that, apart from the quantity indicators, uniquely defined quality criteria, such as timeliness and keeping the planned train composition, the wait times and the rolling stock quality (door, window and heating functioning, cleanness, sanitary facility equipment, water filling, IT systems functioning, etc.) as well as sanctions for not complying with these criteria are included. In the contractual relations arising from public service commitments, ČD plays the role of a transportation company and its obligation to comply with quality criteria as the railway operator is not reflected. The sanctions arising from the infrastructure ownership are also the subject matter of contracts concluded between ČD, as both the transportation company and infrastructure operator, and SŽDC, s.o., as the owner. As part of the railway schedule, passenger (Os) and express trains (Sp) are opera-

ted based on demand from the regions; fast trains (R) and special fast trains such as EuroNight (EN) and Express (Ex), with the exception of fast trains on the Jeseník – Olomouc route, have been ordered by the State (Ministry of Transportation). Trains of the InterCity (IC), Eurocity (EC) and SuperCity (SC) type were fully operated at ČD's risk in 2007. In 2007, ČD did not manage to decrease the loss from regional transport. Conversely, it was the first time for ČD to generate adequate profit (even though not in the maximum possible amount) from long-distance transport provided upon the demand arising from ZDO (public services commitment), except for the routes Most-Plzeň and Liberec-Pardubice, which were subject to public tender. Based on the contracts concluded between ČD and MD resulting from tenders, ČD operated the R trains on the routes Pardubice-Liberec and Plzeň-Most. The routes of the Karlovy Vary region (apart from routes 149 and 145) are operated by ČD; in reference to the result of a public tender, ČD will operate these until 2010. Most contracts in respect of the public services commitment have been concluded for multiple years, with the minimum of three years (Ústí nad Labem region) and maximum of 15 years (Hradec Králové region). A number of contracts were concluded for an indefinite period. With the exception of two regions (Central Bohemia and South Bohemia), the contracts arising from the public services commitment are amended for future periods.

In 2007, ČD was active in continuing the development of integrated transportation systems (IDS). In the South Moravian region (IDS-JMK), the area of Boskovice and Letovice underwent the most significant process of integration; also, the IDS JMK dispatching centre initiated its activity. The Moravian-Salesian region (ODIS) saw huge development; the Karlovy Vary region (IDOK) was fully integrated. IDS preparations continued in the Pardubice region. In the Czech Republic, regional passenger transport has a significant role. Via the integrated transportation system, ČD maintains its

dominant position in this segment of passenger transport. For better coordination in the event of irregularities and easier problem resolution, ČD has started the implementation of information systems which monitor the position of individual trains included in the IDS on-line system.

To improve the organisation of passenger railway transport, ČD initiated the implementation of a dispatching system. The dispatchers make use of ČD's Central Dispatching System to monitor passenger trains and together with the railway transport administrators, they are responsible for solving operational problems in extraordinary situations. For instance, they ensure transferability between trains, emergency stopping of the train, or replacement of trains. To ensure good communication and mutual information exchange between the passenger trains and dispatchers, the train staff were equipped with mobile communication devices. 2007 saw the continuing trend of providing train staff with electronic devices for the issuance of tickets on trains (POP). During 2007, ČD further developed the service of electronic ticket sales via the Internet ČD eShop. At the end of the year, internet ticket sales were expanded to include the Ex and R train categories. In addition, the possibility to submit applications for the In-karta discount card (Zákazník, Junior and Senior) via the Internet was initiated. The internet ticket sales increased greatly (2006: 12,153 tickets sold; 2007: 143 thousand tickets sold). As of 1 August 2007, TeleTiket, a new premium service was launched.

During the year, TR 10 was adjusted in respect of the customer savings rates. The discount guaranteed by In-karta amounts to 25 percent (In-junior: 50 percent) compared to general fare rates (general fare, special fare, route tickets, KLASIK net tickets, and return ticket discount). Rail plus enables discount for seat reservation tickets bought at ČD counters to the holders of In-karta/Rail plus. At the beginning of the 2006/2007 schedule period, the discount

variety was expanded by the e-Liška ticket which not only offers attractive discounts (from CZK 35), but also increased general interest in ČD's e-Shop services and the In-karta/Rail plus customer savings card.

There is still room for improvement in the ongoing renovation of the rolling stock with respect to both volume and timing. Delays in the supplies of traditionally constructed cars failed to meet the international commitments of ČD and thus adversely impacted the financial operations of individual connections. In addition, the pace of replacing the old suburban trainsets of class 451/452 with class 471 does not meet customer transportation requirements. In 2007, the supply of the modernised 814 Regionova railcars (including the three-part version) continued, together with the supplies of the modernised 954 steering cars (version with a first class section) including the cars of class 054. Interior adjustments and technical equipment repairs were performed in the second class B line cars. In the second half of the reporting period, negotiations on the purchase of one hundred modernised passenger cars from the German Railway Company Deutsche Bahn reached their critical phase. In our effort to improve the fitting out of international rail cars, a decision was made to equip 40 cars with air conditioning. ČD-Kurýr, the Company's system of small-size shipments transport saw huge development. In 2007, approximately 250 stations were included in the system which fully covered the demand for this service. In 2007, all basic indicators of passenger transportation saw a year-on-year increase; total sales of passenger transportation increased by CZK 394 million and the number of passengers increased by 1 million.

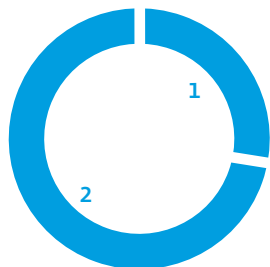
PASSENGER TRANSPORT

Indicator	Unit	2007 ^{*)}	2006 ^{*)}	2005 ^{*)}	Index 07/06
Transportation of people	mil. of passengers	181,92	180,94	178,21	1.01
Sales from passenger traffic ^{**)}	CZK mil.	5,765	5,473	4,933	1.05
Sales from passenger transport ^{**)}	CZK mil.	6,268	5,913	5,438	1.06
Other sales from major operations	CZK mil.	151	150	142	1.01
Expenses on passenger transport	CZK mil.	17,442	16,553	15,914	1.05
Payment for the use of the infrastructure x)	CZK mil.	1,595	1,598	1,484	1.00
Settlement of loss from payables arising from community services	CZK mil.	8,251	7,243	7,335	1.14
Loss on passenger transport (including its settlement)	CZK mil.	-2,772	-3,247	-2,999	0.85
Loss on passenger transport (without settlement)	CZK mil.	-11,023	-10,490	-10,334	1.05
Passenger kilometres	mil. pass. km	6,855	6,887	6,631	1.00
Average transport distance	km	37.7	38.1	37.2	0.99
Income rate per person	CZK/person	31.69	30.25	27.68	1.05
Income rate per passenger kilometre	CZK /pass. km	0.84	0.79	0.74	1.06
Train kilometres of passenger transport	thousands of train km	117,553	115,523	113,157	1.02
– train km electric engines	thousands of train km	56 402	54 391	51 897	1.04
Number of passengers per train	Passenger /train	58,31	59,62	58,60	0.98

^{*)} The figures from the separate accounting books held for the operation of railway passenger transport for 2005 and 2006 were audited in compliance with Section 10 of Act No. 77/2002 Coll., as amended. The figures for 2007 have not been audited.

^{**)} Sales from passenger traffic include sales relating directly to the transportation of passengers and luggage. Apart from the passenger traffic, sales from passenger transport include revenues from associated activities relating to transportation of people.

▼ Breakdown of Fare Types in Public Transport



1	Season tickets	28%
2	Single tickets	72%



41000000

SSP 2005 SW



← 16.77m → - 9.30m
100km/h 41900kg

INFRASTRUCTURE

◀ 41,000,000 hours worked in infrastructure operation

Railway Infrastructure Operation

České dráhy, a.s., and SŽDC, s.o., entered into a contract for the period from 2006 to 2008 pursuant to Act No. 77/2002 Coll., as amended, to regulate the method of providing for the operation of railway infrastructure, its functionality, modernisation and development in the public interest, the responsibilities of the contractual parties, including inspection, and the amount of reimbursements. The contract was entered into on 31 October 2005.

Provision of Railway Infrastructure Functionality

In 2007, ČD provided railway infrastructure functionality in respect of its development, modernisation, reconstruction and maintenance. These activities include securing the administration, maintenance and reconstruction of 9,487 kilometres of railway lines, which comprise 15,988 kilometres of tracks and 27,655 switch units. The railway routes further encompass 6,701 bridges, 18,669 culverts, 152 tunnels, and approximately 3,000 buildings related to railway operation.

The changes within the First Transit Corridor performed in 2007 included modernisation of the Ústí nad Labem railway junction. The number of tracks put in to usage included 1.207 kilometres of tracks in the Ústí nad Labem Main Station and 4.333 kilometres of tracks in the Ústí nad Labem north station. A total of 5.540 kilometres of station tracks were modernised in the Ústí nad Labem railway junction. In the Kolín railway junction, the length of modernised tracks totalled 7.403 kilometres applied in the parts Nadjezd – Kolín – central branching-off point and Kolín – Kutná Hora. The length of new tracks applied in the Kolín station totalled 2.156 kilometres. Modernising activities in the Prague railway junction included putting into use 2.100 kilometres of the 'New Connection', specifically, the route Prague Libeň – Prague Masarykovo nádraží. The modernisation of the route Prague Běchovice – Prague Libeň included 0.573 kilometres; 9.128 kilometres of new tracks were laid in the Prague Běchovice station. The number of new tracks applied in the Prague railway junction totalled 2.673 kilometres

(route tracks) and 9.128 kilometres (station tracks). The overall modernisation activities within the First Transit Corridor included 10.046 kilometres of route tracks and 16.824 kilometres of station tracks.

In 2007, optimisation continued on the linking track between the First Transit Corridor and the Second Transit Corridor: on the route Zábřeh na Moravě – Červenka, 16.400 kilometres of optimised route tracks were put into operation in the part Moravičany - Červenka, 4.314 kilometres of tracks were modernised in the part Lukavice na Moravě - Mohelnice (only track modernisation, the trolley wire optimisation is to be completed in 2008) and the total of 6.127 kilometres of tracks were modernised in the stations Červenka and Lukavice na Moravě. The whole linking track between the First and Second Transit Corridors was completed in the total length of 20.714 kilometres of route tracks and 6.127 kilometres of station tracks.

In the Third Transit Corridor, the optimised Kozolupy – Pňovany double track route in the total length of 20.476 kilometres of route tracks and 4.696 kilometres of station tracks in the stations Kozolupy and Pňovany were put into operation in 2007.

In 2007, the modernisation of the Fourth Transit Corridor continued with the completion of the Praha Hostivař – Stránčice route in the length of 16.664 kilometres of route tracks in the parts Stránčice – Říčany and Říčany – Praha Uhřetěves and 7.071 kilometres of station tracks in the Říčany station. On the Benešov u Prahy – Čerčany route, 8.183 kilometres of route tracks were modernised in the parts branching-off point Bedrč – Benešov; 6.251 kilometres of station tracks were modernised in the stations Benešov u Prahy, Senohraby and Čerčany. On the Tábor – branching-off point Doubí, 9.858 kilometres of route tracks were modernised in the parts Doubí – Planá nad Lužnicí and Planá nad Lužnicí – Tábor; 4.530 station tracks were modernised in the stations Planá nad Lužnicí and Tábor. A total of 34.705 kilometres of route tracks and 17.852 kilometres of station tracks were modernised in the Fourth Transit Corridor.

In the First, Third and Fourth Transit Corridors and on the linking track between the First and Second Transit Corridor, a total of 85.941 kilo-

metres of route tracks and 45.499 kilometres of station tracks were modernised or optimised in 2007.

Apart from the corridor lines, preparation activities for electrification were performed on the route Letohrad – Lichkov – state border Poland. In the parts Lichkov – state border and Lichkov – Dolní Lipka, the route tracks were modernised in the total length of 1.817 kilometres followed by modernisation of 2.952 kilometres of station tracks in the Lichkov station.

Safety and Automation Technology

The main goal of the activities related to safety and automation technology is to constantly increase the safety of infrastructure operation, and to optimise activities by centralising the management of the activities and concentrating them in one area. Based on the positive results of operation testing, 2007 saw the remote monitoring panel of safety equipment for the area Přerov – Břeclav being brought into use, which was followed by the implementation of safety devices on additional routes, such as the segments Ostrava Svinov – Opava východ, Horní Cerekev – Tábor, Zdice – Protivín, and Bakov nad Jizerou – Česká Lípa. Operations in these stations helped achieve expense savings, increased safety and transport flow.

Based on the results of a tender, a contract was concluded between SDC Brno and SDC Pardubice as the clients and AŽD Praha, s.r.o. as the supplier. With effect from 1 January 2007, testing of the communication and safety equipment was initiated on the Brno – Česká Třebová segment including the segment Skalice nad Svitavou – Velké Opatovice and Hodonín – Nedakonice. At the time of the testing, ČD's employees included in the project were managed by an external supplier. Simultaneously, the supplier provided a guarantee for solutions related to maintenance, repairs and elimination of technical faults. According to a 2007 analysis focused on maintenance and other activities in respect of operational, technical, and economic criteria, the performance arising from the contract was found in compliance with all quality and quantity indicators. Therefore the contract was amended to continue in 2008.

For the first time in 2007, ČD's division of electro-technology and energetics applied a new system of electrification of high current devices by means of a 22 kV cable which is attached to the pillars of tractive line running along the tracks. The system is to be used in stations and stops which are part of electrified routes. The new system was applied on the route Ostrava main station – Ostrava Kunčice, the electrification of which was completed in November 2007. This method of electric feeding fully replaces recent models of local feeding from the distribution system, the positive effects of which predominantly include increased reliability, easier maintenance and savings on electricity.

Operational Management of Train Circulation and the Organisation of Railway Transport

The railway infrastructure is operated by ČD and the access of individual transportation companies to the route is performed in compliance with the contract concluded between SŽDC, s.o. and ČD and the contract for the cooperation between the user and operator of the infrastructure in the capacity allocation process. These activities and both above-mentioned contracts are performed and prepared in compliance with Act 266/1994 Coll., Act 77/2002 Coll. and Regulations No. 501/2005 Coll. and No. 351/2004 Coll., which provide a guarantee of standard and unbiased performance in respect of individual railway transportation companies. Simultaneously, these legal norms provide regulation guidance on the payments between SŽDC and ČD arising from their performances according to the above-mentioned contracts.

Since 2005, the management of railway operations and railway transport organisation within ČD has been represented by the two-stage management system with the Operational Management of Train Circulation and the Organisation of the Railway Transport Department (O11) on the basic level, with its five regional centres of operations (RCP) in Brno, Ostrava, Plzeň, Prague and Ústí nad Labem and the executive level which had 50 railway junction stations as of 31 December 2007, and 34 stations as of 1 January 2008.

PŘÍCHOD
K NÁSTUPIŠTI č. 5, 6, 7

Nové toalety
New Public Toilets
Neue Toiletten



Z DŮVODU PŘESTAVBY JE TENTO PŮCHOD (PROSTŘEDNÍ) PŘÍSTUPNÝ POUZE NA 1. A 2. NÁSTUPIŠTĚ. PRO PŘÍSTUP NA VŠECHNA NÁSTUPIŠTĚ JE URČEN SEVERNÍ PŮCHOD UMÍSTĚNÝ VLEVO OD INFORMAČNÍCH TABULÍ. DĚKUJEME ZA PŮCHOPENÍ.



odjezd
vlaků 1., 2. nást.

STRAŽNÍ PUNKT ČESKÝCH ŽELEZNIC
Vstup povolen pouze s platnou jízdenkou
nebo vstupenkou na nástupiště.

Abfahrt
der Züge



OBČERSTVÍ
FAST FOOD

5 9 0 0 0 0 0 0

In compliance with the duties related to infrastructure operation and railway transport management and organisation, ČD has the following goals:

- to contribute to high and sustainable performance in terms of the graphical train timetable (GVD): the overall timetable fulfilment for 2007 amounted to 88 percent (2006: 87.6 percent);
- to enable standard maintenance and massive investment in railway infrastructure and to minimise the effects of track closings on GVD fulfilment (the investments in 2007 totalled CZK 17.002 billion, as compared to 2006: CZK 13.177 billion and the estimate of CZK 26.817 billion for 2008);
- to ensure seamless and unbiased access to the railway infrastructure to all railway transportation companies – in 2007, ČD had 55 transportation partners including ČD entities; in respect of meeting the requirements of the partners, 2007 saw processing of 24,901 train paths, which equals to 4,429,570 path-days, out of which:
 - in terms of the 2007/2008 GVD, 14,078 paths equalled 4,317,247 path-days;
 - in terms of the 2006/2007 GVD changes, 10,823 paths equalled 112,323 path-days.
 - Compared to 2006 (15,375 paths equalling 4,702,843 path-days), these results represent an increase in the number of paths of 62 percent (arising from the founding of ČD Cargo, a.s. as of 1 January 2007 and meeting its requirements by the end of GVD 2006/2007); at the same time, the number of path-days decreased by 5.8 percent; and
- to actively participate in the activities of the international organisation Rail Net Europe (RNE); in 2007, the management of the Tenth RNE Corridor (leading from Malmö, Sweden through Germany, the Czech Republic and Slovakia to Budapest, Hungary) was delegated to ČD, which represents significant appreciation of ČD's abilities.

Other significant activities of ČD performed in 2007 included:

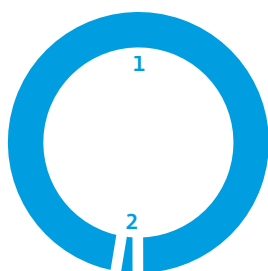
- the preparation of an implementation plan 'Technical specifications' which is to comply with the TSI interoperability (Transportation Operati-

on and Management); the plan is to be prepared on behalf of the ČD Group and presented to the Ministry of Transportation of the Czech Republic;

- commencement of the preparations for the TAF TSI implementation (Technical specifications in respect of the TSI interoperability in freight transport) in terms of the railroad operator's IS including the solution of the open IS interface to the individual transportation companies;
- implementation of the remote controlling system of infrastructure operation on the lines Přerov – Břeclav (after the operation testing has been completed), Ostrava Svinov – Opava východ, Bakov nad Jizerou – Česká Lípa hl.n. and Horní Cerekev – Tábor;
- launching the first phase of the IS KADR project for processing the rail infrastructure capacity requirements;
- launching operation testing of the "Data archive of operation activities" (ADPV) system application related to a specified module of stations (in routine operation from 1 January 2008); this project represents a model for future solutions (after the implementation has also been performed in other modules) of monitoring 100 percent of the trains using the railway infrastructure, ensuring accuracy on all lines for the purpose of automatic billings for using the railway infrastructure;
- launching 218 new applications of the "Electronic train register" type (EDD) and 43 new installations of the "Fulfilment of the graphic timetable" application (SGVD) in routine operation; and
- transferring the operations connected to settlement of expenses in the area of controlling (in respect of freight transport until the foundation of ČD Cargo).

České dráhy, as a qualified, internationally-recognised, experienced and integrated nation-wide railway company, prepares and improves the technical regulations which are in line with technical trends and international standards to enable successful and liberalised operation of transportation companies on the railway infrastructure administered by SŽDC.

▼ Share of total train runs used by transport operators on infrastructure operated by ČD, a.s.



		Train km on network in total	Σ 153,883 thousand train km
1	98 %	České dráhy, a.s.	151,303 thousand train km
2	2%	Other providers	2,580 thousand train km

OPERATION OF INFRASTRUCTURE

Indicator	Unit	2007 *)	2006 *)	2005 *)	Index 07/06
Income from infrastructure operation	CZK mil.	11,463	11,591	11,418	0.99
Profit or loss from operation	CZK mil.	-1,067	-1,316	-1,273	0.81
Length of maintained and operated tracks	km	9,487	9,496	9,513	1.00
– of which are electrified	km	3,060	3,041	2,997	1.01
– of which are double- and multiple-track lines	km	1,869	1,851	1,868	1.01
Total length of maintained tracks	km	15,988	16,049	16,053	0.99
Train kilometres (all operators)	thousands of train km	153,883	149,940	147,634	1.03
Gross tonne kilometres (all operators)	mil. of gross tonne km	54,155	52,316	50,068	1.04
Axle kilometres (all operators)	mil. axle km	4,475	4,329	4,175	1.03
Number of monitored trains		5,014,013	5,004,623	4,820,467	1.00
Adherence to the timetable for the monitored trains (**)	%	88.0	87.6	91.7	1.00
Time delays of higher quality trains	min./100 train km	2.4	1.7	2.3	1.41

*) The figures from the separate set of accounting held for the operation of the railway infrastructure for 2005 and 2006 were audited in compliance with Section 10 of Act No. 77/2002 Coll., as amended. The figures for 2007 have not been audited.

**) The ratio of trains meeting the timetable with a variance of five minutes and the number of monitored trains.

TANGIBLE FIXED ASSETS OF ČESKÉ DRÁHY AS OF 31 DECEMBER (selected items)

Ratio	Unit	2007		2006	2005	Index 07/06
		ČD Cargo, a.s.		České dráhy, a.s.		
Railway vehicles						
Direct current electric locomotives	pcs	288	228	534	539	0.42
Alternating current electric locomotives	pcs	137	103	242	242	0.43
Electric two-system locomotives	pcs	59	90	149	149	0.60
Diesel locomotives	pcs	499	548	1 130	1,237	0.44
Steam locomotives	pcs	0	22	22	22	1.00
Diesel railcars	pcs	0	747 *)	766 *)	785	0.98
Electric trainsets	pcs	0	121	113	107	1.07
Freight wagons	pcs	32,809 *****)	0	33,354 ***)	34,610	0.00
Passenger and luggage coaches	pcs	0	3,986 **)	4,282	4,425	0.90
Railway substructure and superstructure						
Total construction length of tracks	km	49	494	573	551	0.90
Number of turnout units	pcs	226	2,358	2,727	2,673	0.86
Number of bridges	pcs	0	5	6	6	0.83
Total length of bridges	m	0	96	104	104	0.92
Communication equipment						
Number of telephone switchboards	pcs	0	410	450	450	0.91
- of which, electronic switchboards	pcs	0	385	270	270	1.43
Long-distance cabling	km	0	6,550	6,550	6,550	1.00
- of which, optical cables	km	0	2,189	2,189	2,189	1.00
Public radio	pcs	0	9	9	8	1.00
Overhead circuit tracks	km	0	1,513	1,513	1,513	1.00

*) including 8 diesel railcars under lease back

**) including 40 passenger railcars under lease back

***) including 243 freight railcars under lease back

*****) including 243 freight railcars under lease back and 79 freight railcars under long-term leases



1 1 9 3 6

OTHER ACTIVITIES

Transactions with Property

Sale of Immovable Assets

In 2007, the sale of the assets unnecessary for the principal activity of ČD, a.s. and its subsidiaries continued. A total of 288 transactions were approved during 2007, in the aggregate amount of CZK 586 million. Proceeds from the sale of immovable assets in 2007 amounted to CZK 465 million. In 2007, the registration of performed sales was included in the SAP R/3 system, RE module. In 2008, the Company will continue selling redundant assets, in order to decrease the costs for ČD, a.s.

Lease of Immovable Assets

In 2007 ČD, a.s. concluded a total of 11,936 lease contracts with a negotiated rental amount of CZK 390 million. In comparison with 2006, the negotiated rent increased in 2007, despite the continued sale of ČD's immovable assets. In respect of ČD's administration, the SAP R/3 system was expanded by the Real Estate Cadastre application in the RE module, which is updated on a monthly basis with data from the Czech Office For Surveying, Mapping and Cadastre (COSMC). The application enables the comparison of fully integrated immovable assets data encompassed in the SAP R/3 system with the up-to-date data from the COSMC and thus increase the efficiency of ČD's treatment of immovable assets. In 2008, the new application "Offer and Demand" will be implemented within the SAP R/3 RE module to publish the offer of ČD's immovable assets available for rent on the Internet. The goal of these activities is to increase utilisation and generate greater income from vacant space in the immovable assets which cannot be sold. In 2007, ČD commenced the system of internal leases. This step enabled efficient monitoring and profitability management of internal and external leases, even in terms of individual rooms.

Other Activities

Marketing and Communication

The goal of ČD's communication is to increase awareness of the Czech Railways brand and to enhance the sale of its products. ČD is an important transport company which focuses on more than business activities; it is also socially responsible, which is reflected by its precautionary campaigns ("Children, be careful of the tracks!") („Děti, pozor na kolejích!") or other projects intended to popularise the historic events related to railways (preparation for the "Winton Train" project).

ČD's major communication campaigns in 2007 focused on the following issues:

SC Pendolino Product

In 2007, the SC Pendolino promotion strategy continued, which contributed to the overall promotion of ČD. The campaign authors relied on the specific Czech sense of humour and used the idea of characters and personalities related to the destination stations of individual trains. Thus, the cities were represented as follows: Brno by "the cheery Moravian", Prague by "Hašek's comical character Švejk", Vienna by "the Emperor", Bratislava by "Jánošík", and Ostrava by the "Coal Baron". Also, the VIP Pendolino project proceeded by presenting famous Czech personalities on the routes to Ostrava, Bratislava or Vienna. Among the artists were Karel Gott and Lucie Bílá, the speed skater Martina Sáblíková and the national football representative Jan Koller. Of great public interest was the "Sudoku Train" which hosted children striving to win this internationally popular puzzle.

Safety Campaigns

Safety campaigns are traditionally an important part of ČD's communication strategy. In the past year, these activities included the billboard

campaign “Children, be careful of the tracks!” and a dispatch of the first “Prevention Train”, which was supported by the Rail Safety Inspection, the Council for Road Traffic Safety of the Ministry of Transportation (BESIP) and other partners. All these campaigns focused predominantly on children and teenagers. The interest of the media, school authorities and the general public proved the success of the campaigns. The “Prevention Train” was visited by 2,000 young people in Ostrava, Brno and Prague. Two images were perceived as the most striking moments: a child appearing as an angel and the image of a burning man, which aroused discussions on accidents caused by tractive line electricity.

New Internet Portal

Another successful project and new communication device was the launch of ČD's Internet sites for its business partners and clients. In respect of the expansion and division of ČD's activities into individual subsidiary companies, new presentation space was needed, the result of which was the launch of new Internet sites of the ČD Group on www.ceskedrahy.cz. The original server, accessible under www.cd.cz, includes information for the passengers including the comprehensive range of ČD's travel documents, together with the regularly updated overview of route closings or invitations to various events. In addition, at the beginning of the year, ČD launched Internet sites focusing on handicapped passengers including blind people under www.cd.cz/bezprekazek.

Print and Media Communication with Clients

In 2007, ongoing projects such as the “GRAND EXPRES/ČD for you” magazine with an expanded number of annexes, the “GRAND PENDOLINO” monthly, or the “Cargo ČD Bulletin” quarterly, continued. Another quarterly, “MOTION” was published in bilingual issues, Czech-German and Czech-English versions. In respect of the foundation of the independent subsidiary ČD Cargo, the magazine portfolio was enriched

by a new title “CARGO MOTION” in a Czech-English version. 2007 saw the major part of preparations for the issuance of the Czech Republic's comprehensive railway map.

Simultaneously, ČD actively cooperated with the media, the result of which is for instance a monthly television programme “The World on Tracks”.

Internal Communication

The goal of the new campaign called “ČD's Face 2007” was to find a ČD employee, a man and a woman, who would represent the ČD Group, e.g. in advertising campaigns

Research and Development

In the long-term, the research and development activities of Czech Railways are primarily focused on supporting safety, speed, reliability, availability of railway transport services and creating conditions to support the competitiveness of railways with respect to other transportation segments.

The critical trend of ČD's development prevails in incorporating railway transport in the system of combined transport, and supporting logistics systems in freight transport. Another trend is the development and implementation of modern remote-control safety systems.

In 2007, Czech Railways received a total amount of CZK 4,432 thousand for research and development purposes, namely in respect of the following issues:

- Technological and economic analysis of a railway connection between Orlová and Ostrava utilising a train/tram system;
- Implementing the railway sidings into the Czech railway network;
- Transport safety in railway tunnels, part II;
- Remote-control safety systems (the First Corridor); and
- Development of public logistics centres and combined transport in north Bohemia.

It was the second year for ČD's participation in the TANDEM programme of the Ministry of Industry and Trade aimed at supporting research and development. ČD took part in the "INDMAIN" project – An Intelligent Diagnostic System for Rail Vehicles – and the project called "The Use of Digital Transmission Networks for the Operational Management and Increase of Security on Non-Corridor Tracks". In addition, ČD participated in the realisation of the Adriatic – Baltic Landbridge project, the goal of which is to support the sustainable transportation opportunities between the Adriatic and Baltic Seas.

In 2007, the Czech Railways Group participated in resolving the following projects financed from the funds of the "Sixth EU Framework Programme for Research and Technological Development Activities". At the end of the year, the EUROPAC programme was successfully completed (Optimisation of the Collector-Trolley Interface). The realisation of the projects included in the Sixth EU Framework Programme for Research and Technological Development will continue in the coming year. The projects are as follows: EUDD Plus (European Driver Desk); INNOTRACK (Innovative Track Systems – Development of the effective and executive maintenance of the railway network for the system of light-rail and heavy-rail traffic); InteGRail (Intelligent Integration of Railway Systems); RAILCOM (Electromagnetic compatibility between rolling stock and rail-infrastructure encouraging European interoperability); 2TRAIN (Training of Train Drivers in Safety Relevant Issues); and RailEnergy (Innovative Integrated Energy Efficiency Solutions for Railway Rolling Stock, Rail Infrastructure and Train Operation).

In cooperation with UIC, ČD participated in the preparation of projects in respect of the "Seventh EU Framework Programme for Research and Technological Development Activities". In the field of research and development, the relationships with other international organisations, such as CER, ERRA, UNIFE and others, as well as with the academic representatives and research centres, have expanded.

In 2007, ČD's representatives partook in activities focusing on interoperability, i.e. attaining mutual interconnection of ČD's technological development with various systems of railway transportation. With regard to ČD's engagement in the bodies of CER (Community of European Railway), which is engaged in the support of the European Railway Agency (ERA), ČD remained busy with the preparation and inspection of the Technical Specification for Interoperability (TSI). The importance of this activity is also demonstrated by the fact that TSI's documents are issued as valid legal provisions of the European Union, the compliance of which is binding for all transportation companies. The preparation and implementation of TSI in the Czech Republic was accompanied by research and development activities in the field of environmental protection, safety, management and system security, telematics in passenger and freight transportation and other sectors of the Czech railway system. These activities applied not only to the employees of ČD as the parent company, but also to its subsidiaries.

Information Technology

In 2007, the development of ČD's eShop continued. In February 2007, the application was launched to prolong the validity of employee special fares via the eShop. In August, the TeleTiket product was launched which enables purchasing of tickets via the telephone. The portfolio of fare tickets was expanded within the eShop offer. The major part of in-country fare tickets has been accessible via the Internet since September 2007. Submitting the applications for the In-karta/Rail plus customer card was launched in December. Since the end of 2007, it has also been possible to purchase fare tickets for the Ex and R train types via the Internet. The expansion in the offer of ČD's services was reflected by increased demand, which was indicated by the number of payments and total sales of the eShop.

The solutions for the In-karta project were further developed. The number of issued customer cards increased throughout the reporting

period. At the end of 2007, there were more than half a million issued cards, which makes ČD the major issuer of travel chip cards within the Czech Republic. Continuously, new services related to the customer card were launched – in March 2007, the service of sending the card to the customers via mail or the collection of the card by an authorised person was launched. The possibility of changing the services setting of individual In-karta/Rail plus cards was launched in May 2007. In August 2007, the variety of customer applications was expanded by the short-term products of the In-gold class. At the end of 2007, testing of the In-karta Electronic Purse was launched. At the same time, the UNIPAJ new generation fare ticket vending machines were installed in the Brno main station. Thus, In-karta holders will be able to buy selected ticket types and pay through the Electronic Purse and additionally get information related to their cards.

With respect to operational management, the development of the KADR track location module ("Rail Capacity") was a major activity. With its focus on capacity and track assignment in extraordinary situations, this module enables compliance with the EU TSI legislation. At the end of the year, the central track closure server was being finished. The expansion of the data network continued with the implementation of the Transport Journal application and the application which supports simplification of railway transport management under the D3 guideline.

In cooperation with the South Moravian Integrated Public Transport System (IDS), the operation testing phase of information exchange on trains within the IDS was launched. Nine electric units of the 560 type, and one locomotive of the, 242 type were equipped with a vehicle terminal encompassing a GPS module. The above-mentioned devices display the location of trains irrespective of the fact of whether the single route segments are served by the staff or not.

The fourth generation of the Parametric Interrogation within the CEVIS application (Central Rail Car Information System) was launched

, which enables access to information within the CEVIS system.

The development of the electro-technology and energetics integrated information system was finished. In addition, the development and implementation of two modules was finished: fire protection on bridges and in tunnels, and the new information system of employee performance and attendance in respect of all branches belonging to the railway route (EVYDO).

In respect of the economic segment, the development of individual modules within the SAP R/3 information system continued. A new licence contract was concluded under favourable conditions for a SAP upgrade between ČD-T and SAP ČR in respect of the whole ČD Group. Another material activity focused on the identification and preparation of projects and information systems including their implementation within ČD-Cargo, a.s. New technological and contractual conditions needed to be established so that ČD and ČD Cargo could perform their business activities.

Investments

In accordance with the "České dráhy Business Plan for 2007", the principal priority included the renovation and modernisation of rail vehicles both for passenger and freight transport.

In the regional passenger transport segment in 2007, another 21 double-car units of the 814/914 RegioNova class and seven triple-car units of the 814/014/814 RegioNovaTrio class were supplied. The supplies further included five locomotives of the 954 type (equipped with a first class section), 11 cars of the 054 type complementing previously modernised diesel cars of the 854 type to constitute integrated trains in the following structure: 854+054+954. Another important investment included nine suburban train units of the 471 City Elephant type. In the long-distance passenger transport segment, 14 high-speed air conditioned passenger cars (first and second class) and seven sleeping cars used in international transport were supplied.

In the freight transport segment, the following car types were mo-

dernised: Roos accustomed to wood transportation, Falls and Eas accustomed to coal transportation and Kils accustomed to piece and large-size shipments or shipments using pallets. The long-term lease of hinged container cars of the Sgmrss 90' and Sggrss 80' type was initiated, which will be purchased by the newly established subsidiary ČD Cargo, a.s. in five years.

Another important supply was the purchase of a defectoscope for inspecting rail wheels from DKV Prague. The device is primarily used in preventative maintenance of the Pendolino trains, type 680; the 471 City Elefant trains, the EC and IC trains exceeding the speed of 200km/h etc. Other important components of ČD investment activities include investments in construction.

The most financially demanding part included the acquisition of fixed rail car washer for DKV Prague, a railway siding in Ždírec nad Doubravou and a training centre in Česká Třebová. The projects in progress include the construction of the Lovosice container terminal and the initiation of the facade renovation of the ONJ lobby and a lodging house in DKV Prague (2nd phase). The most important construction investments financed through SFDI, according to the contract concluded between SFDI and ČD, include the construction and electrification of the track part Ostrava main station – Ostrava Kunčice, optimisation of the Zábřeh – Krasíkov track, electrification of the track part including the PEÚ Šatov – state border. The following construction activities continued: railway junction gateway Ústí nad Labem, new track Prague main station – Masarykovo station – Libeň – Vysočany – Holešovice and modernisation of the track parts Prague Libeň – Prague Běchovice (first phase) and Červenka – Zábřeh na Moravě (second phase), and track optimisation in Benešov – Stránčice and Stránčice – Prague Hostivař.

The financing of ČD's investment activities is based on ČD's own resources and external financial resources, such as loans granted by EUROFI-MA. In addition, other financing options include a combination of ČD's

own resources and state subsidies, co-funding from the EU resources, resources from SFDI, leases, supplier credits and other.

Employment Policy and Social Programme

During 2007, ČD continued to implement the measures adopted in order to enhance their financial position and performance. Measures in the human resources area involved an ongoing optimisation of the number of employees aimed at improving age and professional levels, while maintaining staff effectiveness.

ČD also developed its contractual cooperation with 14 selected high schools, which teach railway related subjects, and with seven universities in line with the framework contracts for cooperation. The subject matter of these contracts is professional education at both the theoretical and practical levels, collaboration in scientific and research programmes, application of the latest scientific and technological achievements to practical operation, participation in the preparation of school curricula, provision of training in operation units of ČD, etc. The Company's involvement in vocational training and lifetime education focused on career development, as well as the assistance in defining topics for BA, MA and PhD theses, is also of significance.

ČD observed effective legislation and regulations in the sphere of work safety and health protection at work, assisted by the trade union bodies, and provided for improvements of working and social conditions of its employees as well as health protection in the form of preventative care and recuperative stays.

Year-on-year, the average headcount of ČD recalculated to full time employees dropped by 5,274 people (from 58,823 to 53,549). The physical headcount was 41,660 people as of 31 December 2007, down year-on-year by 15,586 (including the transfer of DPOV and 11,783 employees to ČD Cargo as of 1 December 2007).

In order to mitigate adverse social implications of the downsizing process following the transformation of ČD, the Company continued to apply the Supplementary Social Programme of ČD, approved by the Czech government, in 2007. The programme comprises the following issues above the scope of legal regulations:

- provision of severance payments in connection with the transformation under Government Decree No. 322/2002 Coll.;
- tenancy arrangements related to apartments and apartment houses;
- reimbursement of fares and commuting expenses of employees;
- other social benefits; and
- re-qualification of employees.

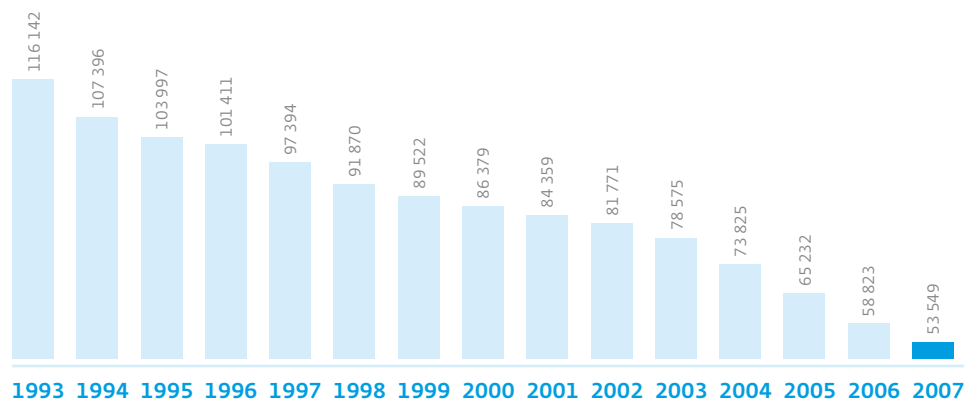
The average wage included in wages and salaries, excluding other payroll costs, amounted to CZK 22,353 at ČD in 2007. The nominal increase from 2006 was 7.1 percent.

In line with the effective legal regulations, the Company used the Social Fund of ČD during 2007 in favour of ČD's employees, namely for the following purposes:

- Improvement of the working environment;
- Contributions to cultural and sports events and recreation;
- Catering contributions; and
- Social assistance, etc.

There are seven trade union organisations operating within ČD, both multi-disciplinary and representing single professional groups of employees. The corporate collective agreement regulating individual and collective relations between the employer and employees, as well as the relationship between the trade unions and employer, was entered into on 1 January 2007, and is effective through the end of this year.

DEVELOPMENT OF THE AVERAGE HEADCOUNT OF ČD, A.S. RECALCULATED TO FULL TIME EMPLOYEES FROM 1993 TO 2007 *)



*) Figures for the period from 1993 to 2002 relate to the state enterprise ČD



1113000

Comprehensive preventive healthcare for the employees of ČD as well as employees of external employers, and diagnostic and medical healthcare were provided by Railway Healthcare in 2007. Outpatient as well as institutional healthcare was provided in the Railway Hospital in Prague and in five Railway Policlinics (in Plzeň, Nymburk, Česká Třebová, Olomouc and Ostrava), whose qualified professionals from various branches of medicine provided easily accessible, comfortable and comprehensive services on a long-term basis. With effect from 1 January 2008, a part of the business has been rented and the activities of Railway Healthcare have been transferred to Dopravní zdravotnictví, a.s., which will continue to provide the current services.

Code of Ethics

The Code of Ethics of ČD was prepared in 2005. It represents a set of ethical principles, standards and requirements binding for ČD's employees. This Code voices the ethical values of the Company, its visions and mission.

The Company and the Community

International Relations

By active participation in the activities of international organisations and by successfully developing bilateral and multilateral relationships, ČD significantly contributed to the creation of the optimum conditions for the integration of the Czech railway system into European structures, and helped to establish such conditions that will enable them to stand strong competition within the European Union, which was intensified after the enlargement of the EU by new members, and which will increase steadily, predominantly after the full application of the European railway legislation.

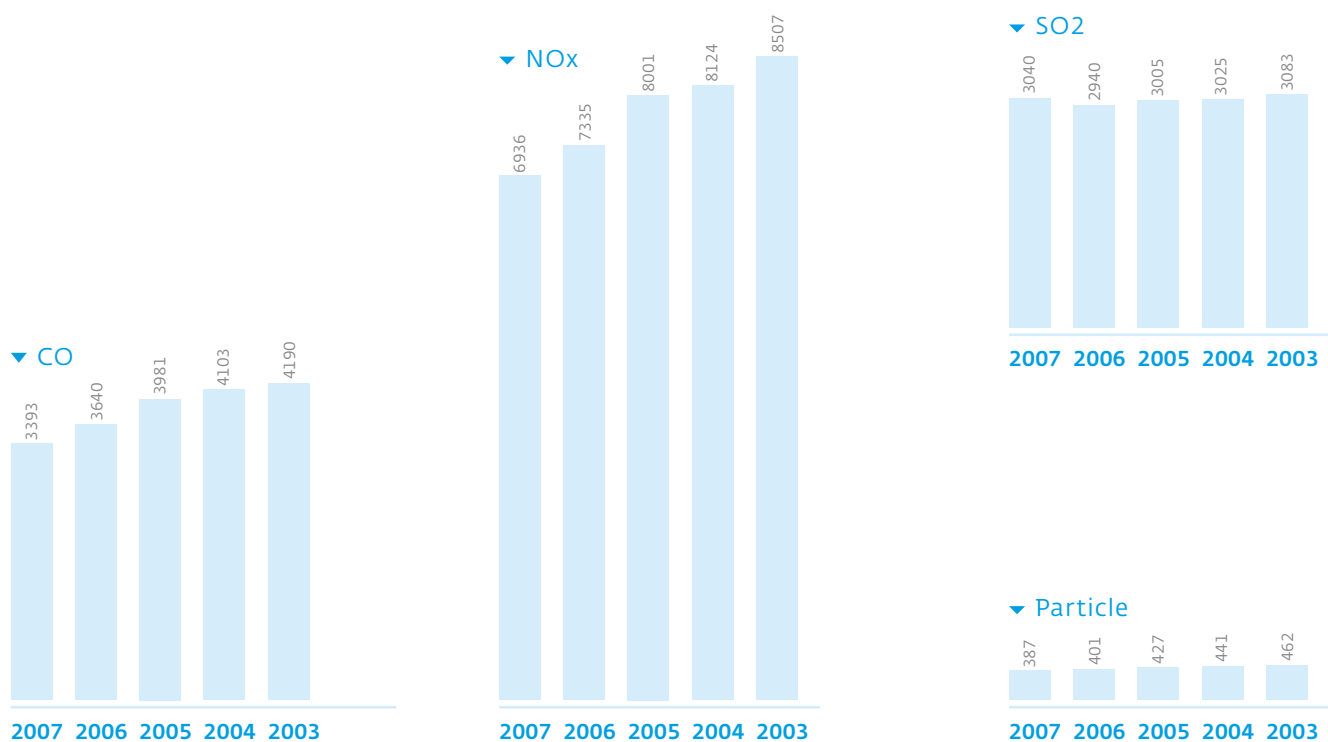
The interests of ČD were pushed forward primarily in the Community of European Railways (CER), which is gradually becoming the most

important international railway organisation with major influence on the creation and application of the European railway legislation. In addition to its own representatives, which already actively operate in a number of work panels in freight and passenger transport, customs issues and human resources, and which successfully influence the preparation of key documents according to the interests of ČD, the Company used all accessible means provided by the membership of the Czech Republic in the EU (including representatives in the European Parliament) to enforce their own standpoints in documents which are valid all over Europe.

In the International Union of Railways (UIC), ČD strived through their representatives in individual bodies to maximally increase this organisation's work productivity, with a minimisation of expenses. In 2007, ČD focused on the decrease of their own expenses related to participation in the UIC activities. In relation to this, participation in the UIC project solutions was reconsidered with the result that ČD will still participate but only in the projects which are essential regarding interoperability and the involvement of ČD in the European railway system or which mean a saving of ČD's own solution capacities.

Regarding bilateral relationships with neighbouring railways (DB, ÖBB, PKP, ŽSR/ZSSK), a contract for infrastructure interconnection was signed between ČD and the German DB Netz in 2007, as well as a contract for infrastructure interconnection between ČD and the Slovak ŽSR and a contract for Cooperation between transport companies between ČD and the Slovak ZSSK Cargo. These new contracts regarding cross-border railway transport reflect the situation which arose after the division of railway companies into transportation companies and transport route administrators, and respect the conditions determined by EU legal regulations. Among others, they are expected to increase the transparency of costs incurred for activities of individual branches participating in cross-border transportation. This relates mainly to the replacement of a reduced transit transport in border re-

DEVELOPMENT TREND OF AIR POLLUTANTS PRODUCED BY RAILWAY TRANSPORT (TONNES)



gions by the classic sale of infrastructure, which will lead to significant savings because the current fees for this transport are much higher than the purchase price of the relevant infrastructure. The preparations of other contracts (ČD – ZSSK, ČD – PKP Cargo, ČD – PKP Przewozy Regionalne and ČD – PKP InterCity) continued intensively in 2007.

Environmental Protection

Thanks to the Environmental Protection Concept within ČD, the protection of individual environmental components became an inseparable part of individual business segments of ČD. In 2007, the activity of ČD in the area of environmental protection was focused on the following areas:

- fulfilment of legal obligations in the area of individual environmental components (record-keeping, duty to report, etc.);
- removal of effects of rail transport on the environment in previous years, including the reduction of environmental pollution through existing sources of contamination, such as the leakage of hazardous substances into the environment or old noise pollution; and
- focus on environmental issues in infrastructure projects which are being prepared.

Due to a centralised monitoring system of potable and waste water, the trend of a decrease in water consumption and the growing accuracy of the records continued in 2007. Thanks to a further reduction of large, medium and technological sources of air pollution, or thanks to a change of the heating medium, there was a reduction in the volume of air pollution through hazardous substances. Compared to 2006, ČD decreased the aggregate volume of waste production by 18 thousand tons. At the end of 2007, the unified system of hazardous waste disposal was improved. At the same time, there was an update of fallback systems for handling hazardous substances, soil, water and accompanying greenery protection, including the decrease of noise pollution. In addition to the ongoing cleanup of old environmental pollution, a complex ecological audit of the administered real estate in all places where there was a potential threat for the environment was completed in 2007. A detailed database was created, which enables the preparation of projects for the elimination of old sources of pollution under the condition that the process will be co-financed from European funds. Thanks to an internal environmental accounting system, expenses of ČD in the environmental area are monitored; at the same time, the internal environmental audit is carried out every year and its results are used for statistical purposes defined by law as well as for a comparison with and monitoring of individual environmental components, including the proposal of measures for the next periods. Con-

tinuous records in the area of air and waste management protection are prepared in the network version of the EisProW software. A similar use of software is also prepared in the area of water management. As part of the implementation of the quality management system, the environmental management system according to ISO 14001 was implemented in ČD branches in the Liberec region. ČD representatives participate in regular meetings of international associations, such as UIC (platform for environment, energy and sustainable development), CER and the Organisation for the Cooperation of Railways (OSŽD) (Committee for Transportation Policy and Development Strategy). In the last ten years the issue of noise has become significant. This issue is considered the most important on international forums.

SOCIAL RESPONSIBILITY OF ČESKÉ DRÁHY, A.S.

ČD, as an important company operating nationwide, is aware of the responsibility arising from this position. This is reflected in environmental policies that limit the environmental impact of the Company's activities while maintaining the Company's operations. At the same time, the Company is involved in charity focused on those who need help and support, i.e. mainly on children and the disabled.

Charitable Activities

In 2007, ČD continued in a number of successful projects from previous years. This also relates to an internet auction of drawings made by children from children's homes. The Project called The Train of Happiness and Hope is prepared by ČD and sponsored by the Federation of Children's Homes in the Czech Republic, and by Siemens. The project helped individual children's homes to collect more than CZK 200,000, and since its start in 2005, more than CZK 500,000 has been collected. In cooperation with the Endowment Fund Plaváček, ČD enables talented children from children's homes to travel to their performances by train. Young artists also make use of the possibility to present their activities in selec-

ted events of ČD. A number of activities took place within the ČD Junior programme. As in prior years, ČD prepared excursions for children to its interesting workplaces (Children's Colourful World) and partnered with the organisers of the Bambiriáda free-time activity parade. Another favourite activity is the traditional journey of the Train Full of Smiles. On the first day of June, disabled children from several regions and their caregivers filled the modern barrier-free CityElefant train, class 471, to capacity, which took them to Zlín, for the International Film Festival for Children and Youths. The interesting programme included not only watching one of the festival films but also a visit to the ZOO in Lešná. In cooperation with the organisers of this festival, the cinema train drove off again and stopped in 25 towns in five regions of the Czech Republic. The cinema on the railway was not idle even during the holiday, thanks to Czech Television, which travelled to its viewers to present them the fairy tales produced in recent years. The already established gallery train of ČD and Leica Gallery Prague rode through twenty Czech and Moravian towns in 2007 showing the photographs of the filmmaker and photographer Wim Wenders and his wife Donata. The top news of 2007 was the project called The Preventive Train. The train, consisting of a broadcasting car, and a conference car made students in the three biggest Czech cities acquainted with risks arising from intensive railway traffic. Lectures held by experts were complemented by films focused on the prevention of children's accidents or even deaths on the railway.

Environmental Policy

The key tenant of railroad transport – mass transportation of people and objects – is that it produces much less environmental pollution than other kinds of transport. There is an important rule that the increase in intensity does not necessarily mean the same increase in negative influences. In addition to other positive effects, the modernisation of significant railway infrastructures resulted in an increase in their capacity. This capacity has not yet been fully utilised, namely in freight transport. The-

efore there is a possibility to use it for goods which would otherwise be transported by road. The transportation company's business policy plays an important part in this. In some cases, such as wood chips, thousands of truck journeys will not be realised thanks to the use of railway. With the high number of trucks which travel on local roads and highways every day, this may seem insignificant, but the change is perceptible in the starting points and the destinations of their routes. The result is that the attractiveness of a high-quality and fast railway can help in environmental protection. The same applies to high-quality cars used for passenger as well as for freight transportation. There were cases in the past when sparks from the blocked brakes of decades-old freight cars caused vast forest fires in the railway surroundings. In addition to the modernisation of cars, such negative consequences can be prevented by the modernisation of railroad tracks, including the installation of diagnostic devices which prevent the occurrence of such events. One of the positive results of the improvement of railway infrastructure is the increased safety of operations. Travelling on modern railways decreases the risk of accidents which can cause not only bodily harm and material damage but can also have a negative impact on the environment caused by the leakage of oil or other hazardous substances. ČD operates in the specific field of railways. The responsibility for strategic decisions related to investments (such as the modernisation of corridors) or legislation (introduction of the toll) lies with governmental bodies. Due to its position as a railway company which operates nationwide throughout the whole network, ČD is committed to the thorough evaluation of the influence of its business activities on its environment. Therefore, the Company focuses on compliance with the current environmental legislation and on softening the impacts of the practically uninterrupted railway operations. This is also related to the observation of the criteria for environmental protection during the current and new activities of the Company. The trade policy of ČD also includes investments in the removal of environmental pollution and the optimum use of natural resources.

Subsidiaries

FORMATION OF SUBSIDIARIES

In 2007 the process of founding and forming of subsidiaries continued.

DPOV, a.s.

Recorded in the Register of Companies: 1 January 2007,
Share capital: CZK 330,000,000
Equity investment: ČD 100%
Principal activities: Inspections, repairs, modernisation and renovation of rail vehicles.

ČD-DUSS Terminál, a.s.

Recorded in the Register of Companies: 1 March 2007,
Share capital: CZK 4,000,000
Equity investment: ČD 51%
Deutsche Umschlaggesellschaft Schiene-Straße mbH (Germany) 49%
Principal activities: Operation of container terminals including related services.

CD – Generalvertretung Wien GmbH

Recorded in the Register of Companies: 30 March 2007, in Austria
Share capital: EUR 45,000
Equity investment: ČD 100%
Principal activities: Representation of ČD.

Centrum Holešovice a.s.

Recorded in the Register of Companies: 2 May 2007,
Share capital: CZK 2,000,000
Equity investment: ČD 51%, NAVATYP a.s. 49%
Principal activities: Preparation of a project for the revitalisation of the Holešovice railway station area.

ČD Cargo, a.s.

Recorded in the Register of Companies: 1 December 2007,
Share capital: CZK 8,800,000,000
Equity investment: ČD 100%
Principal activities: Operation of railway freight transport.

Žižkov Station Development, a.s.

Recorded in the Register of Companies: 14 December 2007,
Share capital: CZK 2,000,000
Equity investment: ČD 51%, Sekyra Group, a.s. 49%
Principal activities: Lease of real estate, apartments and non-residential premises.

CHANGE IN EQUITY INVESTMENTS AND THE AMOUNT OF SHARE CAPITAL OF SUBSIDIARIES IN 2007

ČD – Telematika a.s.

Date of the ČD equity investment in the company: 10 November 2004
Share capital: CZK 2,374,749,000 was decreased to CZK 2,042,105,000 on 3 February 2007
Equity investment: ČD 59.31%
Principal activities: Comprehensive telematic services, operation and maintenance of IT equipment, telecommunication equipment and networks, development and operation of IS.

ČD travel, s.r.o.

Recorded in the Register of Companies: 1 August 2005
Share capital: CZK 7,500,000 was increased to CZK 14,500,000 on 8 March 2007
Equity investment: ČD 51.72%, Odborové sdružení železničářů (Trade Association of Railway People) 48.28%
Principal activities: Travel agency and travel services.

RAILREKLAM, spol. s r.o.

Recorded in the Register of Companies: 10 August 1991
Share capital: CZK 13,500,000 was increased to CZK 28,600,000 on 2 June 2007
Equity investment: ČD 51%, TARDUS, s.r.o. 49%
Principal activities: Advertising activities on assets owned by the railway.

ČD Reality a.s.

Recorded in the Register of Companies: 16 November 2004
Share capital: CZK 2,000,000 was increased to CZK 8,000,000 on 19 July 2007
Equity investment: ČD 51%, PRO-SERV, s.r.o. 49%
Principal activities: Administration and maintenance of real estate, engineering, investment and real estate-related activities.

The following subsidiaries of ČD represented the equity investment in the newly formed subsidiary ČD Cargo, a.s.:

RAILLEX, a.s.

ČD–DUSS Terminál, a.s.
ČD Generalvertretung GmbH
Koleje Czeskie Sp. z o.o.

This means that since the formation of ČD Cargo, a.s. as of 1 December 2007, these companies have been its subsidiaries. On 22 January 2008, České dráhy, a.s. sold its equity investment in CD - Generalvertretung Wien GmbH. As of this date, this company became another subsidiary of ČD Cargo, a.s.

Traťová strojná společnost, a.s.

Traťová strojná společnost, a.s. (TSS) operates in the maintenance and repairs of the superstructure. The main activities of TSS include work with track machines during maintenance, modernisation and renovation of the superstructure, and the operation of irregular railway freight transport of building materials. It also participates in the repair and renovation of special track machines. TSS provides railway services for ČD and construction companies in the Czech Republic, the EU and other states. In 2007, these services included the use of construction machinery on railway tracks in Slovakia and Montenegro, the operation of railway transport in Slovakia and the repairs of special track machines for Slovak and Italian companies. TSS has a privileged position on the Czech market in the area of cleaning the railway bedding with mechanical cleaners and the separated laying of rail grid with an SUM machine. In 2007, TSS generated a profit of CZK 53.9 million before tax, which means CZK 3.5 million above expectations. The net profit amounted to CZK 53.1 million, which exceeded the plan by CZK 16.6 million.

Výzkumný ústav železniční, a.s.

Výzkumný Ústav Železniční, a.s. (VUZ) offers a wide assortment of special requested services in the Czech Republic as well as in the whole EU and in other countries. The Company's principal activities include testing railway cars in the VUZ Testing Centre in Velim, where technical parameters and properties of railway cars are practically tested on special tracks of a long and short railway circuit. VUZ also functions as a provider of numerous accredited tests. These include tests of the cars' dynamic features, tests of security devices, noise tests, etc. These services are provided to Czech as well as foreign customers and VUZ uses not only the Testing Centre but also other workplaces of the accredited testing laboratory; mainly the dynamic test bench department, which was established

to perform fatigue and dynamic tests of vehicles and their components including simulation of operating and service conditions of vehicles. VZP as an authorised and notified entity offers services related to the assessment of the conformity of elements and subsystems within the interoperable railway system, predominantly in the area of railway cars, infrastructure, electricity, security systems and signalisation, materials and construction. The most enforced are the activities related to the assessment of corridor track conformity in the Czech Republic and the correspondence of railway car components by major Czech and European producers. Research and development activities in railway transport, which were the principal activities of VUZ last year, remain important.

As a result of its position as a certification entity, appointed by the Czech Republic for the assessment of product compliance with the technical specifications for the operational and interconnection of the European railway system, VUZ became a corporate member of the international coordination body of certification entities controlled by the European railway system NB-Rail. On 21 May 2007, VUZ received the ČSN EN ISO 9001:2000 certificate which documents the implementation and observance of the quality management system in the "Assessment of products according to technical specifications of the European railway system, testing and certification of railway components, railway cars, their equipment and materials." VUZ also received a certificate for TSI-noise measuring. The reference segment for TSI-noise measuring in the VUZ Velim Testing Centre was controlled by means of the verification tests. In 2007, sales of its own products and services amounted to CZK 111.7 million, which is 105.6 percent of the planned amount. The profit before tax amounted to CZK 9.9 million, which was 103.8 percent of the planned amount.

DPOV, a.s.

DPOV, a.s. provides maintenance, repairs and modernization of railway vehicles and their parts and equipments incl. materiology. DPOV, a.s. was formed on 1 January 2007 by making a contribution of part of ČD, a.s. Profit before tax amounted to CZK 63.8 mil., which was 309% of the planned amount. Turnover amounted to CZK 919.5 mil., which was 156% of the planned amount.

Jídelní a lůžkové vozy, a.s.

Jídelní a lůžkové vozy, a.s. (JLV) is a major European company providing accommodation and catering services in passenger railway transport. The company provides gastronomy and retail services and catering. In addition to ČD, the company cooperates with City-NightLine (Zurich) and DB Autozug (Dortmund). JLV has expanded its activities also outside railway transport. In 2007, JLV focused on the fulfilment of its basic business plan – the provision of cars with special construction of ČD or other railway transportation companies. A new event in railway transport was the introduction of the Euronight product with the new WLABmz line of sleeping cars. In 2007, JLV managed to extend the HACCP certification for catering in railway transport also to stationary operations. This year, JLV regained the ISO 9001:2001 certificate. JLV continued in the development of the packaged fast food shop Fritty City, a new packaged fast food line Dundee was presented and further kinds of catering defined. The aim of the activities in the area of gastronomy at the year-end was the planned opening of a new DEPO café & bar in the renovated premises of a former buffet on the main station in Brno. The company succeeded in establishing successful business relations with foreign suppliers and developed these relations during the year. In this way, new products could be presented, which were

in line with the latest trends; these products proved themselves and customers grew to like them. In 2007, JLV generated a profit before tax in the amount of CZK 10.2 million, its sales turnover was CZK 365.3 million.

ACTIVITIES OF THE CONSOLIDATED COMPANIES OF THE ČD GROUP

The ČD consolidation group, which is formed by České dráhy, a.s. (parent company), ČD - Telematika a.s. (subsidiary), Traťová strojírna společnost, a.s. (subsidiary) and Výzkumný Ústav Železniční, a.s. (subsidiary), was created following a decision of the CEO of ČD dated 23 December 2005. Since 1 December 2006, Jídelní a lůžkové vozy, a.s. was included in the consolidation group, on 1 January 2007, DPOV, a.s. became part of the group and on 1 December 2007, ČD Cargo, a.s. became part of the group.

ČD-Cargo, a.s.

ČD Cargo, a.s. was formed on 1 December 2007 by making a contribution of part of ČD, a.s. The sole founder and owner of the Company is ČD, a.s., ČD Cargo, a.s. provides the transportation of industrial and agricultural commodities, raw materials, fuels, goods, containers and oversized cargo. It provides freight car rental, industrial and other transportation services. As part of its business activities, ČD Cargo, a.s. as a transportation company operates about 1,060 tariff connecting points with authority to issue carriage documents for the transportation of truck loads and 1,441 industrial tracks. Regarding the volume of freight transport, ČD Cargo, a.s. is one of the five largest railway companies in the EU. In international public railway freight transport ČD Cargo holds fourth place among EU members. Therefore its priorities include the necessary investments in infrastructure which support the connection of industrial premises to railway transport, construction of combined transport terminals and logistics centres. Investments in the purchase of new railway cars and in the modernisation of the old ones are also significant.

The year 2007 meant a break in freight transport. The development of transported tons and generated revenues for a major part of 2007 (January to November) is analysed in the Report of the Business Activities of ČD in the section concerned with the operation

of freight transport under the ČD trademark. Freight transport was detached into an independent subsidiary at the end of 2007 and the development trend regarding the transported tons and the revenues remained unchanged in December 2007.

The goal of the newly formed subsidiary ČD Cargo, a.s. is to improve its leading position and to be a driving force on the market of railway freight transport in the Czech Republic and the central European region, and to be an efficient customer-focused company. The Company's goal is to maximise profit through active business provision of current and new freight transport commissions and to optimise the costs of transport provision and operation of the whole company. While searching for new business opportunities, the needs of the developing industrial enterprises will be monitored, so that ČD Cargo can react to the needs of raw material transportation and product distribution with optimum pricing and business conditions. The aim is an ongoing increase in transport capacity and the maintenance of a market share in railway transport, as well as transportation of goods in general.

ČD – Telematika a.s.

ČD - Telematika a.s. is a strong and stable company operating on the local market. It provides its customers with comprehensive communication, telematic and ICT solutions and services. The Company provides an optimum development of information and telecommunication technologies through one of the largest ICT infrastructures in the Czech Republic, central data storage, server farms, and development, service and other specialised centres. The Company operates more than 3,500 km of its own optical cables across the whole Czech Republic. The Company's aim is to actively participate in the development of ICT and telecommunication solutions. In 2007, the revenue turnover of ČD-Telematika a.s. amounted to CZK 1.4 billion and its profit before tax was CZK 53.057 million.



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INVESTING ACTIVITIES OF ČD, A.S. (CZK MILLION)

	2007	2006	2005	2004	2003	Index 07/06
Total investments	6,700.4	5,772.5	6,098.3	5,484.0	2,683.1	1.16
of which: passenger transport	3,283.3	3,199.4	3,174.9	2,488.8	1,081.6	1.03
of which: freight transport	506.3	397.0	485.4	289.5	4.7	1.28
of which: infrastructure	2,650.9	2,073.2	1,573.8	2,581.0	1,191.3	1.28
of which: other	259.9	102.9	864.2	124.7	405.5	2.53
Investment grants	533.2	571.5	443.9	1,149.6	1,053.3	0.93
Internal investments	6,167.2	5,201.0	5,654.4	4,334.4	1,629.8	1.19

Balance Sheet

In the period from 31 December 2006, to 31 December 2007, the value of ČD's fixed assets increased by CZK 7.7 billion and amounted to CZK 51.43 billion, i.e. 91 percent of total assets. Current assets, which are composed of inventory, receivables and current financial assets, decreased by CZK 4.0 billion to CZK 5.17 billion, i.e. 9 percent of total assets in the period from 31 December, 2006, to 31 December, 2007. The value of the Company's equity raised by CZK 4.9 billion to CZK 41.3 billion, i.e. 73 percent of total equity and liabilities. The Company's share capital was CZK 20 billion, i.e. 35 percent of total equity and liabilities. Liabilities decreased by CZK 1.2 billion to CZK 15.1 billion, i.e. 27 percent of total liabilities in the reporting period.

Investing Activities of ČD

The plan of funding resources for the acquisition of fixed assets (investments) was based on the approved Business Plan of ČD for 2007 which was determined at CZK 3,570.8 million, of which CZK 1,659.5 million represented liabilities and CZK 184.7 million represented the contracts for the provision of funding for the renovation and modernisation of the assets of ČD concluded between SFDI, SŽDC and ČD. The credit plan in the amount of CZK 1,190.5 million was intended for the payment of new and modernised railway cars for passenger and

freight transport. The aggregate investment funds drawn amounted to CZK 6,167.2 million.

Profit and Loss Account

The results of ČD, a.s.'s operations for the year ended 31 December 2007, are composed of total sales and revenues of CZK 48,626 million and total expenses of CZK 48,566 million including accounting depreciation and amortisation charges of CZK 2,710 million. Compared to the business plan, sales and revenues increased by CZK 1,509 million, i.e. the plan was met at 103.2 percent. Total expenses increased by CZK 1,499 million, i.e. the plan was met at 103.2 percent.

Funding of ČD

The funding of ČD was provided from the following:

- finances obtained from the Company's activities;
- grants intended to compensate for the losses from public service commitments;
- grants for construction investments, operation of railway routes, its operability and modernisation and development in the public's interest; and
- loans guaranteed by the state and EU funds.

The contribution to compensate for the operator's loss on the operation of public passenger railway transport, the compensation of the provable loss on the student fare, the Supplementary Social Programme and assistance in the renovation of cars for regional passenger transport, the programme of energy savings and the alternative fuel use in transportation were provided to ČD from the state budget through Chapter 327 of the Czech Ministry of Transportation and from the budgets of individual regions based on concluded contracts. Funds for financing construction, modernisation, repairs and maintenance of railway routes in the public interest were provided to ČD by SFDI and SŽDC based on the concluded contracts.

RISK MANAGEMENT SYSTEM OF ČD

ČD monitors and assesses all significant business risks, predominantly price, credit and liquidity risks, on an ongoing basis.

Price Risk

In 2007, there was a limited level of risk threatening the cash flow in passenger transport. The reason for this was the assurance of profit mainly through valid contracts with the regions and a continuous drawing from the relevant budget section of the Ministry of Transportation. The full amount of fares from passengers and from foreign railway administration was continuously collected via the Transportation Sales Clearing Department (OPT). In the area of extraordinary transportation, these steps were carried out after the prepayment was made. In some regions, ČD bore the business risk regarding incompletely fulfilled payables from public services. These payables include a contractual payment for 2007 made by the regions, which amounted to CZK 4,536 million: however, the calculated loss of ČD amounted to 5,584 million. This difference represented a risk for ČD and had to be financed from ČD's own resources. The same situation exists with the loss coverage by the state. The contract with the state for a public service payable was

signed in April and the contracts with regions were concluded between December 2006 and May 2007. Within the basic transport service, 25 percent of services were covered by the state and 75 percent were covered by the regions. The participation of ČD in IDS represents a risk that if, based on a transport survey, a significant change in the volume of passengers in railway transport is identified, the financial relations will not be modified proportionally to the change in passenger volume.

In 2007, the business activities of the freight transportation segment and the related price-creation focused on sustaining, or increasing, ČD's (ČD Cargo, a.s.) share of the transport market. However, in many cases it was necessary to adjust the price policy of due to the pressure of the competition in railway and road transport, the influence of which was regulated by the deficiency in their capacities and also by the introduction of the highway performance toll. The fees for railway transport for 2007 were stabilised and increased to a maximum possible level.

The purchase of railway vehicles, their renovation and modernisation, including their funding from external sources, usually represent orders above limits in the conditions of ČD and they underlie the provisions of the applicable Act on Public Procurement. The consistent application of the Act on Public Procurement also leads to the optimisation of purchase or modernisation prices, as well as to gaining external funding sources used for their coverage. For the renovations and repairs of railway cars, used but repairable parts (such as wheel sets or bogies) from cars intended for liquidation are, as a rule, used, which leads to a price reduction of these renovations.

Credit Risk

The Company carries out regular weekly monitoring with regard to receivables and payables by individual companies and default periods. Special attention is given to receivables past due for more than 60 days. The Committee led by the Finance Division Director meets once a month to deal with the past due receivables.

In 2006, ČD began using an external law firm to recover doubtful debts. In exceptional cases, ČD assigns risky and doubtful amounts under the best possible conditions to the interested parties. ČD pro-actively applies the offsetting policy with special attention given to receivables past due for more than 60 days, to improve liquidity and decrease the receivable and payable balances. Selected prepayments made to suppliers under effective contracts are covered by bank guarantees.

Planned ČD Risk Management Instruments in 2008 and Upcoming Years:

Liquidity Risk

The Financial Committee has been established at the level of the Finance Division Director to assess the liquidity and cash flow developments on a weekly basis. Based on these analyses, ČD carries out decisions regarding the settlement of payables, the use of an overdraft facility, etc. Sudden cash flow deficits are dealt with by the use of overdraft facilities at Komerční banka, a.s. and ČSOB, a.s. In 2007, overdraft facilities were used to provide a balanced cash flow development and to secure the settlement of the Company's payables from utilisable resources during the year. For short-term appreciation of funds deposited on current accounts at KB, a.s., ČD makes use of documentary cash pooling benefits.

ČD concluded liability insurance for damage caused in relation to the operation of railway transportation on the national and regional railways.

In the foreign exchange rate risk area, ČD used hedging derivatives to a limited extent in 2007. ČD does not plan to use them more extensively in the near future for the following reasons:

- ČD uses "inherent hedging" for hedging against foreign exchange rate risks, which means that the regular monthly inflows of foreign currencies (mainly in EUR) are translated into CZK after all payments in EUR are made. The foreign currency translation is made based on a special agreement with the bank assuring the use of the best possible exchange rate available in the period.
- ČD is very conservative regarding hedging against foreign exchange rate risks, since all current investing credits and similar foreign funding (such as funds provided by EUROFIMA), including attribution, are secured by a state guarantee. In that case, hedging against foreign exchange rate risks would have to be claimed or approved by the guarantor. The Czech Ministry of Finance as a guarantor did not require hedging against interest rate or foreign exchange rate risks. Interest rates are established as equal to floating EURIBOR plus a margin.

In upcoming years, ČD will keep employing the above-mentioned instruments, namely the inherent hedging and regular monitoring of liquidity developments with respect to receivables and payables. Given the significant improvement in handling receivables that are past their due dates for more than 60 days in individual entities, ČD will particularly deal with receivables that are past their due dates for more than 30 days in 2008.

In selected cases, ČD will commission an external law firm to undertake the recovery of bad amounts and will use the possibility of ceding bad debt to entities specialising in trading with receivables.



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In 2008 the process of the Company's restructuring will continue, with the aim of creating holding structures. The management of the parent company retains a strong influence on the strategic management of individual subsidiaries. Using financial tools, the parent company will be able to influence the whole ČD Group efficiently and will respect the entrepreneurial freedom of each subsidiary, at the same time, retaining the necessary synergic effects. The continuation of this process will enable the optimum use of the subsidiaries' potential and preserve the parent company's central influence on the strategic aims of the state as the sole owner. In the previous period, the preparation of the above-mentioned changes was also supported by the Czech Government – the preparation processes take place in line with the Czech Government Decrees No. 848 of 25 July 2007, No. 1352 of 4 December 2007, and No. 9 of 9 January 2008.

In addition to this process, the basic goals as described in the business plan of ČD for 2008 will be realised. These include:

- The stabilisation of the current position of railway passenger transport aiming at real development and growth; focus will be given to supporting processes such as the customer-friendly approach, the transparency of financially justified costs, etc.;
- Further development of the ČD Group, development of the freight transport subsidiary ČD Cargo, a.s. and securing its position on the market;
- Minimising costs through a number of rationalising measures, and an increase in productivity in all the Company's activities;
- The implementation of a quality management system regarding selected activities and obtaining certification for these selected activities;
- Successful business on the gradually opening European market and preparation for the entrance of foreign transportation companies;

- Deepening cooperation with regions;
- Active lobbying aimed at state administration bodies regarding the harmonisation of business conditions in individual kinds of transport in relation to the introduction of fees for the railway route infrastructure, and the solution of funding railway passenger transport services which are in the public interest, including the settlement of adequate profit;
- The continuation of controlling implementation with the aim of specifying the allocation of costs on the y-axis of the passenger transport graph;
- Support of business activities related to the principal activity of the railways;
- Direct management of real estate projects in selected localities;
- The preparation and realisation of railway station revitalisation projects; and
- Continuous valuation of the Company's assets which are not used in its principal activities.

SHARE CAPITAL, SECURITIES AND SHAREHOLDERS

Amount of Subscribed Share Capital

The Company's share capital amounting to CZK 20,000,000,000 is fully repaid. The share capital consists of 20 ordinary shares with a nominal value of CZK 1,000,000,000 each. ČD's shares take the form of registered certificate shares with restricted negotiability; the shares are negotiable subject to the prior consent of the government.

Shareholders

The Czech Republic is the sole shareholder of the Company.

The state exercises the shareholder rights in ČD through the Steering Committee. The Steering Committee is composed of three employees of the Czech Ministry of Transportation and one employee from each of the following ministries: Finance, Defence, Industry and Trade, and Regional Development appointed by the government.

Steering Committee of ČD, a.s. as of 31 December, 2007,

Ing. Petr Šlégr

Chairman of the Steering Committee;

Deputy Minister of Transport of the Czech Republic

Appointed Chairman of the Steering Committee by Resolution of the Czech Government No. 207 of 7 March 2007

Jiří Hodač

Vice-Chairman of the Steering Committee;

Deputy Minister of Transport of the Czech Republic

Appointed Vice-Chairman of the Steering Committee by Resolution of the Czech Government No. 1321 of 21 November 2007

Ing. Vojtěch Kocourek, Ph.D.

Member of the Steering Committee;

Deputy Minister of Transport of the Czech Republic

Appointed by Resolution of the Czech Government No. 666 of 11 June 2007

Ing. Bohumil Haase

Member of the Steering Committee;

Director of the Office of the Ministry of Defence of the Czech Republic

Appointed by Resolution of the Czech Government No. 1168 of 11 October 2006

Ing. Miroslav Kalous

Member of the Steering Committee;

Deputy Minister for Regional Development of the Czech Republic

Appointed by Resolution of the Czech Government No. 1168 of 11 October 2006

Mgr. Petr Polák

Member of the Steering Committee;

Director of the Cabinet of the Minister of Industry and Trade of the Czech Republic

Appointed by Resolution of the Czech Government No. 1168 of 11 October 2006

Ing. Miloslav Müller

Member of the Steering Committee;

Director of the Cabinet of the Minister of Finance of the Czech Republic

Appointed by Resolution of the Czech Government No. 207 of 7 March 2007

Changes in the Steering Committee of ČD, a.s.

Resolution of the Czech Government No. 207 of 7 March 2007, regarding changes in the Steering Committee of ČD, a.s. cancelled the appointments of Vojtěch Kocourek, Ondřej Jašek, Pavel Škvára and Jiří Volf as of that date and appointed Miloslav Müller (Director of the Cabinet of the Minister of Finance), Emanuel Šíp (Deputy Minister for Transportation), Petr Šlégr (Deputy Minister for Transportation) and Rudolf Vyčichla (First Deputy Minister of Transportation of the Czech Republic) with effect from 8 March 2007. As of the same date, Petr Šlégr was appointed Chairman and Rudolf Vyčichla was appointed Vice-Chairman of the Steering Committee of ČD, a.s.

Resolution of the Czech government No. 666 of 11 June 2007, regarding changes in the Steering Committee of ČD, a.s. cancelled the appointment of Emanuel Šíp as of 11 June 2007, and appointed Vojtěch Kocourek with effect from 12 June 2007.

Resolution of the Czech government No. 1321 of 21 November 2007, regarding changes in the Steering Committee of ČD, a.s. cancelled the appointment of Rudolf Vyčichla for the position of Vice-Chairman of the Steering Committee and for the activities within the Steering Committee as of 30 November 2007, and appointed Jiří Hodač as his successor with effect from 1 December 2007.



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In 2007, the Supervisory Board of České dráhy, a.s. met regularly, according to the adopted plan. In 2007, eight ordinary meetings and one extraordinary meeting took place.

The Supervisory Board oversaw the appropriate execution of the competencies of the Board of Directors and the business activities of the Company on a regular basis. In every meeting, the Board of Directors presented written information regarding their activities in the previous period. Based on this information, members of the Supervisory Board gained sufficient knowledge about the foundation of a new subsidiary Dílny pro opravy vozidel, a.s., about the planned transfer of activities providing the operability of the railway route to Správa železniční dopravní cesty, s.o., about all steps leading to the foundation of the subsidiary ČD Cargo, a.s., about the successfully developing project called "Live Railway Stations", etc. The Chairman of the Board of Directors and the CEO together with other members of the Senior Management continuously informed the Supervisory Board about the business activities and the Company's profit or loss. During each meeting, the "Report on the profit or loss and the Intelligent reporting of ČD, a.s." for the current period was presented which indicated from the very beginning that the result of the Company's operations will be better than in previous years, compared to the plan, and that in 2007, a positive trend of growth of the decisive indicators of the Company's activities can be expected. The Supervisory Board was also continuously updated on the draw-down status of credits granted by EUROFIMA. The Company's Board of Directors informed the Supervisory Board continuously about the efficiency of the Supervisory Board's business activities. The efficiency of the asset-related business of ČD, a.s. was continuously assessed, including the assessment of profit or loss of the subsidiaries and joint ventures, and the development of the employment rate.

The Supervisory Board reviewed the consolidated financial statements of ČD, a.s. for the year ended 31 December 2006 properly and recommended it for approval to the Steering Committee. It agreed with the auditor's conclusion that the consolidated financial statements give a true and fair view of the consolidated group's financial position as of 31 December 2006, and of its income, expenses, result of operations and its cash flows for the year then ended in accordance with accounting regulations applicable in the Czech Republic. After a detailed review of the financial statements of independent sets of accounts of ČD, a.s. as of 31 December 2006, including the notes to the financial statements of these sets as of 31 December 2006, the Supervisory Board stated to have encountered no uneconomical or purposeless use of the Company's funds in independent sets of accounts.

As part of its competencies, the Supervisory Board also acknowledged and recommended that the Steering Committee approve the "Report on business activities of ČD, a.s. and the state of its assets", including the report on the accounting for the funds from public budgets, as well as the general-purpose financial statements for the year ended 31 December 2006, including the proposal for the settlement of the Company's loss and allocation of a portion of the share premium to the social fund. In 2006, the Supervisory Board encountered no uneconomical or purposeless use of the Company's funds. It also recommended that the Steering Committee decide to allocate the total incurred loss of CZK 449,399 thousand in the balances of 2007 as accumulated loss brought forward, given that the loss reported in 2006 will be settled from the profit of the following reporting periods. The Supervisory Board also agreed with the allocation of the share premium in the amount of 2 percent of the annual costs of wages and wage compensation for the year 2006 to the social fund.

Last year, the Supervisory Board also reviewed the business plan for 2008 which was presented by the Board of Directors. The Supervisory Board approved it after adding its comments. The Supervisory Board also appreciated that the business plan for 2008 was prepared with a profit of CZK 33 million provided that the revenues will increase by CZK 500 million and that the state promises a higher payment of the public service payable for national long-distance transportation. The Supervisory Board criticised the initiative to detach the activities related to the provision of railway transport in connection with the occurrence of the "dead railway track". It criticised the presentation of the anticipated volume of salaries without finishing collective negotiations and it also criticised the absence of basic customer-oriented aims in passenger transport. The disapproval of the presented materials also concerned the incomplete enumeration of subsidiaries – the absence of ČD Cargo, a.s. – and the failure to include the "fair profit" in the settlement of public service payables from public resources pursuant to Act No. 266/1994 Coll. Last but not least, the Supervisory Board recommended that the basic anticipated activities of the subsidiaries be listed and suggested that goals and the method of motivation for their achievement be presented in the area of business with assets.

In line with the Company's Articles of Association, the Supervisory Board granted the Board of Directors a number of pre-approvals regarding the anticipated activities, such as consent to the modernisation of Eas, Falls, Tams, Zaes and Roos railway cars, consent to

the sale of real estate, to the foundation of a joint venture of České dráhy, a.s. and with the most advantageous bid in the tender regarding the solution of a part of Nákladové nádraží Praha-Žižkov (cargo railway station), submitted by Sekyra Group, a.s. The Supervisory Board also approved of the contribution of a part of business into the newly founded subsidiary ČD Cargo, a.s.

Finally, the Supervisory Board states that it had all necessary conditions for the proper performance of its activities in which it acted in accordance with the Articles of Association of České dráhy, a.s. and the Commercial Code. Its system of work based on comprehensive and regular mutual awareness and the cooperation between the Supervisory Board and the Company's senior management proved highly efficient. During its controlling activities in 2007, the Supervisory Board encountered no breach of legal enactments or ČD's Articles of Association on the part of the senior management, the Board of Directors or the appointed managers.



Ing. Vojtěch Kocourek, Ph.D.

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

TO THE SHAREHOLDERS OF ČESKÉ DRÁHY, A.S.

Having its registered office at: Nábřeží L. Svobody 1222, Praha 1, 110 15
 Identification number: 70994226
 Principal activities: Railway transportation and railway route operation

REPORT ON THE FINANCIAL STATEMENTS

Based upon our audit, we issued the following audit report dated 6 June 2008 on the financial statements which are included in this annual report on pages 113 to 152:

“We have audited the accompanying financial statements of České dráhy, a.s., which comprise the balance sheet as of 31 December 2007, and the profit and loss account, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Statutory Body's Responsibility for the Financial Statements

The Statutory Body is responsible for the preparation and fair presentation of these financial statements in accordance with accounting regulations applicable in the Czech Republic. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

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 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 finan-

cial 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 České dráhy, a.s. as of 31 December 2007, 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

Without qualifying our opinion, we draw attention to the following matter:

As discussed in Note 1.6. to the financial statements, part of the Company's business involved in freight transportation was spun off into a newly formed subsidiary, ČD Cargo, a.s. as of 1 December 2007. Freight transportation represented a significant portion of the Company's activities in the prior years. For this reason, the information presented in the financial statements for the years ended 31 December 2006 and 2007 is not fully comparable.”

REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

Based upon our audit, we issued the following audit report dated 30 June 2008 on the consolidated financial statements which are included in this annual report on pages 69 to 111:

“We have audited the accompanying consolidated financial statements of the consolidation group of České dráhy, a.s., which comprise the balance sheet as of 31 December 2007, and the profit and loss account, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Statutory Body's Responsibility for the Financial Statements

The Statutory Body is responsible for the preparation and fair presentation of these financial statements in accordance with accounting regulations applicable in the Czech Republic. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

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 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 entities' 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 the České dráhy, a.s. consolidation group as of 31 December 2007, and of its financial performance and its cash flows for the year then ended in accordance with accounting regulations applicable in the Czech Republic."

REPORT ON THE RELATED PARTY TRANSACTIONS REPORT

The annual report does not include a report on the transaction between the controlling and controlled entities and transactions between the controlled and other entities controlled by the same controlling entity for the year ended 31 December 2007. The Company's opinion on which the management based this decision is included in this annual report.

REPORT ON THE ANNUAL REPORT

We have also audited the annual report 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 is consistent, in all material respects, with the financial statements referred to above.

In Prague on 1st September 2008



AUDIT FIRM:
Deloitte Audit s.r.o.
certificate no. 79



STATUTORY AUDITOR:
Václav Loubek
certificate no. 2037



REPRESENTED BY:
Václav Loubek
authorised employee

CONSOLIDATED FINANCIAL STATEMENTS

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CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2007

Name of the Company: České dráhy, a.s.
Registered Office: Nábřeží L. Svobody 1222, 110 15 Praha 1
Legal Status: Joint Stock Company
Corporate ID: 70994226

Contents of Consolidated Financial Statements:

Consolidated Balance Sheet
Consolidated Profit and Loss Account
Consolidated Statement of Changes in Equity
Consolidated Cash Flow Statement
Notes to the Consolidated Financial Statements

Consolidated financial statements was compiled on 30 June 2008

Statutory body of the accounting unit



Ing. Vladimír FILIP
A MEMBER OF THE BOARD OF DIRECTORS
AND DEPUTY DIRECTOR GENERAL FOR ECONOMICS



Doc., Ing. Petr DAVID, Ph.D.
MEMBER OF THE BOARD OF DIRECTOR
AND DEPUTY DIRECTOR GENERAL FOR ADMINISTRATION OF ASSETS

CONSOLIDATED BALANCE SHEET FULL VERSION AT 31.PROSINCI 2007

↓	ASSETS AT 31. 12. → IN CZK THOUSAND	2007	2006
	TOTAL ASSETS	55,709,840	54,403,626
B.	Fixed assets	47,255,668	44,366,536
B.I.	Intangible fixed assets	861,775	702,905
B.I.1.	Start-up costs	616	854
B.I.2.	Research and development	93	107
B.I.3.	Software	415,952	75,144
B.I.4.	Valuable rights	226,897	233,081
B.I.6.	Other intangible fixed assets	99	99
B.I.7.	Intangible fixed assets under construction	218,118	393,620
B.II.	Tangible fixed assets	46,064,201	43,351,968
B.II.1.	Land	7,182,237	7,213,116
B.II.2.	Structures	12,377,369	12,051,833
B.II.3.	Individual movable assets and sets of movable assets	23,687,457	21,611,954
B.II.6.	Other tangible fixed assets	4,127	4,140
B.II.7.	Tangible fixed assets under construction	1,805,351	818,014
B.II.8.	Prepayments for tangible fixed assets	1,000,507	1,645,174
B.II.9.	Valuation difference on acquired assets	7,153	7,737
B.III.	Non-current financial assets	374,283	343,067
B.III.1.	Equity investments in subsidiaries	47,445	57,473
B.III.2.	Equity investments in associates	51,601	10,357
B.III.3.	Other securities and investments	275,237	275,237
IV.	Goodwill arising on consolidation	-154,294	-140,554
2.	Negative goodwill arising on consolidation	-154,294	-140,554
V.	Securities and equity investments under the equity method	109,703	109,150
C.	Current assets	8,373,924	9,895,670
C.I.	Inventories	1,798,509	1,893,031
C.I.1.	Material	1,674,690	1,776,746
C.I.2.	Work in progress and semifinished goods	101,734	104,388
C.I.3.	Products	11	
C.I.4.	Animals		3
C.I.5.	Zboží	8,407	10,681
C.I.6.	Prepayments for inventory	13,667	1,213
C.II.	Long-term receivables	36,470	31,741
C.II.1.	Trade receivables	1,436	291
C.II.5.	Long-term prepayments made	9,299	6,437
C.II.6.	Estimated receivables	332	
C.II.7.	Other receivables	25,403	25,013
C.III.	Short-term receivables	5,583,407	5,685,341
C.III.1.	Trade receivables	3,857,272	3,622,163
C.III.6.	State - tax receivables	176,067	132,711
C.III.7.	Short-term prepayments made	286,260	330,566
C.III.8.	Estimated receivables	1,170,479	1,554,421
C.III.9.	Other receivables	93,329	45,480
C.IV.	Current financial assets	955,538	2,285,557
C.IV.1.	Cash on hand	106,252	105,031
C.IV.2.	Cash at bank	849,286	2,028,418
C.IV.3.	Short-term securities and investments		152,108
D. I.	Other assets	80,248	141,420
D.I.1.	Deferred expenses	78,336	99,951
D.I.2.	Complex deferred expenses	62	62
D.I.3.	Accrued income	1,850	41,407

↓	PASIVA AT 31. 12. → IN CZK THOUSAND	2007	2006
	TOTAL LIABILITIES & EQUITY	55,709,840	54,403,626
A.	Equity	34,731,355	35,702,841
A.I.	Share capital	20,000,000	20,000,000
A.I.1.	Share capital	20,000,000	20,000,000
A.II.	Capital funds	15,594,727	15,904,174
A.II.1.	Share premium	16,438,595	16,733,236
A.II.2.	Other capital funds	-866,006	-843,987
A.II.3.	Gains or losses from the revaluation of assets and liabilities	22,138	14,925
A.III.	Statutory funds	240,925	296,810
A.III.1.	Statutory reserve fund / Indivisible fund	2,663	988
A.III.2.	Statutory and other funds	238,262	295,822
A.IV.	Retained earnings	-509,807	-53,186
A.IV.2.	Accumulated losses brought forward	-509,807	-53,186
A.V.	Profit or loss for the current period (+ -)	-597,050	-445,146
1.	Profit for the current period	-599,534	-447,517
2.	Share in the profit under the equity method	2,484	2,371
A.VI.	Consolidation reserve fund	2,560	189
B.	Liabilities	19,141,577	16,701,563
B.I.	Reserves	250,801	160,467
B.I.1.	Reserves under special legislation	39,504	14,462
B.I.4.	Other reserves	211,297	146,005
B.II.	Long-term liabilities	5,837,165	4,698,074
B.II.5.	Long-term prepayments received	342,743	271,194
B.II.9.	Other payables	4,997,775	4,296,613
B.II.10.	Deferred tax liability	496,647	130,267
B.III.	Short-term liabilities	10,057,444	8,895,175
B.III.1.	Trade payables	6,551,703	5,156,020
B.III.5.	Payables to employees	1,145,548	1,145,104
B.III.6.	Social security and health insurance payables	586,839	583,778
B.III.7.	State - tax payables and subsidies	314,123	264,035
B.III.8.	Short-term prepayments received	203,161	425,076
B.III.10.	Estimated payables	1,253,545	1,320,493
B.III.11.	Other payables	2,525	669
B.IV.	Bank loans and borrowings	2,996,167	2,947,847
B.IV.1.	Long-term bank loans	1,636,700	1,972,248
B.IV.2.	Short-term bank loans	1,359,467	975,599
C. I.	Other liabilities	483,703	391,909
C.I.1.	Accrued expenses	170,021	129,073
C.I.2.	Deferred income	313,682	262,836
D.I.	Minority equity	1,353,205	1,607,313
D.I.1.	Minority share capital	1,195,983	1,528,627
D.I.2.	Minority capital funds	404	312
D.I.3.	Minority profit funds including retained earnings brought forward	60,316	26,710
D.I.4.	Minority profit or loss for the current period	96,502	51,664

CONSOLIDATED PROFIT AND LOSS ACCOUNT STRUCTURED BY THE NATURE OF EXPENSE METHOD AT 31. PROSINCI 2007

↓	AT 31. 12. → → IN CZK THOUSAND	2007	2006
I.	Sales of goods	216 439	207 456
A.	Costs of goods sold	156 419	152 679
+	Gross margin	60,020	54,777
II.	Production	38,855,010	38,375,993
II.1.	Sales of own products and services	38 147 433	37 613 980
II.2.	Change in internally produced inventory	- 2 289	94 188
II.3.	Own work capitalised	709 866	667 825
B.	Purchased consumables and services	23,358,197	22,671,413
B.1.	Consumed material and energy	8 139 509	7 585 277
B.2.	Services	15 218 688	15 086 136
+	Added value	15,556,833	15,759,357
C.	Staff costs	22,239,171	22,194,019
C.1.	Payroll costs	16 036 982	16 070 355
C.2.	Remuneration to members of statutory bodies	10 215	8 640
C.3.	Social security and health insurance costs	5 414 812	5 357 485
C.4.	Social costs	777 162	757 539
D.	Taxes and charges	47 668	77 111
E.	Depreciation of intangible and tangible fixed assets	3 033 959	2 789 874
KR.	Recognition of negative goodwill arising on consolidation	8 686	7 784
III.	Sales of fixed assets and material	1,490,230	1,738,177
III.1.	Sales of fixed assets	1 170 677	1 337 992
III.2.	Sales of material	319 553	400 185
F.	Net book value of fixed assets and material sold	690,805	1,049,796
F.1.	Net book value of sold fixed assets	474 023	796 656
F.2.	Book value of sold material	216 782	253 140
G.	Change in reserves and provisions relating to operating activities and complex deferred expenses	91 565	- 266 817
IV.	Other operating income	9 616 613	8 389 763
H.	Other operating expenses	518 318	578 107
*	Operating profit or loss	50,876	-527,009
VI.	Proceeds from the sale of securities and investments		49 980
J.	Cost of securities and investments sold		31 352
VII.	Income from non-current financial assets	23,102	3,966
VII.3.	Income from other non-current financial assets	23 102	3 966
VIII.	Income from current financial assets		431
X.	Interest income	15 984	17 869
N.	Interest expenses	254 412	126 899
XI.	Other financial income	396 887	480 570
O.	Other financial expenses	315 951	269 476
*	Financial profit or loss	-134,390	125,089
Q.	Income tax on ordinary activities	419,332	95,544
Q 1.	- due	52 952	22 514
Q 2.	- deferred	366 380	73 030
**	Profit or loss from ordinary activities	-502,846	-497,464
XIII.	Extraordinary income	297	112 658
R.	Extraordinary expenses	432	11 047
S.	Income tax on extraordinary activities	51	
S.1.	- due	51	
*	Extraordinary profit or loss	-186	101,611
**	Consolidated profit, net of share of profit/(loss) of equity accounted investments	-503,032	-395,853
	Consolidated profit net of minority interests	-599,534	- 447 517
	Minority profit or loss	96 502	51 664
**	Share of profit/(loss) of equity accounted investments	2,484	2,371
	Share in the profit or loss under the equity method net of minority interests	2 484	2 371
	Minority share in profit or loss under the equity method		
	Profit or loss for the current period (+/-)	-500,548	-393,482
***	Profit for the current period, net of minority interests (+/-)	-597,050	-445,146

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

→ IN CZK THOUSAND

	SHARE CAPITAL	SHARE PREMIUM	OTHER CAPITAL FUNDS	REVALUA- TION GAINS OR LOSSES ON ASSETS AND LIABILITIES	STATUTORY AND OTHER FUNDS FROM PROFIT	CONSOLIDA- TION RESERVE FUND	ACCUMULA- TED LOSSES BROUGHT FORWARD	PROFIT OR LOSS FOR THE CURRENT PERIOD
Balance at 31.12.2005	20,000,000	19,172,917	-764,996	10,861	253,196	-11	-1,542,005	-587,383
Settlement of losses for 2003 - 2005 with a charge against share premium	-	-2,135,933	-	-	-	-	1,546,139	589,794
Distribution of profit and loss	-	-	-	-	6,628	200	-4,217	-2,411
Creation of the social fund with a charge against share premium	-	-303,864	-	-	303,864	-	-	-
Creation of the social fund - other	-	-	-	-	18,322	-	-	-
Use of the social fund	-	-	-	-	-285,187	-	-	-
Revaluation of assets non-current financia	-	-	-	4,064	-	-	-	-
Profit or loss for the current period	-	-	-	-	-	-	-	-447,517
Other	-	-	-78,991	-	-	-	-	-
Impact of the OHL ŽS investment in TSS	-	116	-	-	-13	-	-13,487	-
Impact of the recognition of deferred tax from the investment of OHL ŽS in TSS	-	-	-	-	-	-	-39,616	-
Minority profit or loss for the current period	-	-	-	-	-	-	-	-
Balance at 31.12.2006	20,000,000	16,733,236	-843,987	14,925	296,810	189	-53,186	-447,517
Distribution of profit and loss	-	-	-	-	9,104	2,371	-456,621	447,517
Creation of the social fund with a charge against share premium	-	-294,641	-	-	294,641	-	-	-
Creation of the social fund - other	-	-	-	-	13,056	-	-	-
Use of the social fund	-	-	-	-	-365,837	-	-	-
Use of the other funds	-	-	-	-	-6,849	-	-	-
Revaluation of non-current financial assets	-	-	-	7,213	-	-	-	-
Profit or loss for the current period	-	-	-	-	-	-	-	-599,534
Other	-	-	-22,019	-	-	-	-	-
Impact of the decrease in the share capital in ČDT	-	-	-	-	-	-	-	-
Minority profit or loss for the current period	-	-	-	-	-	-	-	-
Balance at 31.12.2007	20,000,000	16,438,595	-866,006	22,138	240,925	2,560	-509,807	-599,534

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

→ IN CZK THOUSAND

	SHARE OF INCOME FROM ASSOCIATES	TOTAL EQUITY	MINORITY SHARE CAPITAL	MINORITY CAPITAL FUNDS	MINORITY FUNDS FROM PROFIT INCL. RETAINED EARNINGS AND ACCU- MULATED LOSSES	MINORITY PROFIT OR LOSS FOR THE PERIOD	TOTAL MINORITY EQUITY
Balance at 31.12.2005	200	36,542,779	1,163,627	338	-13,755	65,344	1,215,554
Settlement of losses for 2003 - 2005 with a charge against share premium	-	-	-	-	65,344	65,344	-
Distribution of profit and loss	-200	-	-	-	-	-	-
Creation of the social fund with a charge against share premium	-	-	-	-	-	-	-
Creation of the social fund - other	-	18,322	-	-	-	-	-
Use of the social fund	-	-285,187	-	-	-304	-	-304
Revaluation of assets non-current financia	-	4,064	-	200	-	-	200
Profit or loss for the current period	2,371	-445,146	-	-	-	-	-
Other	-	-78,991	-	-338	-	-	-338
Impact of the OHL ŽS investment in TSS	-	-13,384	365,000	112	13,487	-	378,599
Impact of the recognition of deferred tax from the investment of OHL ŽS in TSS	-	-39,616	-	-	-38,062	-	-38,062
Minority profit or loss for the current period	-	-	-	-	-	51,664	51,664
Balance at 31.12.2006	2,371	35,702,841	1,528,627	312	26,710	51,664	1,607,313
Distribution of profit and loss	-2,371	-	-	-	51,664	-51,664	-
Creation of the social fund with a charge against share premium	-	-	-	-	-	-	-
Creation of the social fund - other	-	13,056	-	-	-	-	-
Use of the social fund	-	-365,837	-	-	-	-	-
Use of the other funds	-	-6,849	-	-	-	-	-
Revaluation of non-current financial assets	-	7,213	-	92	-	-	92
Profit or loss for the current period	2,484	-597,050	-	-	-	-	-
Other	-	-22,019	-	-	766	-	766
Impact of the decrease in the share capital in ČDT	-	-	-332,644	-	-18,824	-	-351,468
Minority profit or loss for the current period	-	-	-	-	-	96,502	96,502
Balance at 31.12.2007	2,484	34,731,355	1,195,983	404	60,316	96,502	1,353,205

CONSOLIDATED CASH FLOW STATEMENT

↓	AT 31. 12. → IN CZK THOUSAND	YEAR ENDED 31.12.2007	YEAR ENDED 31.12.2006
P.	Opening balance of cash and cash equivalents	2,285,557	2,024,110
	Cash flows from ordinary activities		
Z.	Profit or loss from ordinary activities before tax	-81,030	-399,549
A.1.	Adjustments for non-cash transactions	2,456,017	2,088,683
A.1.1.	Depreciation of fixed assets	3,042,645	2,803,639
A.1.2.	Change in provisions and reserves	91,565	-266,817
A.1.3.	Profit/(loss) on the sale of fixed assets	-696,654	-560,016
A.1.4.	Revenues from dividends and profit shares	-23,512	-3,966
A.1.5.	Interest expense and interest income	238,428	109,030
A.1.6.	Adjustments for other non-cash transactions	-196,455	6,813
A.^o	Net operating cash flow before changes in working capital	2,374,987	1,689,134
A.2.	Change in working capital	1,390,692	653,007
A.2.1.	Change in operating receivables and other assets	152,413	-981,948
A.2.2.	Change in operating payables and other liabilities	1,150,751	1,561,772
A.2.3.	Change in inventories	85,421	73,183
A.2.4.	Change in current financial assets	2,108	
A.^{oo}	Net cash flow from operations before tax and extraordinary items	3,765,679	2,342,141
A.3.	Interest paid	-215,717	-95,747
A.4.	Interest received	15,984	17,869
A.5.	Income tax paid from ordinary operations	-17,396	-22,514
A.6.	Receipts and expenditures relating to extraordinary activities	-186	101,611
A.7.	Received dividends and profit shares	23,512	3,966
A.^{ooo}	Net operating cash flows	3,571,875	2,347,326
	Cash flows from investing activities		
B.1.	Fixed assets expenditures	-6,375,421	-5,416,829
B.2.	Proceeds from fixed assets sold	1,170,562	1,358,130
B.5.	Cash flows from the investment of a minority shareholder in the subsidiary		20,000
B.^{ooo}	Net investment cash flows	-5,204,859	-4,038,699
	Cash flow from financial activities		
C.1.	Change in payables from financing	662,559	2,219,221
C.2.	Impact of changes in equity	-359,594	-266,401
C.2.3.	Other cash contributions made by partners	13,092	18,786
C.2.5.	Payments from capital funds	-372,686	-285,187
C.^{ooo}	Net financial cash flows	302,965	1,952,820
F.	Net increase or decrease in cash and cash equivalents	-1,330,019	261,447
R.	Closing balance of cash and cash equivalents	955,538	2,285,557

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1. → GENERAL INFORMATION

1.1. → Background Information

České dráhy, a.s. (hereinafter referred to as the "Parent Company" or the "Company") was incorporated following its registration in the Register of Companies on 1 January 2003 as one of the two legal successors of the former state organisation České dráhy. Additional details are presented in Note 1.5.

The Parent Company's registered office is located at Nábř. L. Svobody 1222/12, Prague 1.

The Parent Company's share capital is CZK 20,000,000,000.

The consolidated financial statements have been prepared as of and for the year ended 31 December 2007.

The sole shareholder of the Parent Company is the Czech Republic.

1.2. → Principal Operations

Until 30 November 2007, the Parent Company was principally engaged in operating railway freight and passenger transportation. Since 1 December 2007, the Company has been principally engaged in operating railway passenger transportation. Activities relating to the operation of railway freight transportation were spun-off into ČD Cargo, a.s. which was recorded in the Register of Companies as of 1 December 2007. For detailed information refer to Note 2.

Pursuant to applicable legislation, the Parent Company also operates railway routes. The assets comprising the railway routes are in the ownership of the State, not the Company.

The right of management of these assets rests with the state organisation Railway Route Administration (Správa železniční dopravní cesty, státní organizace - 'SŽDC')

In addition, the Parent Company performs other activities related to the operation of transportation and transportation routes.

1.3. → Organisational Structure of the Parent Company

The Company is organised into sections overseen directly by the Parent Company's Chief Executive Officer (CEO) or Deputy CEOs, being:

- The section of the Company's CEO;
- The section of the Company's Deputy CEO for Finance;
- The section of the Company's Deputy CEO for Passenger Transportation;
- The section of the Company's Deputy CEO for Operations; and
- The section of the Company's Deputy CEO for Administration of Assets.

In 2008, the Company formed two new sections – the section of the Company's Deputy CEO for Human Resources and the section of the Company's Deputy CEO for Marketing and Communication.

1.4. → The Parent Company's Bodies

The Company's bodies include the General Meeting, Board of Directors and Supervisory Board.

The General Meeting is the supreme body of the Company. The sole shareholder of the Company is the State which exercises the rights of the General Meeting through the Steering Committee.

The Company's Bodies as of 31 December 2007

	POSITION	NAME
Steering Committee	Chairman	Petr Šlegr
	Vice Chairman	Jiří Hodač
	Member	Vojtěch Kocourek
	Member	Miroslav Kalous
	Member	Miloslav Müller
	Member	Petr Polák
	Member	Bohumil Haase

On 11 June 2007, the Government revoked the authorisation for activity in the Steering Committee for Emanuel Šíp and authorised Vojtěch Kocourek for activity in the Steering Committee from 12 June 2007.

On 30 November 2007, the Government revoked the authorisation for activity in the Steering Committee for the Vice Chairman of the Steering Committee, Rudolf Vyčichl and authorised Jiří Hodač to be the Vice Chairman of the Steering Committee from 1 December 2007.

	POSITION	NAME
Board of Directors	Chairman	Josef Bazala
	Member	Petr David
	Member	Vladimír Filip
	Member	Jiří Kolář
	Member	Rodan Šenekl

As of 29 January 2008, Josef Bazala resigned from the position of the Chairman of the Board of Directors and remained in the position of the member of the Board of Directors. As of 31 January 2008, Rodan Šenekl resigned from the position of the member of the Board of Directors. On 1 February 2008, the Supervisory Board of the Company appointed Petr Žalud to the position of the Chairman and member of the Board of Directors.

On 13 March 2008, Petr Moravec was appointed member of the Board of Directors.

	POSITION	NAME
Supervisory Board	Chairman	Vojtěch Kocourek
	Member	Jan Bitter
	Member	Karel Březina
	Member	Jan Černohorský
	Member	Jaromír Dušek
	Member	Tomáš Chalánek
	Member	Jiří Kratochvíl
	Member	Zdeněk Prosek
	Member	Martin Roman

The Steering Committee of the Company recalled members of the Supervisory Board, František Formánek, Miroslav Kapoun, Karel Korytář and František Vašítek on 19 April 2007.

With effect from 20 April 2007, the Steering Committee of the Company appointed new members of the Supervisory Board, Karel Březina, Jan Černohorský, Zdeněk Prosek and Martin Roman.

1.5. → Formation and Incorporation of the Parent Company

On 1 March 2002, Act 77/2002 Coll. on the Joint Stock Company Czech Railways, the State Organisation Railway Route Administration and the Changes to the Railways Act 266/1994 Coll., as amended, and the State Enterprise Act 77/1997 Coll. as amended (the 'Transformation Act') took effect. On the basis of the Transformation Act the Company was formed on 31 March 2002 and the state organisation Czech Railways discontinued its activities and operations on 1 January 2003 and the Parent Company and the state organisation Railway Route Administration ('SŽDC') were formed as its legal successors.

SŽDC largely assumed the assets comprising railway routes while the Company largely assumed assets used to operate railway transportation and railway routes. In addition, SŽDC took over the bulk of receivables, payables and loans, while the Company assumed only trade receivables and payables before their due dates and receivables and payables arising from employment arrangements with its employees. Both entities assumed the assets and liabilities at their book values.

2. → DEFINITION OF THE CONSOLIDATION GROUP (HEREINAFTER ALSO THE "GROUP")

The consolidation group of České dráhy for the year ended 31 December 2007 consists of the following entities:

NAME	REGISTERED OFFICE	CORPORATE ID	OWNERSHIP PERCENTAGE	DEGREE OF INFLUENCE	CONSOLIDATION METHOD IN 2007	CONSOLIDATION METHOD IN 2006
České dráhy, a. s.	Prague 1, Nábřeží L.Svobody 12/1222	70994226	---	---	---	---
Traťová strojní společnost, a. s.	Pardubice, Hlaváčova 206 *)	27467295	51	Control	Full	Full
ČD - Telematika a. s.	Prague 3, Pernerova 2819/2a	61459445	59,31	Control	Full	Full
Výzkumný Ústav Železniční, a. s.	Prague 4, Novodvorská 1698	27257258	100	Control	Full	Full
DPOV, a. s.	Přerov, Husova 635/1b	27786331	100	Control	Full	---
Jídelní a lůžkové vozy, a. s.	Prague 4, Chodovská 3/228,	45272298	38,79	Significant	Equity	Equity
ČD Cargo, a. s.	Prague 1, Nábř.L.Svobody 1222	28196678	100	Control	Full	---

*) On 1 April 2008, the registered office was changed to Jičínská 1605, Hradec Králové.

Changes in the Composition of the Group

On 31 March 2007, the Company formed a subsidiary ČD Cargo, a.s. (hereinafter "ČD Cargo"). The share capital of ČD Cargo consists of a non-cash investment of the business part engaged in railway freight transportation. The value of the non-cash investment was determined by an appraisal prepared by an expert appraiser. The Company is the sole shareholder of ČD Cargo.

On 1 January 2007, the subsidiary DPOV, a. s. formed through an investment of the business part of the Company in the amount of CZK 386,395 thousand was recorded in the Register of Companies. The investment was transferred at the net book value. The subsidiary DPOV, a. s. assumed the activities predominantly relating to repairs of rail vehicles. The Company is the sole shareholder of DPOV, a. s.

The date of the financial statements of companies included in the group, except for ČD Cargo, a. s., is 31 December 2007. ČD Cargo, a. s. will prepare the first set of its financial statements as of 31 December 2008, i.e. the first reporting period will cover the period of 13 months. The monthly financial statements for December, i.e. from 1 December to 31 December 2007, were used for consolidation reporting purposes.

Companies Excluded from the Consolidation

The Parent Company decided to exclude the entities whose share in the consolidation group is immaterial in terms of aggregate assets, net turnover and equity even though the Parent Company exercises controlling or significant influence over these entities.

NAME	REGISTERED OFFICE	OWNERSHIP PERCENTAGE	OWNER
Dopravní vzdělávací institut, a. s.	Prague 1, Hybernská 1014/13	100	ČD, a. s.
ČD Generalvertretung Wien GmbH	Wien, Rotenturmstrasse 22/24	100	ČD, a. s.
RailReal, a. s.	Prague 3, Olšanská 1a	66	ČD, a. s.
ČD travel, s.r.o.	Prague 1, Hybernská 1034	51,72	ČD, a. s.
RAILREKLAM, spol. s r.o.	Prague 1, Klimentská 36/1652	51	ČD, a. s.
Centrum Holešovice a. s.	Prague 1, Revoluční 767/25	51	ČD, a. s.
ČD Reality, a. s.	Prague 1, Hybernská 1034/5	51	ČD, a. s.
Smíchov Station Development, a. s.	Prague 8, Ke Štvanici 656/3	51	ČD, a. s.
Žižkov Station Development, a. s.	Prague 8, Ke Štvanici 656/3	51	ČD, a. s.
CR-City a. s.	Prague 3, Olšanská 1a	34	ČD, a. s.
CR office a. s.	Prague 3, Olšanská 2643/1a	34	ČD, a. s.
ČD Logistic, a. s.	Prague 10, K Hrušovu 293/2	34	ČD, a. s.
Masaryk Station Development a. s.	Prague 3 Olšanská 1a	34	ČD, a. s.
RS hotel a. s.	Prague 3, Olšanská 2643/1a	34	ČD, a. s.
RS residence s.r.o.	Prague 3, Olšanská 2643/1a	34	ČD, a. s.
WHITEWATER a. s.	Prague 3, Olšanská 2643/1a	34	ČD, a. s.
ČD Restaurant, a. s.	Prague 6, Václavkova 169/1	20	ČD, a. s.
Ostravská dopravní společnost, a. s.	Ostrava, Přívoz, U Tiskárny 616/9	20	ČD, a. s.
ČD Generalvertretung GmbH	Frankfurt am Main, Kaiserstrasse 60, SRN	100	ČD Cargo, a. s.
Koleje Czeskie Sp. Z o. o.	Warszawa, Hoza 63/67, Polsko	100	ČD Cargo, a. s.
ČD-DUSS Terminál, a. s.	Lovosice, Lukavecká 1189	51	ČD Cargo, a. s.
RAILLEX, a. s.	Prague 1, Hybernská 1014/13	51	ČD Cargo, a. s.
BOHEMIAKOMBI, spol. s r.o.	Prague 1, Opletalova 6	20	ČD Cargo, a. s.
Trade CDT s.r.o. ^{*)}	Prague 3, Pernerova 2819/2a	100	ČD-T, a. s.
XT-CARD a. s.	Prague 8, Sokolovská 100/94	40	ČD-T, a. s.
CZ Servis, s.r.o.	Prague 4, Chodovská 3	100	JLV, a. s.
JSC-Servis, a. s.	Česká Lípa, Okružní 2338	85	JLV, a. s.
JPServis, a. s.	Prague 4, Chodovská 3	45	JLV, a. s.
Dallmayr&JLV Automaty s.r.o.	Prague 1, Politických vězňů 1597	30	JLV, a. s.

^{*)} Trade CDT s.r.o. was renamed to CDT International s.r.o. following the entry in the Register of Companies on 28 January 2008.

Information from the Financial Statements of the Companies Excluded from the Consolidation Group

AS OF 31 DECEMBER 2007 → (CZK'000)

NAME	AGGREGATE ASSETS	EQUITY	NET TURNOVER
Dopravní vzdělávací institut, a.s.	27,773	6,009	80,008
ČD Generalvertretung Wien GmbH	4,099	3,223	7,646
RailReal, a.s.	3,520	-1,157	51
ČD travel, s.r.o.	56,650	14,741	266,620
RAILREKLAM, s.r.o.	62,515	37,867	137,587
Centrum Holešovice a.s.	7,282	1,925	0
ČD Reality, a.s.	75,899	8,969	32,368
Smíchov Station Development, a.s.	22,972	-1,609	0
Žižkov Station Development, a.s.	2,001	1,987	0
CR-City a.s.	16,797	1,448	106
CR office a.s.	1,636	1,634	0
ČD Logistic, a.s.	9,288	8,896	0
Masaryk Station Development a.s.	11,345	-3,085	1,348
RS hotel a.s.	1,661	1,659	0
RS residence s.r.o.	1,497,880	67,310	0
WHITEWATER a.s.	1,615	1,611	0
ČD Restaurant, a.s.	22,100	16,713	3,699
Ostravská dopravní společnost, a.s.	123,964	52,646	69,418

The financial statements of all the companies both included in and excluded from the consolidation process are available for examination at the premises of the Parent Company located at Nábřeží L. Svobody 1222, Prague 1.

2.1. → Subsidiaries

The following table shows information about the companies in the Group as of 31 December 2007:

NAME	PLACE OF INCORPORATION (OR REGISTRATION) AND OPERATION	OWNERSHIP INTEREST IN %	VOTING POWER IN %	PRINCIPAL ACTIVITY
Traťová strojní společnost, a. s. („TSS“)	Pardubice	51	51	Operation of special railway machines and facilities for the construction, renovation, and maintenance of railways, including their repairs and production of spare parts
ČD - Telematika a. s. („CD-T“)	Praha	59,31	59,31	Provision of telecommunication services, software and advisory services
Výzkumný Ústav Železniční, a. s. („VUZ“)	Praha	100	100	Research, development and testing of rail vehicles and infrastructure facilities
DPOV, a. s. („DPOV“)	Přerov	100	100	Inspections, repairs, modernisation and renovation of railway vehicles
ČD Cargo, a. s. (ČDCargo“)	Praha	100	100	Freight railway transportation

Traťová strojná společnost, a.s. was recorded in the Register of Companies on 1 January 2005. The entity was formed through the investment of part of the Parent Company's business. On 15 January 2005, the contract for the investment of OHL ŽS, a.s. Brno in Traťová strojná společnost, a.s. was signed. The investment decreased the investment of České dráhy from 100 percent to 51 percent. The change was recorded in the Register of Companies on 15 February 2006. Výzkumný Ústav Železniční, a.s. was recorded in the Register of Companies on 1 July 2005. The entity was formed through the investment made by the Parent Company.

In 2003, the Parent Company acquired a 34 percent investment in ČD – Telematika a.s. based on the contract for the assignment of a receivable with MORÁVKA CENTRUM, a.s. for the acquisition cost of CZK 230,744 thousand. In 2004, the Parent Company increased its equity investment in ČD – Telematika a.s. from 34 percent to 40 percent through the capitalisation of the receivable of CZK 297,000 thousand. In 2005, the Parent Company increased the investment in ČD – Telematika a.s. from 40 percent to 51 percent through the investment of the business part, recorded in the Register of Companies on 4 May 2005. In 2006, the investment of the Parent Company in ČD – Telematika a.s. amounted to 51 percent. On 28 June 2006, the General Meeting of ČD – Telematika a.s. decided to decrease the share capital by CZK 332,644 thousand, through the paid withdrawal of shares from circulation. This decrease in the share capital was not recorded in the Register of Companies as of 31 December 2006. It was recorded in the Register of Companies on 13 February 2007 and the investment of České dráhy, a.s. in the entity increased to 59.31 percent.

DPOV, a. s. was registered in the Register of Companies on 1 January 2007. The entity was formed through a spin-off from České dráhy, a. s. ČD Cargo, a. s. was registered in the Register of Companies on 1 December 2007. The entity was formed through the spin-off of the part of the business of České dráhy, a. s. engaged in railway freight transport.

2.2. → Associates

NAME	PLACE OF FORMATION (OR REGISTRATION) AND OPERATION	EQUITY INVESTMENT (IN %)	VOTING RIGHTS (IN %)	PRINCIPAL ACTIVITY
Jídelní a lůžkové vozy, a. s. („JLV“)	Prague	38,79	38,79	Provision of accommodation and catering services

In 2006, Jídelní a lůžkové vozy, a. s. was newly included in the České dráhy Group. On 28 June 2006, České dráhy, a. s. purchased the investment held by the Czech National Property Fund in Jídelní a lůžkové vozy, a. s. This transaction was approved by the European Commission on 22 June 2006. The Parent Company thus became the owner of the 38.79 percent equity investment in Jídelní a lůžkové vozy, a. s.

In the year ended 31 December 2007, there were no changes in the associates.

3. → ACCOUNTING POLICIES AND GENERAL ACCOUNTING PRINCIPLES

The financial statements are prepared and presented in accordance with the Accounting Act 563/1991 Coll., as amended and modified by Acts 117/1994 Coll., 227/1997 Coll., 492/2000 Coll., 353/2001 Coll., 575/2002 Coll., 437/2003 Coll., 257/2004 Coll., 669/2004 Coll., 179/2005 Coll., 495/2005 Coll., 57/2006 Coll., 81/2006 Coll., 230/2006 Coll., 264/2006 Coll., 69/2007 Coll., 261/2007 Coll., 296/2007 Coll., and 348/2007 Coll. and Regulation 500/2002 Coll., which provides implementation guidance on certain provisions of the Accounting Act 563/1991, as amended, for reporting entities that are businesses maintaining double-entry accounting records, as amended by Regulations 472/2003 Coll., 397/2005 Coll. and 349/2007 Coll.; and Czech Accounting Standards for Businesses.

The accounting books and records are maintained in compliance with general accounting principles, specifically the historical cost valuation basis with certain exceptions as described in Note 3.2, the accruals principle, the prudence concept and the going concern assumption. The assets and liabilities assumed by the Company as of 1 January 2003 under Act 77/2002 Coll., as amended (the 'Transformation Act') were entered into the Company's books and records at their book values.

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

3.1. → Scope of Consolidation and the Consolidation Method

Consolidation is performed using the direct consolidation method. Direct consolidation involves consolidating all of the accounting entities of the Group at once without using the any consolidated financial statements presented for consolidation sub-groups.

The Group of companies consists of the Parent Company, České dráhy, a.s., and its subsidiaries (ČD-T, TSS, VUZ, DPOV and ČD Cargo) and an associate (JLV), refer to Notes 2.1 and 2.2. The definition of subsidiaries and associate is as follows:

SUBSIDIARIES

- Investments in enterprises in which the Parent Company has the power to govern the financial and operating policies so as to obtain benefits from their operations are treated as 'Equity investments in subsidiaries'.
- For consolidation purposes, a subsidiary is a company where the Parent Company has a controlling influence through the ownership of more than 50 percent of shares/capital interests.

These companies are consolidated using the full consolidation method.

ASSOCIATES

- 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'. For consolidation purposes, an associate is a company where the Parent Company has a significant influence, i.e.:
- It holds more than 20 percent of shares/capital interests and does not exercise controlling influence.

These companies are consolidated using the equity method of accounting.

3.2. → Full Consolidation Method

3.2.1. → Description of Full Consolidation Method

The full consolidation method involves:

- a) Inclusion, after possible reclassifications and adjustments, of each item of the balance sheet and profit and loss account of subsidiaries in the balance sheet and profit and loss account of the Parent Company;
- b) Elimination of accounting transactions between accounting entities of the Group which express mutual relations;
- c) Presentation of goodwill arising on consolidation, if any, and its amortisation;
- d) Allocation of equity of subsidiaries and their profit or loss among the equity interest attributable to the Parent Company and the equity interest attributable to minority holders of equity securities and equity interests issued by consolidated entities; and
- e) Elimination of equity securities and equity interests issued by the subsidiary and the controlling entity and the equity of the controlling equity which relates to the eliminated equity securities and interests.

3.2.2. → Stages of the Full Consolidation Method

Reclassification of and adjustments to items of financial statements of the Parent Company and subsidiaries.

The reclassification of the Parent Company's and subsidiaries' information is made taking into account items added to the consolidated balance sheet and the consolidated profit and loss account and their economic substance.

The adjustments are made following the valuation principles stated in the consolidation rules. These adjustments are only made in subsidiaries whose valuation principles differ from the valuation principles set out in the consolidation rules and would have a material impact on the valuation of the assets in the consolidated financial statements and the reported profit or loss.

Adding the financial statements data of the Parent Company and subsidiaries.

The Parent Company adds reclassified and adjusted information from its financial statements to the reclassified and adjusted information from the financial statements of its subsidiaries.

Elimination of mutual transactions between the Parent Company and its subsidiaries.

Elimination of transactions which do not influence profit or loss.

Mutual intercompany receivables and payables and expenses and income which have a material impact on assets, liabilities and profit or loss items in the consolidated financial statements are fully eliminated.

Elimination of transactions which influence profit or loss.

Upon the preparation of the consolidated balance sheet and the consolidated profit and loss account, mutual transactions between the Parent Company and subsidiaries or between subsidiaries which have a material impact on the profit or loss of the Group are eliminated, among others, in the following cases:

- a) Intercompany sale and purchase of inventory; and
- b) Intercompany sale and purchase of fixed assets.

When the full consolidation method is used, mutual transactions between the Parent Company and subsidiaries and between subsidiaries are eliminated. The elimination of mutual transactions which influence the profit or loss is carried out in accordance with the stated consolidation rules.

When the profit or loss arising from intercompany purchases and sales of inventory is eliminated, the valuation of inventory and revenue arising from the sale of inventory is adjusted in the consolidated balance sheet and the consolidated profit and loss account. For the purposes of adjusting these consolidated financial statements items, in adjusting income and the change in valuation of inventory, the average supplier return on sales from the total profit or loss or operating profit or loss can be used or industry or product yield return of the supplier or an alternative, more accurate, procedure can be used.

When the profit or loss arising from the purchase and sale of fixed assets is eliminated, the revenues from the sale of fixed assets are adjusted to reflect the difference between the sales price and the supplier's carrying value. Accumulated depreciation of fixed assets in the consolidated financial statements is also adjusted.

Goodwill arising on consolidation.

Goodwill arising on consolidation represents the difference between the cost of an investment in a subsidiary and its value determined on the basis of the Parent Company's interest in the fair value of equity which arises as a difference of fair values of assets and fair values of liabilities as of the date of acquisition or as of the date of a further capital increase (a further increase of securities or investments). The acquisition date is the date from which the effectively controlling entity starts to exercise influence over the consolidated company.

Goodwill arising on consolidation is amortised on a straight line basis over 20 years if there are no reasons for a shorter amortisation period. The selected amortisation period must be clearly provable and must not breach the principle of the true and fair presentation of the subject-matter of accounting and the financial position of the company. Goodwill arising on consolidation is debited to the positive consolidation goodwill in expenses on ordinary activities or credited to negative consolidation goodwill in income on ordinary activities as appropriate.

Amortisation charges of goodwill arising on consolidation are recognised in a special consolidated profit and loss account line item.

Division of consolidated equity and elimination of equity securities and equity interests.

The division of equity in the consolidated balance sheet involves the separation of majority equity interest consisting of the sum of the Parent Company's equity and its interest in the equity of subsidiaries from minority interests, i.e. the remaining equity interests of other shareholders and owners of these consolidated entities.

Equity interests issued by a subsidiary and the equity of a subsidiary related to the equity interests held by the Parent Company are eliminated from the consolidated balance sheet.

Minority equity

These are liability balance sheet items where minority equity interests in subsidiaries are presented and classified into interest in share capital, capital funds, funds from profit, retained earnings/accumulated losses and profit or loss for the current period.

Distribution of consolidated profit or loss for the current period

The Group's profit or loss for the current period is distributed in the consolidated profit and loss account between the consolidated profit or loss for the current period attributable to the Parent Company and the minority share in profit or loss attributable to other subsidiary shareholders and owners as appropriate.

3.3. → Consolidation using the Equity Method of Accounting

3.3.1. → Description of Consolidation using Equity Accounting

The equity method of accounting represents the following adjustments to the financial statements information of the entity with significant influence:

- a) Eliminating equity interests issued by an associate from the balance sheet of the entity exercising significant influence and replacing them by a stand-alone balance sheet item of interests valued using equity accounting in the amount of equity interests in the associate;
- b) Settlement of the difference between the evaluation of interests and the consolidation balance sheet item of the equity-accounted interest through the recognition of:
 - ba) The consolidation reserve fund which represents accumulated shares in the profit or loss under equity accounting for the prior periods of associates from the date of their acquisition. The consolidation reserve fund also includes subsidiary interests in total changes in other equity (i.e. net of profit or loss) for the relevant period.

Share in profit or loss under equity accounting.

Share in profit or loss under equity accounting relates to the profit or loss of the associate for the current period and its amount is arrived at based on the investment of the entity exercising significant influence over the associate and based on the actual profit or loss of the associate for the period from the acquisition date to the end of the reporting period when the associate was acquired. In the following years, consolidated profit or loss under equity accounting is calculated as the product of the equity investment and the profit or loss of the associate for the period.

If consolidation is carried out using the direct method, the proportionate part of the profit or loss of the associate attributable to the investment of the entity exercising significant influence over the associate is taken over based on direct and indirect investments.

If the method of equity accounting is used, clearly determinable mutual relations which have a significant impact on the value of equity and profit or loss of the associate for the current period are eliminated.

Goodwill arising on consolidation is treated on the same basis as under the full consolidation method.

4. → SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

4.1. → Tangible and Intangible 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 and buildings) and CZK 60 thousand (intangible assets) on an individual basis. Land and buildings are treated as fixed assets irrespective of their cost valuation.

Intangible fixed assets are valued at acquisition cost. The Parent Company's logo is valued at the price determined by an independent appraiser.

Land acquired prior to 1992 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 1992 is valued at acquisition cost.

Other tangible fixed assets are stated at acquisition cost. The acquisition cost includes interest on loans provided to fund the acquisition of assets before commencement of their use and other costs attributable to their acquisition.

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

Tangible assets with an acquisition cost greater than CZK 500 but less than CZK 40 thousand and intangible assets with an acquisition cost of less than CZK 60 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 acquisition cost of assets acquired subsequent to 1 January 2003 is reduced to reflect the amount of the grant received to finance the acquisition of the asset.

The assets acquired under finance or operating lease agreements (and related liabilities) 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. The estimated useful economic lives for the major categories of assets are as follows:

	NUMBER OF YEARS
Buildings	30 - 50
Constructions	20 - 50
Locomotives	20 - 25
Passenger coaches	20
Wagons	25 - 33
Machinery and equipment	8 - 20
Optical fibres	35
Intangible assets	1.5 - 6

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

4.2. → Non-Current Financial Assets

Non-current financial assets principally consist of equity investments in subsidiaries and associates, long-term securities and debt securities with maturity exceeding one year, long-term provided loans and loans to subsidiaries and associates.

Upon acquisition, securities and equity investments are carried at cost. Equity investments that were acquired in exchange for the non-cash contribution invested in the company are valued at the carrying value of the non-cash investment.

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 consolidated 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 reduced by provisions.

4.3. → 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 production overheads.

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

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

At the consolidated balance sheet date, provisions are made against inventory on the basis of stock taking results and as a percentage of the relevant types of inventory which are potentially unusable for the Company's purposes or which may be disposed of at a price lower than cost.

4.4. → 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 consolidated balance sheet date are reported as short-term balances. Other receivables are recorded as long-term.

At the consolidated balance sheet date, the Parent Company records provisions of 20 percent against receivables that are past due by greater than six months, full provisions against receivables registered for recovery under bankruptcy and settlement proceedings and receivables where court proceedings against the relevant debtor have been initiated. Different provisioning levels can be recognised taking into account an individual assessment of receivable balances. The Group does not recognise provisions against receivables from SŽDC, s. o.

4.5. → 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 consolidated balance sheet date are reported as short-term balances. Other payables are recorded as long-term.

4.6. → Loans

Loans are stated at their nominal value.

The portion of long-term loans maturing within one year from the consolidated balance sheet date is included in short-term loans.

Borrowing costs arising from loans attributable to the acquisition, construction or production of fixed assets incurred until the assets are brought into use are added to the cost of those assets. All other borrowing costs are recognised in the profit and loss account in the period in which they are incurred.

4.7. → Equity

On 31 March 2002, the date of the Company's formation, the contribution to the Company involved assets specified in the Establishment Deed, predominantly composed of tangible fixed assets at their original book values. The value of these assets stated in the Establishment Deed as of the Company's formation date was reported as the Company's share capital and share premium.

The change in the value of the assets comprising the contribution between the formation date of the Company and its incorporation date as of 1 January 2003 was reported as a component of other capital funds. As of the incorporation date, pursuant to the Transformation Act, the Company assumed not only the assets that comprised the contribution but also other assets and liabilities. The aggregate net value of these other assets and liabilities was also reported as a component of other capital funds. Given that the aggregate net value of assets and liabilities assumed as of 1 January 2003 was lower than the value of the contribution as of 31 March 2002, the reported balance of other capital funds as of 1 January 2003 and subsequently also as of 31 December 2004, 31 December 2005, 31 December 2006 and 31 December 2007 is negative.

Valuation gains and losses from the revaluation of assets and liabilities include the value of revaluation of the non-current financial assets using the equity method of accounting.

The Company has created a social fund. The creation of and drawing from the fund are governed by the Company's internal guidelines.

4.8. → Reserves

Reserves are intended to cover future obligations or expenditure, the nature of which is clearly defined and which are either likely to be incurred or certain 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 the ongoing legal disputes.

The reserve for payments made as compensation for job-related accidents and diseases and bonuses to pensions of certain former employees are established pursuant to a statistical analysis of available historical information as equal to the present value of estimated future payments arising from claims that originate before the consolidated balance sheet date.

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.

In 2006, the Parent Company newly recognised a reserve for customer claims in freight transportation and a reserve for bonuses for customers in the freight transportation related to the transported volume.

The reserve for repairs of assets is recognised for individual machines according to the planned repairs.

4.9. → 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 consolidated 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.

4.10. → 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.

4.11. → Current Tax Payable

The tax currently payable is based on taxable profit for the reporting period. Taxable profit differs from net profit as reported in the profit and loss account because it excludes items of income or expense that are taxable or deductible in other periods and it further excludes items that are never taxable or deductible. The Parent Company's liability for current tax is calculated using the tax rate that has been enacted by the consolidated balance sheet date.

4.12. → Deferred Taxation

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 consolidated 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.

4.13. → Contractual Fines and Default Interest

In accordance with Czech legislation ruling at the consolidated 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.

4.14. → Financial Derivatives

At the consolidated balance sheet date, the Company did not enter into any financial derivative transaction.

4.15. → State Grants and Settlement of Public Service Commitments from the State Budget and Regional Budgets

Grants received from public budgets and other sources of funding to finance the acquisition and modernisation of fixed assets are treated as a reduction of the cost of the related assets.

Grants to settle public service commitments received from the State budget and regional budgets, the Complementary Social Programme grant, and the grant to settle a provable loss on discounted student fare are included in other operating income.

4.16. → Revenue Recognition

Revenues related to transportation services are recognised in the period in which the transportation services are provided.

The Parent Company operates railway routes comprising assets owned by the State. Expenses and income associated with these activities are recognised in the profit and loss account in the period to which they relate on an accruals basis.

Other revenues of the Group are recognised in the period to which they relate on an accruals basis, except where accruals cannot be estimated with a reasonable degree of certainty or where accrual accounting for revenues is not required by Czech accounting regulations.

4.17. → Use of Estimates

The presentation of the consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the consolidated balance sheet date and the reported amounts of revenues and expenses during the reporting period. Management of the Parent 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.

4.18. → Extraordinary Expenses and Income

Extraordinary items are income or expenses that arise from events or transactions that are clearly distinct from the ordinary activities of the Company as well as income or expenses from events or transactions that are not expected to recur frequently or regularly. These expenses and income include, for example, corrections of expenses and income of prior accounting periods, if they are material.

4.19. → Changes in Accounting Policies

In the year ended 31 December 2007, the Group did not use any accounting policies different from those adopted in the previous reporting period.

4.20. → 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 2007	31 Dec 2006
Cash on hand and cash in transit	106,252	105,031
Cash at bank	849,286	2,028,418
Short-term securities and investments	0	152,108
Total cash and cash equivalents	955,538	2,285,557

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

5. → ADDITIONAL INFORMATION ON THE CONSOLIDATED BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

5.1. → Intangible Fixed Assets

ACQUISITION COST → (CZK'000)	BALANCE AT 1 JAN 2006	ADDITIONS	DISPOSALS	BALANCE 31 DEC 2006	DISPOSALS	ÚBYTKY	BALANCE 31 DEC 2007
Start-up costs	1,192	0	0	1,192	0	0	1,192
Research and development	102,597	160	0	102,757	0	105	102,652
Software	851,842	126,467	8,196	970,113	602,246	23,409	1,548,950
Valuable rights	1,985,544	0	0	1,985,544	7,337	0	1,992,881
Other assets	942	119	0	1,061	0	0	1,061
Intangible assets under construction	240,227	278,855	125,462	393,620	434,658	610,160	218,118
Prepayments for intangible fixed assets	0	0	0	0	77	77	0
Total	3,182,344	405,601	133,658	3,454,287	1,044,318	633,751	3,864,854

ACCUMULATED AMORTISATION → (CZK'000)	BALANCE AT 1 JAN 2006	ADDITIONS	DISPOSALS	BALANCE 31 DEC 2006	DISPOSALS	ÚBYTKY	BALANCE 31 DEC 2007
Start-up costs	99	239	0	338	238	0	576
Research and development	102,597	53	0	102,650	13	104	102,559
Software	821,933	81,660	8,624	894,969	258,713	20,684	1,132,998
Valuable rights	1,742,646	9,817	0	1,752,463	13,521	0	1,765,984
Other assets	942	20	0	962	20	20	962
Intangible assets under construction	0	0	0	0	0	0	0
Total	2,668,217	91,789	8,624	2,751,382	272,505	20,808	3,003,079

NET BOOK VALUE → (CZK '000)	BALANCE AT 1 JAN 2006	BALANCE AT 31 DEC 2006	BALANCE AT 31 DEC 2007
Start-up costs	1,093	854	616
Research and development	0	107	93
Software	29,909	75,144	415,952
Valuable rights	242,898	233,081	226,897
Other assets	0	99	99
Intangible assets under construction	240,227	393,620	218,118
Prepayments for intangible fixed assets	0	0	0
Total	514,127	702,905	861,775

Intangible fixed assets specifically comprise the Parent Company's logo which was valued at CZK 1,729 million by an independent appraiser in 1997. The Parent Company recognises accumulated amortisation in respect of the logo in the same amount.

Intangible fixed assets additionally include software for the monitoring of trains, train traffic management, expenses relating to the SAP R/3, IS OPT, ARES, SENA, PARIS and UDIV (Central Train Management) accounting software applications. Additions of CZK 148 million to software predominantly include new modules of the SAP R/3 software.

Intangible assets under construction primarily relate to the development of software for train monitoring, train traffic management and expenditure relating to the SAP R/3, ISORĚ, IS-PRM, IS-KADR software modules.

5.2. → Tangible Fixed Assets

ACQUISITION COST → (CZK '000)	BALANCE AT 1 JAN 2006	ADDITIONS	DISPOSALS	BALANCE AT 31 DEC 2006	ADDITIONS	DISPOSALS	BALANCE AT 31 DEC 2007
Land	7,455,920	30,907	270,434	7,216,393	26,989	57,868	7,185,514
Buildings	23,593,069	1,294,228	401,298	24,485,999	887,508	201,774	25,171,733
Individual movable assets	51,903,237	8,245,356	2,423,067	57,725,526	5,063,071	2,236,718	60,551,879
- Machinery, equipment, and furniture and fixture	6,741,124	769,088	599,187	6,911,025	178,027	556,151	6,532,901
- Vehicles	44,863,906	7,470,787	1,809,958	50,524,735	4,840,960	1,658,694	53,707,001
- Other	298,207	5,481	13,922	289,766	44,084	21,873	311,977
Other assets	4,542	0	0	4,542	0	13	4,529
Tangible assets under construction	4,712,878	5,297,299	9,192,163	818,014	6,964,933	5,977,596	1,805,351
Prepayments	1,694,847	914,833	964,506	1,645,174	1,527,068	2,171,735	1,000,507
Valuation difference	8,321	0	0	8,321	0	0	8,321
Total	89,372,814	15,782,623	13,251,468	91,903,969	14,469,569	10,645,704	95,727,834

Notes to the Consolidated Financial Statements of ČD, a.s.

ACCUMULATED DEPRECIATION → (CZK'000)	BALANCE AT 1 JAN 2006	ADDITIONS	DISPOSALS	BALANCE AT 31 DEC 2006	ADDITIONS	DISPOSALS	BALANCE AT 31 DEC 2007
Buildings	12,061,129	511,337	209,002	12,363,464	518,818	151,970	12,730,312
Individual movable assets	35,281,922	2,774,968	2,247,790	35,809,100	2,932,948	2,204,125	36,537,923
- Machinery, equipment, and furniture and fixture	5,379,549	473,283	523,734	5,329,098	323,775	528,951	5,123,922
- Vehicles	29,700,503	2,245,551	1,710,239	30,235,815	2,522,727	1,655,707	31,102,835
- Other	201,871	56,135	13,817	244,189	86,444	19,467	311,166
Other assets	394	8	0	402	0	0	402
Tangible assets under construction	0	0	0	0	0	0	0
Prepayments	0	0	0	0	0	0	0
Valuation difference	0	584	0	584	584	0	1,168
Total	47,343,445	3,286,897	2,456,792	48,173,550	3,452,350	2,356,095	49,269,805

PROVISIONS → (CZK'000)	BALANCE AT 1 JAN 2006	ADDITIONS	DISPOSALS	BALANCE AT 31 DEC 2006	ADDITIONS	DISPOSALS	BALANCE AT 31 DEC 2007
Land	4,526	3,277	4,526	3,277	6,555	6,555	3,277
Buildings	82,756	70,702	82,756	70,702	72,009	78,659	64,052
Individual movable assets	533,264	304,491	533,283	304,472	330,505	308,478	326,499
- Machinery, equipment, and furniture and fixture	5,964	2,916	5,983	2,897	1,889	2,887	1,899
- Vehicles	527,300	301,575	527,300	301,575	328,616	305,591	324,600
- Other	0	0	0	0	0	0	0
Other assets	8	0	8	0	0	0	0
Tangible assets under construction	0	0	0	0	0	0	0
Prepayments	0	0	0	0	0	0	0
Total	620,554	378,470	620,573	378,451	409,069	393,692	393,828

NET BOOK VALUE → (CZK'000)	BALANCE AT 1 JAN 2006	BALANCE AT 31 DEC 2006	BALANCE AT 31 DEC 2007
Land	7,451,394	7,213,116	7,182,237
Buildings	11,449,185	12,051,833	12,377,369
Individual movable assets	16,088,051	21,611,954	23,687,457
- Machinery, equipment, and furniture and fixture	1,355,611	1,579,030	1,407,080
- Vehicles	14,636,104	19,987,345	22,279,566
- Other	96,336	45,577	811
Other assets	4,140	4,140	4,127
Tangible assets under construction	4,712,878	818,014	1,805,351
Prepayments	1,694,847	1,645,174	1,000,507
Valuation difference	8,321	7,737	7,153
Total	41,408,816	43,351,968	46,064,201

Land and buildings principally consist of immovable assets – train stations and depots for rail vehicles (including the peripheral area around train stations and depots) and other immovable assets used to operate passenger railway transportation and other activities of the Parent Company. Assets comprising the railway routes owned by the State are not included in land and buildings.

Vehicles principally comprise rail vehicles (locomotives, passenger coaches, wagons and other rail vehicles) used in the course of providing passenger transportation services. On the basis of stock count procedures and analyses, the Group has identified asset components, where there is significant uncertainty regarding their future utilisation. These assets have been provisioned as equal to the difference between the net book value and the estimated fair value (typically the net proceeds of the sale or disposal of the relevant asset).

Principal items of prepayments made for tangible fixed assets are prepayments for the acquisition of the 471 series electric locomotives in the amount of CZK 476,000 thousand and the 380 series electric three-system locomotives in the amount of CZK 449,800 thousand.

Principal additions to tangible assets include the acquisition of the Ampz and Bmz passenger coaches in the amount of CZK 1,291,254 thousand, acquisition of 471 series electric locomotives in the amount of CZK 1,938,105 thousand and acquisition of motor vehicles in the amount of CZK 333,475 thousand.

Principal disposals of tangible fixed assets included the disposal of wagons at the net book value of CZK 371,974 thousand through the sale to ING Lease (C.R.), s.r.o. for lease back.

Other disposals included disposals of land due to the sale of these assets to SŽDC, s. o., as part of the settlement at the net book value of CZK 31,125 thousand.

5.2.1. → Pledged Assets

The Parent Company holds assets that were pledged as security – electrical train sets of class 471 at an acquisition cost of CZK 1,236,140 thousand.

5.2.2. → Tangible Fixed Assets not Reported on the Face of the Balance Sheet

The aggregate amount of tangible fixed assets not reported on the face of the balance sheet as of 31 December 2007 was CZK 1,932 million (31 December 2006: CZK 1,750 million). These include items worth less than CZK 40 thousand that are recorded only in the underlying operating records. These items are recognised in expenses at the moment of acquisition in accordance with applicable legislation.

5.2.3. → Investment Grants

Investment grants received in the year ended 31 December 2007 amounted to CZK 526,635 thousand (31 December 2006: CZK 460,260 thousand), of which the grants from the State Fund of Transport Infrastructure amounted to CZK 129,130 thousand in the year ended 31 December 2007 (31 December 2006: CZK 218,271 thousand).

5.2.4. → Assets Held under Finance Leases

→ (CZK'000)	DATE OF INCEPTION	TERM IN MONTHS	TOTAL LEASE VALUE	PAYMENTS MADE IN 2005	PAYMENTS MADE IN 2006	PAYMENTS MADE IN 2007	DUE IN 2008	DUE IN THE FOLLOWING YEARS
AU analyzor	06/2003	36	2,095	1,163	698	234	0	0
Wagons:								
Sggmrss	10/2005	96	145,613	4,396	18,202	19,079	22,748	81,188
Tadnss & Tadmss	04/2006	96	294,719	0	17,024	36,747	43,906	197,042
Habbillnss	12/2005	96	866,711	0	82,770	107,212	130,971	545,758
Zacns	04/2006	96	81,276	0	6,209	10,161	12,040	52,866
Sgnss**)	12/2006	123	441,504	0	0	31,370	43,763	366,371
Sggmrss 90´	12/2007	60	301,566	0	0	251	43,928	257,387
Class 854 motor vehicles	01/2006	126	311,176	0	12,966	31,117	31,117	235,976
Class 709 locomotives	12/2006	120	58,940	0	0	5,894	5,894	47,152
WLABmz sleeping cars	03/2007	120	956,061	0	0	71,705	95,606	788,750
Cars	11/2003	36	988	713	275	0	0	0
Cars	07/2004	36	1,201	634	352	215	0	0
Cars	08/2004	36	929	430	315	184	0	0
Cars*)	11/2004	48	966	0	286	371	309	0
Cars*)	11/2005	48	632	0	116	189	171	156
Cars*)	12/2005	36	566	0	137	228	201	0
Cars	10/2006	48	771	0	48	192	192	339
Cars	2003	36	2,080	1,798	282	0	0	0
Technology units	1/2005	60	72,923	13,236	14,823	14,823	14,823	15,218
Technology units	8/2005	48	10,845	1,130	2,711	2,711	2,711	1,582
Technology units	4/2006	48	8,146	0	1,528	2,036	2,036	2,546
Technology units	11/2006	60	13,606	0	454	2,721	2,721	7,710
Technology units	12/2006	48	11,454	0	239	2,868	2,868	5,479
Technology units	07/2007	36	11,689	0	0	1,948	3,896	5,845
			3,596,457	23,500	159,435	342,256	459,901	2,611,365

*) Lease was transferred from OHL, a.s. to TSS, a.s. in 2006

**) Increase in the total lease value – change in the interest rate from April 2008

Assets held under finance leases are not included in the assets reported in the consolidated balance sheet. The above figures are net of VAT and include a commission to the leasing company. Only the leases of cars, where VAT cannot be deducted, include the VAT amount.

5.2.5. → Gains and Losses Arising from the Sales Inventory and Fixed Assets among Consolidation Group Entities

The most significant sales in the consolidation group were effected between the Parent Company and ČD Cargo where the gains of the Parent Company for the year ended 31 December 2007 amounted to CZK 151,130 thousand (sale of wagons) and between the Parent Company and ČD – Telematika a.s. where the gains of the subsidiary for the year ended 31 December 2007 amounted to CZK 18,260 thousand (2006: CZK 15,260 thousand). The sales between the Parent Company and Traťová strojní společnost, a.s. were immaterial in the year ended 31 December 2007 (in 2006, the gains of the Parent Company amounted to CZK 53,575 thousand). In addition, ČD – Telematika a.s. is the supplier of its proprietary software for the Parent Company which is treated as the Group's expense for consolidation purposes.

5.3. → Non-Current Financial Assets

5.3.1. → Equity Investments in Subsidiaries

2007 → (CZK'000)

ENTITY	REGISTERED OFFICE	COST	REVALUATION	OWNERSHIP PERCENTAGE	EQUITY.	PROFIT OR LOSS FOR 2007	REVALUATION AT 31 DEC 2007
RAILREKLAM, spol. s r. o.	Prague 1, Klimentská 36/1652	29,250	-9,938	51	37,867	5,386	19,312
RailReal a. s.	Prague 3, Olšanská 1a	660	-660	66	-1,157	-1,983	0
ČD Realty a. s.	Prague 1, Hybernská 1034/5	1,020	3,554	51	8,969	398	4,574
Dopravní vzdělávací institut, a. s.	Prague 1, Hybernská 1014/13	3,200	2,809	100	6,009	373	6,009
Smíchov Station Development, a. s.	Prague 8, Ke Štvanici 656/3	1,020	-1,020	51	-1,609	-1,690	0
ČD travel, s.r.o.	Prague 1, Hybernská 1034	7,500	121	51,72	14,741	503	7,621
ČD-GeneralvertretungWien GmbH	Wien, Rotenturmstrasse 22/24	1,293	2,637	100	3,930	2,025	3,930
Žižkov Station Development, a. s.	Prague 8, Ke Štvanici 656/3	1,020	0	51	2,000	-22	1,020
Centrum Holešovice, a. s.	Prague 1, Revoluční 767/25	1,020	-38	51	1,925	-75	982
Trade CDT s.r.o.	Prague 3, Pernerova 2819/2a	500	-421	59,31	78	257	79
ČD Generalvertretung GmbH*	Germany, Frankfurt am/M	1,592	-1,470	100	122	-3,931	122
Koleje Czeskie Sp. Z o.o.	Hoza 63/67, Warszawa,	761	0	100	2,030	1,534	761
RAILLEX, a. s.	Prague 1, Hybernská 1014/13	1,020	-15	51	1,970	-30	1,005
ČD-DUSS Terminál, a. s.	Lovosice, Lukavecká 1189	2,040	0	51	5,144	1,144	2,040
Total		51,896	-4,441				47,455

*) preliminary results as of 31 December 2007

2006 → (CZK'000)

ENTITY	REGISTERED OFFICE	COST	REVALUATION	OWNERSHIP PERCENTAGE	EQUITY.	PROFIT OR LOSS FOR 2006	REVALUATION AT 31 DEC 2006
RAILREKLAM, spol. s r. o.	Prague 1, Klimentská 36/1652	29,250	10,003	100	39,253	4,095	39,253
ČD travel, s.r.o.	Prague 1, Hybernská 1034	7,500	-262	100	7,238	70	7,238
Dopravní vzdělávací institut, a.s.	Prague 1, Hybernská 1014/13	3,200	2,754	100	5,954	1,955	5,954
ČD Generalvertretung GmbH	SRN Frankfurt am/M	1,592	-228	100	4,053	2,678	1,364
Koleje Czeskie Sp. Z o.o.	Hoza 63/67, Warszawa, Polsko	761	0	100	761	0	761
RailReal a.s.	Prague 3, Olšanská 1a	660	-115	66	826	-834	545
ČD Realty a.s.	Prague 1, Hybernská 1034/5	1,020	291	51	2,571	856	1,311
Smíchov Station Development, a.s.	Prague 8, Ke Štvanici 655/1	1,020	-978	51	82	-1,185	42
RAILLEX, a. s.	Prague 1, Hybernská 1014/13	1,020	-15	51	1,970	-30	1,005
Trade CDT s.r.o.	Prague 3, Pernerova 2819/2a	500	-500	51	-178	-573	0
Total		46,523	10,950				57,473

The equity investment in RAILREKLAM, spol. s r.o. was made on the basis of a Founding Deed dated 21 February 1991. On the basis of an agreement dated 28 December 2000, a 50 percent equity investment held by Österreichisches Verkehrsbüro AG was transferred to the Company for CZK 29 million. As such, the Company became the sole owner of RAILREKLAM, spol. s r.o. On 6 February 2004, RAILREKLAM, spol. s r.o. increased its share capital to CZK 13.5 million. On 6 April 2007, a contract for the investment of TARDUS, s.r.o. in RAILREKLAM was concluded. This investment decreased the equity investment of the Company from 100 percent to 51 percent. The increase in the capital was recorded in the Register of Companies on 2 June 2007. RAILREKLAM, spol. s r.o. is engaged in advertising activities specifically related to railway transportation.

RailReal a.s. was incorporated following its registration in the Register of Companies on 6 December 2000. The Company acquired the shares of RailReal a.s. on the basis of deeds of donation dated 20 December 2000. The entity is principally engaged in undertaking projection and engineering activities in investment construction.

ČD Reality a.s. was incorporated following registration in the Register of Companies on 16 November 2004. The entity is engaged in investment construction engineering activities, preparation and implementation of revitalisation projects and other related activities.

ČD Generalvertretung GmbH was incorporated following registration in the Register of Companies on 11 October 2004. The entity is engaged in the representation of the Company in its business and other interests abroad, predominantly conclusion and mediation of contracts relating to freight transport. The share was invested in the subsidiary ČD Cargo, a.s. which was formed on 1 December 2007.

Smíchov Station Development, a.s., registered in the Register of Companies on 1 June 2005, principal activities: design, renovation, modernisation and development of the Smíchovské nádraží locality.

ČD travel, s. r. o., registered in the Register of Companies on 1 August 2005, principal activities: travel agency and provision of related services. On 10 October 2006, České dráhy, a.s., as the sole owner of ČD travel, s. r. o. approved the increase in the share capital of the entity of CZK 7 million through a cash contribution by OSŽ which became a new owner of ČD travel, s. r. o. The transaction was recorded in the Register of Companies on 8 March 2007. As of that date, the equity investment of České dráhy a.s. in ČD travel decreased to 51.7 percent.

Dopravní vzdělávací institut, a.s., registered in the Register of Companies on 21 September 2005, principal activities: organisation of courses, educational events and training activities, including tutoring activities, and language courses.

RAILLEX, a. s., registered in the Register of Companies on 17 June 2006, principal activities – storage of goods and freight handling. The share was invested in the subsidiary ČD Cargo, a.s. which was formed on 1 December 2007.

Koleje Czeskie Sp. Z o.o., registered in the Register of Companies on 18 December 2006. The entity is engaged in the representation of business and other interests of ČD, a.s. abroad, predominantly conclusion and mediation of contracts relating to freight transport. The share was invested in the subsidiary ČD Cargo, a.s. which was formed on 1 December 2007.

In the year ended 31 December 2007, the following new subsidiaries were formed:

ČD-DUSS Terminál, a. s., registered in the Register of Companies on 1 March 2007. The entity is engaged in the operation of container terminals including related services. The equity investment of České dráhy, a. s. of 51 percent was invested in the subsidiary ČD Cargo, a. s.

CD – Generalvertretung Wien GmbH was formed on 30 March 2007 in Austria through the investment of České dráhy, a.s. in the amount of EUR 45 thousand. The entity is engaged in business representation. On 22 January 2008, České dráhy, a.s. sold the entity to its subsidiary ČD Cargo, a. s.

Centrum Holešovice a. s., registered in the Register of Companies on 2 May 2007. The entity is engaged in the preparation of the project for the revitalisation of the train station area in Holešovice. The equity investment of České dráhy is 51 percent.

Žižkov Station Development, a. s., registered in the Register of Companies on 14 December 2007. The equity investment of České dráhy, a. s. amounts to 51 percent. The entity is engaged in the lease of real estate – apartments and non-residential premises.

5.3.2. → Equity Investments in Associates

AS OF 31 DECEMBER 2007 → (CZK'000)

BUSINESS NAME	REGISTERED OFFICE	COST	REVALUATION	OWNERSHIP PERCENTAGE	EQUITY.	PROFIT OR LOSS FOR 2007	VALUATION AT 31 DEC 2007
CR-City a. s.	Prague 3, Olšanská 1a	680	-188	34	1,448	-495	492
Masaryk Station Development a. s.	Prague 3, Olšanská 1a	680	-680	34	-3,085	-2,853	0
CR office a. s.	Prague 3, Olšanská 2643/1a	680	-124	34	1,634	-102	556
ČD Logistic, a. s.	Prague 10, K Hrušovu 293/2	3,400	-375	34	8,896	-1,104	3,025
RS hotel a. s.	Prague 3, Olšanská 2643/1a	680	-116	34	1,659	-116	564
RS residence s.r.o.	Prague 3, Olšanská 2643/1a	68	22,817	34	67,310	1,390	22,885
WHITEWATER a. s.	Prague 3, Olšanská 2643/1a	680	-132	34	1,611	-181	548
ČD Restaurant, a. s.	Prague 6, Václavkova 169/1	4,000	-657	20	16,713	-3,287	3,343
Ostravská dopravní společnost, a. s.	Ostrava, Přívoz, U Tiskárny 616/9	7,000	3,528	20	52,646	17,645	10,528
XT – CARD a. s.	Prague 8, Sokolovská 100/94	4,000	1,138	23.72	12,847	576	5,138
BOHEMIACOMBI, spol. s r.o.	Prague 1, Opletalova 6	822	3,700	20	22,612	-5,796	4,522
Total		22,690	28,911				51,601

AS OF 31 DECEMBER 2006 →(CZK'000)

BUSINESS NAME	REGISTERED OFFICE	COST	REVALUATION	OWNERSHIP PERCENTAGE	EQUITY.	PROFIT OR LOSS FOR 2006	VALUATION AT 31 DEC 2006
CR-City a. s.	Prague 3, Olšanská 1a	680	247	34	2,727	2,391	927
Masaryk Station Development a. s.	Prague 3, Olšanská 1a	680	-680	34	-231	-330	0
XT – CARD a. s.	Prague 8, Sokolovská 100/94	4,000	908	20.4	12,271	2,272	4,908
BOHEMIACOMBI, spol. s r.o.	Prague 1, Opletalova 6	822	3,700	20	22,612	-5,796	4,522
Total		6,182	4,175				10,357

In March 2006, ČD – Telematika a.s. purchased 40 shares of XT-CARD a.s., principal activity - provision of software, data processing, purchase and sale of goods. ČD - Telematika a.s. thus became a 40 percent owner of the entity and therefore the indirect influence of the Parent Company represents 20.4 percent and 23.72 percent in the years ended 31 December 2006 and 2007, respectively.

5.3.3. → Other Non-Current Equity Investments and Securities

TYPE OF SECURITY AND INVESTMENT → (CZK'000)	VALUATION AT 31 DEC 2007	VALUATION AT 31 DEC 2006
PraK, a. s.	850	850
STROJEXPORT, a. s.	2,300	2,300
Hit Rail B.V.	4,017	4,017
EUROFIMA	262,873	262,873
INTERCONTAINER-INTERFRIGO, o.s.	5,189	5,189
INTERNATIONALE SPEDITION Děčín, a. s.	8	8
Total	275,237	275,237

The equity investment of the Company in EUROFIMA is 1 percent. This equity investment allows the Company to draw finances of this institution. EUROFIMA is a multinational company engaged in the funding of purchases of rail vehicles and development of railway transportation in Europe.

5.4. → Inventory

→ (CZK'000)	Balance at 31 Dec 2007	Balance at 31 Dec 2006
Spare parts for machinery and equipment	312,631	358,733
Spare parts and other components for rail vehicles and locomotives	646,577	524,170
Other spare parts and other minor components	192,628	223,213
Fuels and other oil products	33,582	20,461
Switches, turntables, traverse tables and components for rail superstructures	129,345	148,730
Work in progress	101,734	104,388
Prepayments for inventory	13,667	1,213
Other	397,141	541,124
Total cost	1,827,305	1,922,032
Provisions	28,796	29,001
Total net book value	1,798,509	1,893,031

The Parent Company records provisions against redundant inventory components and/or inventory that carries the risk of its net realisable value being lower than cost.

5.5. → Short-Term Receivables

5.5.1. → Trade Receivables

→ (CZK'000)

YEAR	CATEGORY	BEFORE DUE DATE	PAST DUE (IN DAYS)					TOTAL	TOTAL
			0 - 90 dní	91 - 180	181 – 365	366-730	731 A VÍCE		
2007	Gross	3,197,953	562,573	32,146	52,208	46,744	84,684	778,355	3,976,308
	Provisions	0	53	888	24,675	15,995	77,425	119,036	119,036
	Net	3,197,953	562,520	31,258	27,533	30,749	7,259	659,319	3,857,272
2006	Gross	3,192,733	389,588	23,804	37,483	53,670	56,304	560,849	3,753,582
	Provisions	50	5,667	958	29,120	45,124	50,500	131,369	131,419
	Net	3,192,683	383,921	22,846	8,363	8,546	5,804	429,480	3,622,163

Receivables past their due dates by more than 181 days which are not provided for are receivables of ČD Cargo, a.s. from foreign railways which are not treated as bad receivables.

5.5.2. → Tax Receivables

Tax receivables largely consisted of receivables arising from VAT.

5.5.3. → Prepayments Made

Short-term prepayments made largely consisted of prepayments made for the supply of services (electricity, heat, lease of fibres etc).

5.6. → Estimated Receivables

→ (CZK'000)

	BALANCE AT 31 DEC 2007	BALANCE AT 31 DEC 2006
Cross-border rentals for passenger coaches	480,142	466,023
Cross-border rentals for freight wagons	238,243	229,473
Income from international transportation	363,345	645,138
Other	88,749	213,787
Total estimated receivables	1,170,479	1,554,421

Cross-border rentals are billed retroactively for two months (freight transportation) and 12 months (passenger transportation).

Income from international passenger transportation represents an amount due from the transportation services provided as of 31 December 2007 which were not billed to the foreign railway organisations and an amount receivable arising from unsettled operating output in border regions in respect of the neighbouring railway organisations. As compared to the previous year, estimated receivables decreased as most services were billed at the end of the period.

5.7. → Equity

The Parent Company's share capital is composed of the investment made by the Czech State as the sole shareholder, represented by the Czech Transportation Ministry. The share capital consists of 20 ordinary registered shares with a nominal value of CZK 1 billion. The shares are placed with the shareholder, the Czech Transportation Ministry, and are transferable only subject to the prior consent of the Czech Government.

Information about the substance of individual equity components is presented in Note 4.7 to the consolidated financial statements. The revaluation of the non-current financial assets using the equity method of accounting amounted to CZK 22,480 thousand, of which CZK 200 thousand is presented as part of the minority equity. The consolidated loss of the previous reporting period of CZK 447,517 thousand was allocated to the 2007 consolidated balance sheet as an accumulated loss and to the statutory reserve fund and the social fund.

The General Meeting of the Parent Company decided to transfer the loss of CZK 449,399 thousand to the 2007 balance sheet as the losses carried forward and the loss reported in 2006 will be settled from the profit to be generated in the following reporting periods in compliance with Article 52 (5) of the Company's Articles of Association.

The most significant amount in the change of other capital funds was the impact of the transfer of real estate between the Parent Company and SŽDC. Due to the refinements of the transformation of the former state organisation České dráhy, certain real estate that was previously recorded by SŽDC was recognised as the assets of the Parent Company and, concurrently, certain real estate was removed from the accounting books of the Parent Company and assigned to SŽDC. These predominantly include land plots divided by plat maps at the beginning and the end of railway stations. Management of the Parent Company believes that further changes, if any, that may occur in the future for the reasons referred to above are immaterial.

The increase in statutory and other funds predominantly includes an allocation to the social fund in the amount of CZK 316,801 thousand, of which CZK 294,641 thousand is charged against the share premium, CZK 9,104 thousand from retained earnings of 2006, CZK 13,056 thousand include repayments of loans by employees. The decrease in funds is due to the drawing of the social fund in the amount of CZK 365,837 thousand and the drawing of other funds in the amount of CZK 6,849 thousand.

The share in the profit of the subsidiary JLV under the equity method of accounting amounted to CZK 2,484 thousand and CZK 2,371 thousand in the years ended 31 December 2007 and 2006, respectively, of which the dividends paid out to the Parent Company amounted to CZK 1,930 thousand and CZK 6,505 thousand in the years ended 31 December 2007 and 2006, respectively.

5.8. → Reserves

→ (CZK'000)

	BALANCE AT 1 JAN 2006	CHARGE	USE	BALANCE AT 31 DEC 2006	CHARGE	USE	BALANCE AT 31 DEC 2007
Reserve for discounts and claims	29,437	28,155	29,437	28,155	27,774	51,429	4,500
Reserve for rents	16,271	13,906	16,271	13,906	14,153	13,906	14,153
Reserve for legal disputes	9,290	10,107	9,290	10,107	12,660	10,107	12,660
Reserve for repairs of assets	0	14,462	0	14,462	25,042	0	39,504
Reserve for outstanding vacation days	75,443	46,450	75,443	46,450	94,531	46,450	94,531
Reserve for bonuses	0	37,680	0	37,680	33,795	71,475	0
Other reserves	3,783	9,707	3,783	9,707	85,264	9,518	85,453
Total reserves	134,224	160,467	134,224	160,467	293,219	202,885	250,801

Other reserves include, for example, the reserves for estimated costs relating to outstandings and warranty repairs for the year ended 31 December 2007 in the amount of CZK 6,882 thousand and a reserve for the compensation for work related accidents of CZK 2,220 thousand.

All of the reserves charged in the year ended 31 December 2007 are non-tax deductible except for the reserve for repairs of assets. This reserve is tax deductible.

5.9. → Long-Term Prepayments Received

As of 31 December 2007, the long-term prepayments received amounted to CZK 342,743 thousand (2006: CZK 271,194 thousand). These prepayments were paid by customers as part of long-term leases of rail vehicles.

5.10. → Other Long-Term Payables

→ (CZK '000)	BALANCE AT 31 DEC 2007	BALANCE AT 31 DEC 2006
Payable to EUROFIMA	4,366,226	3,711,770
Payable to the City of Karlovy Vary	0	44,338
Long-term supplier payables	368,764	438,074
Other	262,785	102,431
Total long-term payables	4,997,775	4,296,613

In 2004, the Company received a long-term loan from EUROFIMA to finance the purchase of rail vehicles. This loan was increased in the year ended 31 December 2006 by EUR 30 million and by another EUR 30 million in the year ended 31 December 2007. This loan is collateralised by a state guarantee. The amount of capitalised interest on the loan from EUROFIMA for the years ended 31 December 2007 and 2006 was CZK 41,780 thousand and CZK 42,827 thousand, respectively.

Long-term supplier payables include payables to a supplier arising from repairs of wagons.

5.11. → Short-Term Payables

5.11.1. → Trade Payables

→ (CZK '000)		PAST DUE (IN DAYS)							TOTAL	TOTAL
YEAR	CATEGORY	BEFORE DUE DATE	0 – 90	91 - 180	181 – 365	365-730	731 AND GREATER			
2007	Short-term	5,339,661	1,192,007	2,660	3,840	13,262	218	1,212,042	6,551,703	
2006	Short-term	4,783,968	332,812	3,825	3,245	30,312	1,858	372,052	5,156,020	

5.11.2. → Tax Payables and Subsidies

As of 31 December 2007, tax payables were largely composed of personal income taxation deducted from the gross wages of the Company's employees, VAT in accordance with the VAT tax return for December 2007 and an additional payment of road tax for 2007. In addition, they were composed of an outstanding amount of the investment subsidy received by the Parent Company from municipalities of CZK 6,860 thousand (2006: CZK 4,310 thousand).

The Group records no amounts payable arising from social security contributions, contributions to the state employment policy, public health insurance payables or tax arrears.

5.11.3. → Prepayments Received

As of 31 December 2007, short-term prepayments received amount to CZK 203,161 thousand (2006: CZK 425,076 thousand) and were largely composed of rent prepayments.

5.12. → Estimated Payables

→ VTIS. Kč	BALANCE AT 31 DEC 2007	BALANCE AT 31 DEC 2006
Rental for passenger coaches of foreign companies in the Czech Republic	409,214	435,493
Rental for freight wagons of foreign companies in the Czech Republic	103,672	102,904
Costs of international transportation	128,854	455,027
Other	611,805	327,069
Total estimated payables	1,253,545	1,320,493

Rentals for coaches and wagons of foreign companies in the Czech Republic are billed retroactively for two months (freight transportation) and 12 months (passenger transportation). Costs of international passenger transportation represent an amount payable arising from unsettled operating output in border regions in respect of the neighbouring railway organisations. As compared to the previous year, estimated payables decreased due to the billing of most services at the end of the reporting period.

5.13. → Bank Loans

Long-term Bank Loans

BANK → (CZK '000)	CURRENCY	BALANCE AT 31 DEC 2007	BALANCE AT 31 DEC 2006	INTEREST RATE	COLLATERAL FORM
ČSOB	EUR	1,636,700	1,972,248	3M EURIBOR + 0,5	State guarantee
Total		1,636,700	1,972,248		

The Parent Company entered into a loan agreement with a consortium of banks led by Československá obchodní banka, a.s. Other members of the consortium include Kreditanstalt für Wiederaufbau, Bayerische Landesbank, Česká spořitelna, a.s. and Deutsche Bank Filiale Prag, org. složka. The loan has been provided to finance the renovation of the Company's rolling stock and is collateralised by a state guarantee issued by the Czech Finance Ministry. This guarantee serves to collateralise the principal balance and interest. As of 31 December 2006, the whole loan facility of EUR 92,065 thousand was drawn. The Company began repaying the loan principal on 25 May 2005 (repayments on 25 May and 25 November each year). As of 31 December 2007, EUR 20,333 thousand was repaid from the aggregate loan facility and the principal of EUR 71,731 thousand remains to be repaid between 2008 and 2014. The final maturity date of the loan is 25 November 2014.

The portion of bank loans maturing after one year from the consolidated balance sheet date is included in long-term loans. The portion of bank loans maturing within one year from the consolidated balance sheet date is included in short-term bank loans.

Short-Term Bank Loans

As of 31 December 2007, the portion of long-term bank loans maturing within one year from the consolidated balance sheet date amounts to CZK 272,784 thousand. In addition, the Company records the drawing of overdraft loans which amount to CZK 624,494 thousand with ČSOB and CZK 365,689 thousand with KB as of 31 December 2007 as part of short-term bank loans, and a short-term loan with KB in the amount of CZK 96,500 thousand.

The amount of capitalised interest and relating fees on the long-term banking loan from ČSOB for the year ended 31 December 2007 was CZK 99,615 thousand, of which interest and fees amounted to CZK 96,230 thousand and CZK 3,385 thousand, respectively. Interest on the loan from ČSOB is reported as interest expenses of the current period after train sets of the 680 series were put into use. The amount of capitalised interest and relating fees on the loan from ČSOB for the year ended 31 December 2006 was CZK 21,817 thousand.

5.14. → Income Taxes

5.14.1. → Tax Payable

The Parent Company has been reporting tax losses since its incorporation on 1 January 2003. The tax loss amounted to CZK 800,927 thousand, CZK 2,175,107 thousand, CZK 2,793,616 thousand and CZK 2,878,475 thousand for the years ended 31 December 2007, 2006, 2005 and 2004, respectively (changes in the tax loss for 2004, 2005 and 2006 as compared to the disclosures provided in the notes to the financial statements for individual years were due to additional tax returns filed during the following years). The difference between the accounting loss and the tax base was predominantly due to the difference between depreciation for accounting and tax purposes.

In the year ended 31 December 2007, the Company paid taxes from individual tax bases, relating to dividends from EUROFIMA for 2003 – 2006 in the following amounts: 2003: CZK 322 thousand, 2004: CZK 321 thousand, 2005: CZK 593 thousand and 2006: CZK 555 thousand.

The tax payable reported by the Group is the income tax of subsidiaries as standalone legal entities.

5.14.2. → Deferred Taxation

The Group has determined deferred tax as follows

→ (CZK '000)	BALANCE AT 31 DEC 2007	BALANCE AT 31 DEC 2006
Tangible and intangible fixed assets	-232,437	-1,390,023
Trade receivables	7,726	8,418
Inventory	2,564	5,721
Reserves	24,927	19,249
Unpaid contractual penalties	-20,944	-30,954
Unpaid supplier contractual penalties	3,127	134
Revaluation of financial investments	0	-3,532
Accumulated tax loss	1,960,375	2,226,540
Deferred tax from consolidation adjustments	61,965	83,531
Deferred tax asset - unrecognised	1,807,303	919,084
Tangible and intangible fixed assets	-526,821	-151,877
Trade receivables	0	6,535
Inventory	3,008	1,250
Reserves	18,890	2,329
Other	549	-95
Accumulated tax loss	0	907
Deferred tax from consolidation adjustments	7,727	10,684
Deferred tax liability (-) asset (+) – recognised	-496,647	-130,267
Total deferred tax asset	1,310,656	788,817

The aggregate deferred tax amount is predominantly impacted by the Parent Company. The Parent Company has decided not to recognise the deferred tax asset on the grounds of prudence and due to the uncertainty regarding the availability of future taxable profits. The recognised deferred taxation predominantly relates to assets and liabilities of the subsidiaries.

The significant increase in the tax liability is due to the formation of ČD Cargo, a. s. and the Parent Company's investment of fixed assets in this entity.

5.15. → Accrued Expenses and Deferred Income

Accrued expenses predominantly comprise the estimated additional payment of contractual wages to the Group's management for the year ended 31 December 2007.

Deferred income predominantly includes rental income from discount cards for passenger transportation, rental income from two gas stations leased to OMV, which was prepaid for 20 years, and lease of optical cables prepaid until 2023.

5.16. → Income from the Sale of the Company's Products and Services

→ (CZK'000)	YEAR ENDED 31 DECEMBER 2007			YEAR ENDED 31 DECEMBER 2006		
	IN-COUNTRY	CROSS-BORDER	TOTAL	IN-COUNTRY	CROSS-BORDER	TOTAL
Income from freight transportation	7,017,269	10,581,343	17,598,612	5,915,311	11,337,074	17,252,385
Income from passenger transportation	4,456,674	1,811,336	6,268,010	4,198,558	1,714,440	5,912,998
Income from other transportation	53,523	0	53,523	63,000	0	63,000
Income from securing railway routes	11,382,453	0	11,382,453	11,479,422	0	11,479,422
Income from other services	2,623,404	221,431	2,844,835	2,729,981	176,194	2,906,175
Total income from the sale of the Company's products and services	25,533,323	12,614,110	38,147,433	24,386,272	13,227,708	37,613 980

Cross-border sales include the share of the Parent Company of income from the international transportation and income from the cross-border rent of coaches and wagons.

Income from securing railway routes principally represents income from the services rendered to SŽDC and involves securing the management of operations of CZK 4,720,292 thousand (2006: CZK 4,699,422 thousand) and operability of CZK 6,662,161 thousand (2006: CZK 6,780,000 thousand). A description of the transactions between the Company and SŽDC is provided in Note 8.2.

Income from other services includes proceeds from the other activities of the Group, specifically income from the lease of land, buildings and non-residential premises and apartments, income for commercial-technical services, income from heat and electricity distribution and income from health insurers.

5.17. → Consumed Purchases

→ (CZK'000)	YEAR ENDED 31 DEC 2007	YEAR ENDED 31 DEC 2006
Consumed material	2,790,176	2,465,248
Consumed energy	3,062,166	2,889,525
Consumption of fuels	2,287,167	2,230,504
Total consumed purchases	8,139,509	7,585,277

5.18. → Services

→ (CZK'000)	YEAR ENDED 31 DEC 2007	YEAR ENDED 31 DEC 2006
Repairs and maintenance	4,114,204	4,243,442
Travel expenses	261,611	267,581
Other rental	148,521	162,656
Use of railway routes, management of operations	6,139,042	6,059,680
Rent for railway coaches and wagons	1,140,377	1,145,615
Freight charges	442,629	404,000
Services of dining and sleeping carriages	160,077	149,876
Services associated with the use of buildings	284,105	255,454
Cleaning of coaches and wagons	339,553	269,865
Other services	2,188,569	2,127,967
Total	15,218,688	15,086,136

Other services predominantly include expenses related to cross-border services, leases, environmental issues, telecommunication, education, and similar charges.

5.19. → Change in Reserves and Provisions Relating to Operating Activities

→ (CZK'000)	YEAR ENDED 31 DEC 2007	YEAR ENDED 31 DEC 2006
Change in reserves	90,334	26,242
Change in provisions against receivables	-14,351	-22,355
Change in provisions against tangible fixed assets	15,377	-242,946
Change in provisions against inventory	205	-27,758
Total change in reserves and provisions relating to operating activities	91,565	-266,817

5.20. → Other Operating Income

→ (CZK'000)	YEAR ENDED 31 DEC 2007	YEAR ENDED 31 DEC 2006
Settlement of losses from passenger transportation from the State budget including the subsidy for student fare	3,491,006	2,535,782
Settlement of losses from passenger transportation from the regional budgets including the subsidy for student fare	4,670,185	4,561,631
Other subsidies	454,843	588,486
Recoveries of receivables written off and transferred	86	72
Contractual penalties and default interest	35,473	75,132
Compensation for damage from insurers and other entities	140,586	123,070
Acquisition of material	282,218	14,736
Sundry operating income	542,216	490,854
Total other operating income	9,616,613	8,389,763

5.21. → Other Operating Expenses

→ (CZK'000)	YEAR ENDED 31 DEC 2007	YEAR ENDED 31 DEC 2006
Contractual penalties and default interest	16,965	5,001
Write-offs of receivables and transferred receivables	7,053	6,845
Deficits and damage relating to operating activities	46,220	80,652
Insurance	181,932	174,425
Employee uniforms and lump sum payments	124,905	149,038
Compensation for asset damage and impaired health	38,620	49,722
Membership allowances	14,899	23,107
Sundry operating charges	79,724	89,317
Total other operating expenses	510,318	578,107

5.22. → Other Financial Income and Expenses

Other financial income and expenses largely include foreign exchange rate gains and losses, and interest on the loans after bringing tangible fixed assets into operation and interest on the loan from EUROFIMA.

6. → EMPLOYEES, MANAGEMENT AND STATUTORY BODIES

The following table summarises the average recalculated number of the Group's employees and managers for the years ended 31 December 2007 and 2006:

2007

→ (CZK'000)	HEADCOUNT	WAGES AND SALARIES	SOCIAL SECURITY AND HEALTH INSURANCE	OTHER EXPENSES	TOTAL STAFF COSTS
Staff	56,369	15,731,191	5,308,121	771,186	21,810,498
Management	303	305,791	106,691	16,191	428,673
Total	56,672	16,036,982	5,414,812	787,377	22,239,171

2006

→ (CZK'000)	HEADCOUNT	WAGES AND SALARIES	SOCIAL SECURITY AND HEALTH INSURANCE	OTHER EXPENSES	TOTAL STAFF COSTS
Staff	60,282	15,800,870	5,264,283	756,826	21,821,979
Management	312	269,485	93,202	9,353	372,040
Total	60,594	16,070,355	5,357,485	766,179	22,194,019

The members of the Parent Company's statutory and supervisory bodies benefited from reduced fares. Cash bonuses for the members of the Group's statutory and supervisory bodies amounted to CZK 10,215 thousand and CZK 8,550 thousand in 2007 and 2006, respectively. Management of the Group is provided with benefits-in-kind taking the form of the use of company cars for private purposes.

7. → Contingent Liabilities and Other Off Balance Sheet Commitments

On 24 February 2005, the Company entered into a Framework Lease Contract for the financing of the purchase of freight wagons under finance leases in the aggregate amount of CZK 1.2 billion. The Company issued a blank bill with the restrictive clause for the benefit of CitiLeasing, s.r.o. as a collateralising instrument in respect of the lease contracts. With effect from 1 December 2006, ownership rights to the leased assets were transferred from CitiLeasing, s.r.o. to Fortis Lease Czech s.r.o. In compliance with the bill arrangement, the lessor will be entitled to fill out the bill in an amount equal to the amount due from the rent and accrued interest, up to 40 percent of the acquisition cost, net of VAT of the leased assets, in the event that the lease contract is breached.

Given the formation of the subsidiary ČD Cargo, a. s. engaged in freight railway transportation, all rights (receivables) and payables arising from the Framework Lease Contract were transferred from České dráhy, a. s. to ČD Cargo, a. s. with effect from 1 December 2007.

8. → OTHER INFORMATION

8.1. → Significant Factors Impacting the Group's Operations

The Parent Company was formed pursuant to, and its operations are governed by, general legal regulations governing joint stock companies and the Transformation Act. The Transformation Act, inter alia, sets out the scope of the Company's assets and its role in operating railway routes and rendering transportation services in the public interest.

The Parent Company provides transportation services in the public railway passenger transportation segment for a fixed (cost adjusted) price and procures transportation services in designated categories of passenger trains in the Czech Republic's rail network. The scope of these services and the level of compensation (income for the Company) are defined in agreements entered into with the State and territorial self-governing units. The level of the compensation is linked to the volume of funds set out in the State budget to finance provable losses incurred in respect of passenger transportation.

At the date of the financial statements, all contracts for regional transportation services among self-governing units and ČD, a.s. for 2008 were signed. Management of the Parent Company anticipates that regions will fully settle the payables arising from the concluded contracts in 2008.

The Parent Company operates railway routes on the basis of a three year agreement put in place with SŽDC. The contract for operating railway routes was entered into at the end of 2005 for the years 2006 – 2008. The level of compensation (the Company's income) for operating railway routes, is determined by appendices to the contract for each individual year. The Company pays the amounts to SŽDC, s.o. for the use of the railway route. The amount of the compensation (the Company's expense) is determined by Act No. 526/1990 Coll., on Prices, as amended.

8.2. → Transactions with SŽDC

INCOME AND EXPENSES

YEAR ENDED 31 DECEMBER 2007

→ (CZK'000)	EXPENSES	INCOME
Securing railway routes - management of operation	0	4,720,292
Securing railway routes - maintenance of operability	0	6,662,161
Use of railway routes - passenger transport	1,595,008	0
Use of railway routes - freight transport	4,116,997	0
Total	5,712,005	11,382,453

YEAR ENDED 31 DECEMBER 2006

→ (CZK'000)	EXPENSES	INCOME
Securing railway routes - management of operation	0	4,699,422
Securing railway routes - maintenance of operability	0	6,780,000
Use of railway routes - passenger transport	1,597,741	0
Use of railway routes - freight transport	4,363,935	0
Total	5,961,676	11,479,422

Income from the securing of railway route is disclosed as sales of products and services in Note 5.16.

The costs of using railway routes are reported as services and are disclosed in Note 5.18.

Receivables and Payables

As of 31 December 2007, the Group reported receivables from and payables to SŽDC. The aggregate net value of these items was CZK 57,233 thousand in the year ended 31 December 2007. The payable is reported in 'Trade payables'.

The aggregate net value of these items was CZK 493,428 thousand in the year ended 31 December 2006.

In addition, the Company reported a payable in 2007 arising from unbilled supplies from SŽDC reported as an estimated payable which amounted to CZK 216,377 thousand and CZK 119,428 thousand as of 31 December 2007 and 2006, respectively.

8.3. → Post Balance Sheet Events

No significant events occurred subsequent to the consolidated balance sheet date that would require adjustment to, or disclosure in, the financial statements.

In its Resolution No. 372 dated 23 April 2008, the Senate of the Czech Parliament approved the Draft Act which changes Act No. 77/2002 Coll. on the Joint Stock Company České dráhy, the state organisation Správa železniční dopravní cesty and the change in Act No. 266/1994 Coll., on Railways, as amended, and Act No. 77/1997 Coll., on State Enterprises, as amended, reflecting the judgement issued by the Constitutional Court as Act No. 83/2003 Coll., Act No. 179/2003 Coll. and Act No. 293/2004 Coll. The Act will become effective on 1 June 2008.

The amendment involves the change in the operator of the national railway routes and regional railway routes owned by the State. SŽDC, s. o., instead of ČD, a. s., will secure the operability of the national railway routes and regional railway routes, organise railway transportation on railway routes – prepare timetables and provide fire-fighter services. i.e. independently provide activities involved in railway route operation. For this purpose, SŽDC, s. o. will assume relevant material, technological and staff capacities of ČD, a. s. The provision of other activities involved in the railway route operation (servicing of the railway route and organising of railway transportation in extraordinary situations), including relevant capacities, will remain with ČD, a. s. which will be the supplier of these activities for SŽDC, s. o., as the operator of the railway route.

Name of the Company:	České dráhy, a. s.
Registered Office:	Nábřeží L. Svobody 1222, Praha 1, 110 15
Legal Status:	Joint Stock Company
Corporate ID:	70 99 42 26

Components of the Financial Statements:

Balance Sheet

Profit and Loss Account

Statement of Changes in Equity

Cash Flow Statement

Notes to the Financial Statements

These financial statements were prepared on 6 June 2008.

Statutory body of the reporting entity:

Vladimír FILIP,
MEMBER OF THE BOARD OF DIRECTORS
AND DEPUTY CEO FOR FINANCE



Petr DAVID,
MEMBER OF THE BOARD OF DIRECTORS
AND DEPUTY CEO FOR ADMINISTRATION OF ASSETS

BALANCE SHEET

↓ AS OF 31. 12. → IN CZK THOUSAND				2007	2006
		GROSS	ADJUSTMENT	NET	NET
TOTAL ASSETS		93,250,315	-36,524,473	56,725,842	52,979,967
B.	Fixed assets	87,882,217	-36,456,275	51,425,942	43,740,050
B.I.	Intangible fixed assets	3,197,876	-2,518,725	679,151	603,413
B.I.2.	Research and development	102,652	-102,559	93	107
B.I.3.	Software	1,292,395	-682,208	610,187	82,203
B.I.4.	Valuable rights	1,732,996	-1,732,996		
B.I.6.	Other intangible fixed assets	1,061	-962	99	99
B.I.7.	Intangible fixed assets under construction	68,772		68,772	521,004
B.II.	Tangible fixed assets	72,808,189	-33,937,550	38,870,639	40,789,204
B.II.1.	Land	7,081,086	-3,277	7,077,809	7,189,076
B.II.2.	Structures	21,637,072	-11,685,657	9,951,415	10,052,843
B.II.3.	Individual movable assets and sets of movable assets	41,474,477	-22,248,214	19,226,263	21,084,810
B.II.6.	Other tangible fixed assets	4,510	-402	4,108	4,140
B.II.7.	Tangible fixed assets under construction	1,622,493		1,622,493	814,177
B.II.8.	Prepayments for tangible fixed assets	988,551		988,551	1,644,158
B.III.	Non-current financial assets	11,876,152		11,876,152	2,347,433
B.III.1.	Equity investments in subsidiaries	11,449,271		11,449,271	1,957,597
B.III.2.	Equity investments in associates	151,644		151,644	114,599
B.III.3.	Other securities and investments	275,237		275,237	275,237
C.	Current assets	5,240,239	-68,198	5,172,041	9,128,359
C.I.	Inventories	1,415,496	-12,502	1,402,994	1,828,969
C.I.1.	Material	1,393,677	-12,502	1,381,175	1,750,531
C.I.2.	Work in progress and semifinished goods	4,265		4,265	67,403
C.I.4.	Animals				3
C.I.5.	Goods	8,354		8,354	9,822
C.I.6.	Prepayments for inventory	9,200		9,200	1,210
C.II.	Long-term receivables	11,970	-152	11,818	15,162
C.II.1.	Trade receivables	86		86	86
C.II.5.	Long-term prepayments made	1,350		1,350	5,983
C.II.7.	Other receivables	10,534	-152	10,382	9,093
C.III.	Short-term receivables	3,176,604	-55,544	3,121,060	5,241,778
C.III.1.	Trade receivables	1,975,413	-50,325	1,925,088	3,211,262
C.III.6.	State - tax receivables	166,149		166,149	108,606
C.III.7.	Short-term prepayments made	267,385		267,385	325,368
C.III.8.	Estimated receivables	705,394		705,394	1,553,407
C.III.9.	Other receivables	62,263	-5,219	57,044	43,135
C.IV.	Current financial assets	636,169		636,169	2,042,450
C.IV.1.	Cash on hand	104,534		104,534	104,569
C.IV.2.	Cash at bank	531,635		531,635	1,935,773
C.IV.3.	Short-term securities and investments				2,108
D.I.	Other assets	127,859		127,859	111,558
D.I.1.	Deferred expenses	50,571		50,571	70,185
D.I.2.	Complex deferred expenses	62		62	62
D.I.3.	Accrued income	77,226		77,226	41,311

↓	AS OF 31. 12. → IN CZK THOUSAND	31. 12. 2007	31. 12. 2006
	TOTAL LIABILITIES & EQUITY	56,725,842	52,979,967
A	Equity	41,308,580	36,446,972
A.I.	Share capital	20,000,000	20,000,000
A.I.1.	Share capital	20,000,000	20,000,000
A.II.	Capital funds	21,530,096	16,602,066
A.II.1.	Share premium	16,438,595	16,733,120
A.II.2.	Other capital funds	-866,015	-843,996
A.II.3.	Gains or losses from the revaluation of assets and liabilities	5,957,516	712,942
A.III.	Statutory funds	168,565	294,305
A.III.2.	Statutory and other funds	168,565	294,305
A.IV.	Retained earnings	-449,399	
A.IV.2.	Accumulated losses brought forward	-449,399	
A.V.	Profit or loss for the current period (+ -)	59,318	-449,399
B.	Liabilities	15,128,720	16,298,810
B.I.	Reserves	121,344	136,298
B.I.4.	Other reserves	121,344	136,298
B.II.	Long-term liabilities	4,525,673	4,449,456
B.II.5.	Long-term prepayments received	501	255,274
B.II.9.	Other payables	4,525,172	4,194,182
B.III.	Short-term liabilities	8,276,790	8,765,209
B.III.1.	Trade payables	5,299,660	5,200,935
B.III.4.	Payables to partners and association members	306,000	
B.III.5.	Payables to employees	865,309	1,105,735
B.III.6.	Social security and health insurance payables	435,974	562,278
B.III.7.	State - tax payables and subsidies	136,881	183,332
B.III.8.	Short-term prepayments received	179,990	426,543
B.III.10.	Estimated payables	1,050,471	1,285,855
B.III.11.	Other payables	2,505	531
B.IV.	Bank loans and borrowings	2,204,913	2,947,847
B.IV.1.	Long-term bank loans	1,636,700	1,972,248
B.IV.2.	Short-term bank loans	568,213	975,599
C.I.	Other liabilities	288,542	234,185
C.I.1.	Accrued expenses	145,374	126,984
C.I.2.	Deferred income	143,168	107,201

PROFIT AND LOSS ACCOUNT

↓	AS OF 31. 12. → IN CZK THOUSAND	2007	2006
I.	Sales of goods	158,858	139,899
A.	Costs of goods sold	124,607	107,098
	+ Gross margin	34,251	32,801
II.	Production	36,594,791	37,179,717
II.1.	Sales of own products and services	36,262,033	36,655,743
II.2.	Change in internally produced inventory	2,945	63,448
II.3.	Own work capitalised	329,813	460,526
B.	Purchased consumables and services	22,798,555	22,699,246
B.1.	Consumed material and energy	7,507,848	7,381,182
B.2.	Services	15,290,707	15,318,064
	+ Added value	13,830,487	14,513,272
C.	Staff costs	20,889,071	21,402,923
C.1.	Payroll costs	15,081,787	15,505,856
C.2.	Remuneration to members of statutory bodies	2,959	3,436
C.3.	Social security and health insurance costs	5,073,562	5,163,108
C.4.	Social costs	730,763	730,523
D.	Taxes and charges	45,154	74,727
E.	Depreciation of intangible and tangible fixed assets	2,710,449	2,543,968
III.	Sales of fixed assets and material	1,876,270	1,761,035
III.1.	Sales of fixed assets	1,311,071	1,323,212
III.2.	Sales of material	565,199	437,823
F.	Net book value of fixed assets and material sold	955,939	1,008,701
F.1.	Net book value of sold fixed assets	460,053	719,562
F.2.	Book value of sold material	495,886	289,139
G.	Change in reserves and provisions relating to operating activities and complex deferred expenses	36,547	-290,025
IV.	Other operating income	9,586,000	8,344,888
H.	Other operating expenses	496,437	560,488
*	Operating profit or loss	159,160	-681,587
VI.	Proceeds from the sale of securities and investments		20,000
J.	Cost of securities and investments sold		1,320
VII.	Income from non-current financial assets	25,032	10,471
VII.3.	Income from other non-current financial assets	25,032	10,471
X.	Interest income	12,961	17,108
N.	Interest expenses	245,081	123,531
XI.	Other financial income	371,701	465,622
O.	Other financial expenses	262,663	257,842
*	Financial profit or loss	-98,050	130,508
Q.	Income tax on ordinary activities	1,792	
Q 1.	- due	1,792	
**	Profit or loss from ordinary activities	59,318	-551,079
XIII.	Extraordinary income		112,655
R.	Extraordinary expenses		10,975
*	Extraordinary profit or loss		101,680
***	Profit or loss for the current period (+/-)	59,318	-449,399
****	Profit or loss before tax	61,110	-449,399

STATEMENT OF CHANGES IN EQUITY

IN CZK THOUSAND

	SHARE CAPITAL	SHARE PREMIUM	OTHER CAPITAL FUNDS	VALUATION GAINS OR LOSSES ON THE REVALUA- TION OF ASSETS AND LIABILITIES	STATUTORY AND OTHER FUNDS FROM PROFIT	ACCUMULATED LOSSES BROUGHT FORWARD	PROFIT OR LOSS FOR THE CURRENT ÚČETNÍHO PERIOD	TOTAL EQUITY
↓ AT 31.12.2005	20,000,000	19,172,917	-764,996	626,563	252,659	-1,546,139	-589,794	37,151,210
Settlement of losses for 2003 - 2005 with a charge against share premium		-2,135,933				1,546,139	589,794	
Creation of the social fund with a charge against share premium		-303,864			303,864			
Creation of the social fund - other					18,322			18,322
Use of the social fund					-280,540			-280,540
Revaluation of non-current financial assets				86,379				86,379
Profit or loss for the current period							-449,399	-449,399
Other			-79,000					-79,000
↓ AT 31.12.2006	20,000,000	16,733,120	-843,996	712,942	294,305		-449,399	36,446,972
Distribution of profit or loss						-449,399	449,399	
Creation of the social fund with a charge against share premium		-294,525			294,525			
Creation of the social fund - other					8,267			8,267
Use of the social fund					-360,190			-360,190
Investment of part of business in ČD Cargo a.s.					-68,342			-68,342
Revaluation of non-current financial assets				5,244,574				5,244,574
Profit or loss for the current period							59,318	59,318
Other			-22,019					-22,019
↓ AT 31.12.2007	20,000,000	16,438,595	-866,015	5,957,516	168,565	-449,399	59,318	41,308,580

CASH FLOW STATEMENT

↓	AT 31. 12. → IN CZK THOUSAND	YEAR ENDED 31/12/07	YEAR ENDED 31/12/06
P.	Opening balance of cash and cash equivalents	2,042,450	1,841,094
	Cash flows from ordinary activities		
Z.	Profit or loss from ordinary activities before tax	61,110	-551,079
A.1.	Adjustments for non-cash transactions	1,906,610	1,740,359
A.1.1.	Depreciation of fixed assets	2,710,449	2,549,949
A.1.2.	Change in provisions and reserves	36,546	-290,025
A.1.3.	Profit/(loss) on the sale of fixed assets	-851,018	-622,330
A.1.4.	Revenues from dividends and profit shares	-25,032	-10,471
A.1.5.	Interest expense and interest income	232,120	106,423
A.1.6.	Adjustments for other non-cash transactions	-196,455	6,813
A.°	Net operating cash flow before changes in working capital	1,967,720	1,189,280
A.2.	Change in working capital	555,349	807,058
A.2.1.	Change in operating receivables and other assets	-1,345,092	-767,848
A.2.2.	Change in operating payables and other liabilities	1,780,709	1,474,502
A.2.3.	Change in inventories	117,624	100,404
A.2.4.	Change in current financial assets	2,108	
A.**	Net cash flow from operations before tax and extraordinary items	2,523,069	1,996,338
A.3.	Interest paid	-206,386	-92,379
A.4.	Interest received	12,961	17,108
A.5.	Income tax paid from ordinary operations	-1,630	
A.6.	Receipts and expenditures relating to extraordinary activities		101,680
A.7.	Received dividends and profit shares	25,032	10,471
A.***	Net operating cash flows	2,353,046	2,033,218
	Cash flows from investing activities		
B.1.	Fixed assets expenditures	-6,205,491	-5,254,945
B.2.	Proceeds from fixed assets sold	1,310,956	1,343,350
B.4.	Cash investment in a subsidiary	-55,688	
B.***	Net investment cash flows	-4,950,223	-3,911,595
	Cash flow from financial activities		
C.1.	Change in payables from financing	1,542,783	2,341,488
C.2.	Impact of changes in equity	-351,887	-261,755
C.2.3.	Other cash contributions made by partners	8,303	18,785
C.2.5.	Payments from capital funds	-360,190	-280,540
C.***	Net financial cash flows	1,190,896	2,079,733
F.	Net increase or decrease in cash and cash equivalents	-1,406,281	201,356
R.	Closing balance of cash and cash equivalents	636,169	2,042,450

NOTES TO THE FINANCIAL STATEMENTS ČD, A.S.

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1. → GENERAL INFORMATION

1.1. → Background Information

České dráhy, a.s. (hereinafter the 'Company') was incorporated following its registration in the Register of Companies on 1 January 2003 as one of the legal successors of the former state organisation České dráhy. Additional details are presented in Note 1.5.

The Company's registered office is located at nábr. L. Svobody 1222/12, Prague 1.

The Company's share capital is CZK 20,000,000 thousand.

The financial statements have been prepared as of and for the year ended 31 December 2007. The reporting period is the calendar year, i.e. from 1 January 2007 to 31 December 2007.

The sole shareholder of the Company is the Czech Republic.

1.2. → Principal Operations

Until 30 November 2007, the Company was principally engaged in operating railway freight and passenger transportation. Since 1 December 2007, the Company has been principally engaged in operating railway passenger transportation. Activities relating to the operation of railway freight transportation were spun-off to ČD Cargo, a.s. which was recorded in the Register of Companies as of 1 December 2007. For detailed information, refer to Note 1.6.

Pursuant to applicable legislation, the Company also operates railway routes. The assets comprising the railway routes are in the ownership of the State, not the Company. The right of management of these assets rests with the state organisation Railway Route Administration (Správa železniční dopravní cesty, státní organizace - 'SŽDC')

In addition, the Company performs other activities related to the operation of transportation and transportation routes.

1.3. → Organisational Structure

The Company is organised into sections overseen directly by the Company's Chief Executive Officer (CEO) or Deputy CEOs, being:

- The section of the Company's CEO
- The section of the Company's Deputy CEO for Finance;
- The section of the Company's Deputy CEO for Passenger Transportation
- The section of the Company's Deputy CEO for Operations; and
- The section of the Company's Deputy CEO for Administration of Assets.

In 2008, the Company formed two new sections – the section of the Company's Deputy CEO for Human Resources and the section of the Company's Deputy CEO for Marketing and Communication.

1.4. → The Company's Bodies

The Company's bodies include the General Meeting, Board of Directors and Supervisory Board.

The General Meeting is the supreme body of the Company. The sole shareholder of the Company is the State which exercises the rights of the General Meeting through the Steering Committee.

The Company's Bodies as of 31 December 2007

	POSITION	NAME
Steering Committee	Chairman	Ing. Petr Šlegr
	Vice Chairman	Jiří Hodač
	Member	Ing. Vojtěch Kocourek, Ph.D.
	Member	Ing. Miroslav Kalous
	Member	Ing. Miloslav Müller
	Member	JUDr. Petr Polák
	Member	Ing. Bohumil Haase

On 11 June 2007, the Government revoked the authorisation for activity in the Steering Committee for Emanuel Šíp and authorised Vojtěch Kocourek for activity in the Steering Committee from 12 June 2007.

On 30 November 2007, the Government revoked the authorisation for activity in the Steering Committee for the Vice Chairman of the Steering Committee, Rudolf Vyčichl and authorised Jiří Hodač to be the Vice Chairman of the Steering Committee from 1 December 2007.

	POSITION	NAME
Board of Directors	Chairman	Ing. Josef Bazala
	Member	Doc. Ing. Petr David, Ph.D.
	Member	Ing. Vladimír Filip
	Member	Ing. Jiří Kolář, Ph.D.
	Member	Ing. Rodan Šenekl

As of 29 January 2008, Josef Bazala resigned from the position of the Chairman of the Board of Directors and remained in the position of the member of the Board of Directors. As of 31 January 2008, Rodan Šenekl resigned from the position of the member of the Board of Directors. On 1 February 2008, the Supervisory Board of the Company appointed Petr Žalud to the position of the Chairman and member of the Board of Directors. On 13 March 2008, Petr Moravec was appointed member of the Board of Directors.

	POSITION	NAME
Supervisory Board	Chairman	Ing. Vojtěch Kocourek, Ph.D.
	Member	PhDr. Jan Bitter
	Member	Ing. Karel Březina
	Member	Ing. Jan Černožorský
	Member	Ing. Jaromír Dušek
	Member	Ing. Tomáš Chalánek
	Member	Jiří Kratochvíl
	Member	Zdeněk Prosek
	Member	JUDr. Martin Roman

The Steering Committee of the Company recalled members of the Supervisory Board, František Formánek, Miroslav Kapoun, Karel Korytář and František Vašítk on 19 April 2007.

With effect from 20 April 2007, the Steering Committee of the Company appointed new members of the Supervisory Board, Karel Březina, Jan Černožorský, Zdeněk Prosek and Martin Roman.

1.5. → Formation and Incorporation of the Company

On 1 March 2002, Act 77/2002 Coll. on the Joint Stock Company Czech Railways, the State Organisation Railway Route Administration and the Changes to the Railways Act 266/1994 Coll., as amended, and the State Enterprise Act 77/1997 Coll. as amended (the 'Transformation Act') took effect. On the basis of the Transformation Act the Company was formed on 31 March 2002 and the state organisation Czech Railways discontinued its activities and operations on 1 January 2003 and the Company and the state organisation Railway Route Administration ('SŽDC') were formed as its legal successors.

SŽDC largely assumed the assets comprising railway routes while the Company largely assumed assets used to operate railway transportation and railway routes. In addition, SŽDC took over the bulk of receivables, payables and loans, while the Company assumed only trade receivables and payables before their due dates and receivables and payables arising from employment arrangements with its employees. Both entities assumed the assets and liabilities at their book values.

1.6. → Formation of the Subsidiary ČD Cargo, a. s.

On 31 March 2007, the Company formed a subsidiary ČD Cargo, a.s. (hereinafter "ČD Cargo"). The share capital of ČD Cargo consists of a non-cash investment of the business part engaged in railway freight transportation. The value of the non-cash investment was determined by an appraisal prepared by an expert appraiser. The Company is the sole shareholder of ČD Cargo.

ČD Cargo was incorporated following its registration in the Register of Companies on 1 December 2007. The equity investment in the newly formed subsidiary was reported as part of 'Equity investments in subsidiaries' in the value corresponding to the net book value of the invested assets and liabilities as of the date of the subsidiary's formation.

As of the balance sheet date, the value of the equity investment in ČD Cargo was revalued using the equity method of accounting to the value corresponding to the carrying value of the equity of ČD Cargo from the opening balance sheet as of 1 December 2007, as the first set of the financial statements of ČD Cargo will be prepared for the period of 13 months ending 31 December 2008.

The financial statements include the payable arising from the fact that the value of the non-cash investment at the time of formation of ČD Cargo did not correspond to the amount determined upon its incorporation. According to the expert appraisal for the verification of the value of a non-cash investment from the assets of the Company which was used to form ČD Cargo a.s. as of 1 December 2007, the value of this payable is CZK 306,000 thousand (for details refer to Note 4.10.3).

Comparative information in the financial statements of the Company:

The business part engaged in railway freight transportation which was invested in ČD Cargo formed a significant part of the Company in 2006. For this reason, the comparative information presented in Notes 4 to 7 for the years ended 31 December 2007 and 2006 is not fully comparable.

Information on the invested business part and its individual categories in the financial presentation, is presented in the table below which summarises basic categories of assets and liabilities which were transferred as part of the investment into ČD Cargo.

		GROSS	ADJUSTMENT	1/12/2007 NET
	TOTAL INVESTED ASSETS	21,636,917	13,583,509	8,053,408
B.	Fixed assets	18,365,774	13,553,028	4,812,746
B.I.	Intangible fixed assets	209,340	34,171	175,169
B.I.3.	Software	59,400	34,171	25,229
B.I.4.	Valuable rights	3,600		3,600
B.I.7.	Intangible fixed assets under construction	146,340		146,340
B.II.	Tangible fixed assets	18,146,744	13,518,857	4,627,887
B.II.1.	Land	72,616		72,616
B.II.2.	Structures	887,094	495,940	391,154
B.II.3.	Individual movable assets and sets of movable assets	16,993,851	13,022,917	3,970,934
B.II.6.	Other tangible fixed assets	19		19
B.II.7.	Tangible fixed assets under construction	192,754		192,754
B.II.8.	Prepayments for tangible fixed assets	410		410
B.III.	Non-current financial assets	9,690		9,690
B.III.1.	Equity investments in subsidiaries	5,168		5,168
B.III.2.	Equity investments in associates	4,522		4,522
C.	Current assets	3,271,113	30,481	3,240,632
C.I.	Inventory	98,424		98,424
C.I.1.	Material	98,412		98,412
C.I.6.	Prepayments for inventory	12		12
C.II.	Long-term receivables	8,005		8,005
C.II.5.	Long-term prepayments made	7,827		7,827
C.II.7.	Other receivables	178		178
C.III.	Short-term receivables	3,136,739	30,481	3,106,258
C.III.1.	Trade receivables	2,624,228	30,481	2,593,747
C.III.5.	Social security and health insurance	7,666		7,666
C.III.7.	Short-term prepayments made	10,090		10,090
C.III.8.	Estimated receivables	482,554		482,554
C.III.9.	Other receivables	12,201		12,201
C.IV.	Current financial assets	27,945		27,945
C.IV.1.	Cash on hand	1,254		1,254
C.IV.2.	Cash at bank	26,691		26,691
D. I.	Other assets	30		30
D.I.1.	Deferred expenses	30		30

		1/12/2007
	TOTAL INVESTED LIABILITIES	4,476,908
A.	Equity	68,342
A.III.	Statutory funds	68,342
A.III.2.	Statutory funds	68,342
B.	Liabilities	4,391,739
B.I.	Reserves	57,069
B.I.4.	Other reserves	57,069
B.II.	Long-term payables	677,585
B.II.5.	Long-term received prepayments	308,821
B.II.9.	Other payables	368,764
B.III.	Short-term payables	2,332,308
B.III.1.	Trade payables	1,729,470
B.III.5.	Payables to employees	234,649
B.III.6.	Social security and health insurance payables	134,542
B.III.7.	State – tax payables and subsidies	33,183
B.III.8.	Short-term received prepayments	22,131
B.III.10.	Estimated payables	178,333
B.IV.	Bank loans and borrowings	1,324,777
B.IV.2.	Short-term bank loans	1,324,777
C. I.	Other liabilities	16,827
C.I.1.	Accrued expenses	16,827

1.7. → Formation of a Subsidiary DPOV, a. s.

On 1 January 2007, the subsidiary DPOV, a. s. formed through an investment of the business part of the Company in the amount of CZK 386,395 thousand was recorded in the Register of Companies. The investment was transferred at net book value.

The subsidiary DPOV, a. s. assumed the activities predominantly relating to repairs of rail vehicles. The Company is the sole shareholder of DPOV, a. s.

2. → ACCOUNTING POLICIES AND GENERAL ACCOUNTING PRINCIPLES

The financial statements are prepared and presented in accordance with the Accounting Act 563/1991 Coll., as amended and modified by Acts 117/1994 Coll., 227/1997 Coll., 492/2000 Coll., 353/2001 Coll., 575/2002 Coll., 437/2003 Coll., 257/2004 Coll., 669/2004 Coll., 179/2005 Coll., 495/2005 Coll., 57/2006 Coll., 81/2006 Coll., 230/2006 Coll., 264/2006 Coll., 69/2007 Coll., 261/2007 Coll., 296/2007 Coll., and 348/2007 Coll. and Regulation 500/2002 Coll., which provides implementation guidance on certain provisions of the Accounting Act 563/1991, as amended, for reporting entities that are businesses maintaining double-entry accounting records, as amended by Regulations 472/2003 Coll., 397/2005 Coll. and 349/2007 Coll.; and Czech Accounting Standards for Businesses.

The accounting books and records are maintained in compliance with general accounting principles, specifically the historical cost valuation basis with certain exceptions as described in Note 3.2, the accruals principle, the prudence concept and the going concern assumption. The assets and liabilities assumed by the Company as of 1 January 2003 under Act 77/2002 Coll., as amended (the 'Transformation Act') were entered into the Company's books and records at their book values.

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

3. → SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1. → Tangible and Intangible 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) and CZK 60 thousand (intangible assets) on an individual basis. Land, buildings and constructions are treated as fixed assets irrespective of their cost valuation.

Intangible fixed assets are valued at acquisition cost. The Company's logo is valued at the price determined by an independent appraiser.

Land acquired prior to 1992 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 1992 is valued at acquisition cost.

Other tangible fixed assets are stated at acquisition cost. The acquisition cost includes interest on loans provided to fund the acquisition of assets before commencement of their use and other costs attributable to their acquisition.

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

Tangible fixed assets with an acquisition cost greater than CZK 500 but less than CZK 40 thousand and intangible fixed assets with an acquisition cost of less than CZK 60 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 acquisition cost of assets acquired subsequent to 1 January 2003 is reduced to reflect the amount of the grant received to finance the acquisition of the asset.

The assets acquired under finance or operating lease agreements (and related liabilities) 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. The estimated useful economic lives for the major categories of assets are as follows:

	NUMBER OF YEARS
Buildings	30 – 50
Constructions	20 – 50
Locomotives	20 – 25
Passenger coaches	20
Wagons	25 – 33
Machinery and equipment	8 – 20
Intangible assets	1,5-6

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

3.2. → Non-Current Financial Assets

Non-current financial assets principally consist of equity investments in subsidiaries and associates, long-term securities and debt securities with maturity exceeding one year, long-term provided loans and loans to subsidiaries and associates.

Upon acquisition, securities and equity investments are carried at cost. Equity investments that were acquired in exchange for the non-cash contribution invested in the company are valued at the carrying value of the non-cash investment.

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 reduced by provisions.

3.3. → 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 production overheads.

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

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

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

3.4. → 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.

At the balance sheet date, the Company records provisions of 20 percent against receivables that are past due by greater than six months, full provisions against receivables registered for recovery under bankruptcy and settlement proceedings and receivables where court proceedings against the relevant debtor have been initiated. Different provisioning levels can be recognised taking into account an individual assessment of receivable balances. The Company does not recognise provisions against receivables from its subsidiaries and SŽDC, s. o.

3.5. → 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.

3.6. → 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 incurred until the assets are brought into use are added to the cost of those assets. All other borrowing costs are recognised in the profit and loss account in the period in which they are incurred.

3.7. → Equity

On 31 March 2002, the date of the Company's formation, the contribution to the Company involved assets specified in the Establishment Deed, predominantly composed of tangible fixed assets at their original book values. The value of these assets stated in the Establishment Deed as of the Company's formation date was reported as the Company's share capital and share premium.

The change in the value of the assets comprising the contribution between the formation date of the Company and its incorporation date as of 1 January 2003 was reported as a component of other capital funds. As of the incorporation date, pursuant to the Transformation Act, the Company assumed not only the assets that comprised the contribution but also other assets and liabilities. The aggregate net value of these other assets and liabilities was also reported as a component of other capital funds. Given that the aggregate net value of assets and liabilities assumed as of 1 January 2003 was lower than the value of the contribution as of 31 March 2002, the reported balance of other capital funds as of 1 January 2003 and subsequently also as of 31 December 2004, 31 December 2005, 31 December 2006 and 31 December 2007 is negative.

Valuation gains and losses from the revaluation of assets and liabilities include the value of revaluation of the non-current financial assets using the equity method of accounting.

The Company has created a social fund. The creation of and drawing from the fund are governed by the Company's internal guidelines.

3.8. → Reserves

Reserves are intended to cover future obligations or expenditure, the nature of which is clearly defined and which are either likely to be incurred or certain 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 the ongoing legal disputes.

The reserve for payments made as compensation for job-related accidents and diseases and bonuses to pensions of certain former employees are established pursuant to a statistical analysis of available historical information as equal to the present value of estimated future payments arising from claims that originate before the balance sheet date.

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.

In the year ended 31 December 2006, the Company newly recognised a reserve for claims and a reserve for bonuses for customers in the freight transportation related to the volume of transportation. In the year ended 31 December 2007, these reserves were part of the business part spun off into the subsidiary ČD Cargo, a.s.

3.9. → 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.

3.10. → 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.

3.11. → Income Taxes

3.11.1. → Current Tax Payable

The tax currently payable is based on taxable profit for the reporting period. Taxable profit differs from net profit as reported in the profit and loss account because it excludes items of income or expense that are taxable or deductible in other periods and it further excludes items that are never taxable or deductible.

In the year ended 31 December 2007, the Company reports accounting profit in the profit and loss account. In the year ended 31 December 2007, the Company does not report taxable profit due to higher depreciation for tax purposes as compared to the depreciation for accounting purposes and subsequently no corporate income tax is recognised.

3.11.2. → Deferred Taxation

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.

3.12. → 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.

3.13. → Financial Derivatives

At the balance sheet date, the Company did not enter into any financial derivative.

3.14. → State Grants and Settlement of Public Service Commitments from the State Budget and Regional Budgets

Grants received from public budgets and other sources of funding to finance the acquisition and modernisation of fixed assets are treated as a reduction of the cost of the related assets.

Grants to settle public service commitments received from the State budget and regional budgets, the Complementary Social Programme grant, and the grant to settle a provable loss on discounted student fare are included in other operating income.

3.15. → Revenue Recognition

Revenues related to transportation services are recognised in the period in which the services are provided.

The Company operates railway routes comprising assets owned by the State. Expenses and income associated with these activities are recognised in the profit and loss account in the period to which they relate on an accruals basis.

Other revenues are recognised in the period to which they relate on an accruals basis, except where accruals cannot be estimated with a reasonable degree of certainty or where accrual accounting for revenues is not required by Czech accounting regulations.

3.16. → 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.

3.17. → Changes in Accounting Policies

In the year ended 31 December 2007, the Company did not use any accounting policies different from those adopted in the previous reporting period.

3.18. → Extraordinary Expenses and Income

Extraordinary items are income or expenses that arise from events or transactions that are clearly distinct from the ordinary activities of the Company as well as income or expenses from events or transactions that are not expected to recur frequently or regularly. These expenses and income include, for example, corrections of expenses and income of prior accounting periods, if they are material.

3.19. → Cash Flow Statement

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

→ IN CZK THOUSAND	31.12.2007	31.12.2006
Cash on hand and cash in transit	104,534	104,569
Cash at bank	531,635	1,935,773
Short-term securities and investments	0	2,108
Total cash and cash equivalents	636,169	2 042,450

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

As disclosed in Note 1.6, the business part engaged in railway freight transportation was spun-off to the subsidiary ČD Cargo, a. s. as of 1 December 2007. It was a significant part of the Company. For this reason, the comparative information disclosed in Note 4 for the years ended 31 December 2007 and 2006 is not fully comparable.

4.1. → Intangible Fixed Assets

	BALANCE AT	ADDITIONS	DISPOSALS	BALANCE AT	ADDITIONS	DISPOSALS	BALANCE AT
ACQUISITION COST → IN CZK THOUSAND	1.1.2006			31.12.2006			31.12.2007
Research and development	102,597	160	0	102,757	0	105	102,652
Software	687,115	88,088	2,214	772,989	602,541	83,135	1,292,395
Valuable rights	1,729,359	0	0	1,729,359	7,237	3,600	1,732,996
Other assets	942	119	0	1,061	0	0	1,061
Intangible assets under construction	353,524	255,847	88,367	521,004	242,493	694,725	68,772
Total	2,873,537	344,214	90,581	3,127,170	852,271	781,565	3,197,876

ACCUMULATED AMORTISATION → IN CZK THOUSAND	BALANCE AT 1.1.2006	ADDITIONS	DISPOSALS	BALANCE AT 31.12.2006	ADDITIONS	DISPOSALS	BALANCE AT 31.12.2007
Research and development	102,597	53	0	102,650	13	104	102,559
Software	672,171	20,829	2,214	690,786	46,602	55,180	682,208
Valuable rights	1,729,359	0	0	1,729,359	3,637	0	1,732,996
Other assets	942	20	0	962	20	20	962
Intangible assets under construction	0	0	0	0	0	0	0
Total	2,505,069	20,902	2,214	2,523,757	50,272	55,304	2,518,725

NET BOOK VALUE → IN CZK THOUSAND	BALANCE AT 1.1.2006	BALANCE AT 31.12.2006	BALANCE AT 31.12.2007
Research and development	0	107	93
Software	14,944	82,203	610,187
Valuable rights	0	0	0
Other assets	0	99	99
Intangible assets under construction	353,524	521,004	68,772
Total	368,468	603,413	679,151

In the year ended 31 December 2007, the Company disposed of a part of intangible fixed assets due to the formation of the subsidiary ČD Cargo, a. s. as of 1 December 2007. The aggregate amount of the disposals of intangible fixed assets at net book values as of 1 December 2007 was CZK 175,169 thousand, of which software amounted to CZK 25,229 thousand, valuable rights amounted to CZK 3,600 thousand and intangible assets under construction amounted to CZK 146,340 thousand.

Intangible fixed assets specifically comprise the Company's logo which was valued at CZK 1,729 million by an independent appraiser in 1997. The Company recognises accumulated amortisation in respect of the logo in the same amount. Intangible fixed assets additionally include software for the monitoring of trains, train traffic management, expenses relating to the SAP R/3, IS OPT, SENA, and PARIS accounting software. Additions of CZK 541 million to software predominantly include new modules of the SAP R/3 software.

Intangible assets under construction primarily relate to the development of software for train monitoring, train traffic management and expenditure relating to the SAP R/3, ISOR, IS-PRM, IS-KADR software modules.

4.2. → Tangible Fixed Assets

ACQUISITION COST → IN CZK THOUSAND	BALANCE AT 1.1.2006	ADDITIONS	DISPOSALS	BALANCE AT 31.12.2006	ADDITIONS	DISPOSALS	BALANCE AT 31.12.2007
Land	7,432,378	30,409	270,434	7,192,353	25,239	136,506	7,081,086
Buildings	21,165,860	1,165,616	279,972	22,051,504	872,311	1,286,743	21,637,072
Individual movable assets	50,591,050	7,664,957	2,281,772	55,974,235	4,869,854	19,369,612	41,474,477
– Machinery, equipment, and furniture and fixtures	5,827,674	330,375	464,207	5,693,842	91,598	1,059,388	4,726,052
– Vehicles	44,465,591	7,333,501	1,805,182	49,993,910	4,777,690	18,262,117	36,509,483
– Other	297,785	1,081	12,383	286,483	566	48,107	238,942
Other assets	4,542	0	0	4,542	0	32	4,510
Tangible assets under construction	4,678,074	4,997,084	8,860,981	814,177	6,774,926	5,966,610	1,622,493
Prepayments	1,694,837	831,787	882,466	1,644,158	1,512,696	2,168,303	988,551
Total	85,566,741	14,689,853	12,575,625	87,680,969	14,055,026	28,927,806	72,808,189

Notes to the financial statements ČD, a.s.

ACCUMULATED DEPRECIATION → IN CZK THOUSAND	BALANCE AT 1.1.2006	ADDITIONS	DISPOSALS	BALANCE AT 31.12.2006	ADDITIONS	DISPOSALS	BALANCE AT 31.12.2007
Buildings	11 677 231	427,907	177,179	11,927,959	442,586	755,103	11,615,442
Individual movable assets	34,206,069	2,560,245	2,181,351	34,584,963	2,654,235	15,317,473	21,921,725
– Machinery, equipment, and furniture and fixtures	4,628,178	283,746	462,922	4,449,002	234,038	948,471	3,734,569
– Vehicles	29,376,095	2,223,142	1,706,046	29,893,191	2,408,090	14,324,730	17,976,551
– Other	201,796	53,357	12,383	242,770	12,107	44,272	210,605
Other assets	394	8	0	402	0	0	402
Tangible assets under construction	0	0	0	0	0	0	0
Prepayments	0	0	0	0	0	0	0
Total	45 883 694	2 988 160	2 358 530	46 513 324	3 096 821	16 072 576	33 537 569

	PROVISIONS BALANCE AT → IN CZK THOUSAND	ADDITIONS	DISPOSALS	BALANCE AT 31.12.2006	ADDITIONS	DISPOSALS	BALANCE AT 31.12.2007
Land	4,526	3,277	4,526	3,277	6,555	6,555	3,277
Buildings	82,756	70,702	82,756	70,702	72,009	72,496	70,215
Individual movable assets	533,283	304,462	533,283	304,462	330,505	308,478	326,489
– Machinery, equipment, and furniture and fixtures	5,983	2,887	5,983	2,887	1,889	2,887	1,889
– Vehicles	527,300	301,575	527,300	301,575	328,616	305,591	324,600
– Other	0	0	0	0	0	0	0
Other assets	8	0	8	0	0	0	0
Tangible assets under construction	0	0	0	0	0	0	0
Prepayments	0	0	0	0	0	0	0
Total	620,573	378,441	620,573	378,441	409,069	387,529	399,981

NET BOOK VALUE → IN CZK THOUSAND	BALANCE AT 1.1.2006	BALANCE AT 31.12.2006	BALANCE AT 31.12.2007
Land	7,427,852	7,189,076	7,077,809
Buildings	9,405,873	10,052,843	9,951,415
Individual movable assets	15,851,698	21,084,810	19,226,263
– Machinery, equipment, and furniture and fixtures	1,193,513	1,241,952	989,594
– Vehicles	14,562,196	19,799,144	18,208,332
– Other	95,989	43,714	28,337
Other assets	4,140	4,140	4,108
Tangible assets under construction	4,678,074	814,177	1,622,493
Prepayments	1,694,837	1,644,158	988,551
Total	39,062,474	40,789,204	38,870,639

Disposals of tangible fixed assets include the investment of assets in the subsidiary DPOV, a. s. at the net book value of CZK 145,424 thousand.

During 2007, the amount of tangible fixed assets significantly decreased due to the formation of ČD Cargo, a. s. Disposals of tangible fixed assets at net book values as of 1 December 2007 amounted to CZK 4,627,887 thousand of which land amounted to CZK 72,616 thousand, buildings amounted to CZK 391,154 thousand, machinery and equipment amounted to CZK 81,688 thousand, vehicles amounted to CZK 3,886,932 thousand, other tangible fixed assets amounted to CZK 2,314 thousand, other tangible fixed assets amounted to CZK 19 thousand, tangible fixed assets under construction amounted to CZK 192,754 thousand and prepayments made for tangible fixed assets amounted to CZK 410 thousand.

Land and buildings principally consist of immovable assets – train stations and depots for rail vehicles (including the peripheral area around train stations and depots) and other immovable assets used to operate passenger railway transportation and other activities of the Company. Assets comprising the railway routes owned by the State are not included in land and buildings.

Vehicles principally comprise rail vehicles (locomotives, passenger coaches, wagons and other rail vehicles) used in the course of providing passenger transportation services. On the basis of stock count procedures and analyses, the Company has identified asset components, where there is significant uncertainty regarding their future utilisation. These assets have been provisioned as equal to the difference between the net book value and estimated fair value (typically the net proceeds of the sale or disposal of the relevant asset).

Principal items of prepayments made for tangible fixed assets are prepayments for the acquisition of the 471 series electric locomotives in the amount of CZK 476,000 thousand and the 380 series electric three-system locomotives in the amount of CZK 449,800 thousand.

Principal additions to tangible assets include the acquisition of the Ampz and Bmz passenger coaches in the amount of CZK 1,291,254 thousand, acquisition of 471 series electric locomotives in the amount of CZK 1,938,105 thousand and acquisition of motor vehicles in the amount of CZK 333,475 thousand. Principal disposals of tangible fixed assets included the disposal of wagons at the net book value of CZK 371,974 thousand through the sale to ING Lease (C.R.), s.r.o. for lease back.

Other disposals included disposals of land due to the sale of these assets to SŽDC, s. o., as part of the settlement at the net book value of CZK 31,125 thousand.

4.2.1. → Pledged Assets

The Company holds assets that were pledged as security – train sets of the 471 series at an acquisition cost of CZK 1,236,140 thousand.

4.2.2. → Tangible Fixed Assets not Reported on the Face of the Balance Sheet

The aggregate amount of tangible fixed assets not reported on the face of the balance sheet as of 31 December 2007 was CZK 1,632 million (31 December 2006: CZK 1,635 million). These include items worth less than CZK 40 thousand that are recorded only in the underlying operating records. These items are recognised in expenses at the moment of acquisition in accordance with applicable legislation.

4.2.3. → Investment Grants

Investment grants received in the year ended 31 December 2007 amounted to CZK 526,635 thousand (31 December 2006: CZK 455,212 thousand), of which the grants from the State Fund of Transport Infrastructure amounted to CZK 129,130 thousand in the year ended 31 December 2007. .

4.2.4. → Assets Held under Finance Leases

	DATE OF INCEPTION	TERM IN MONTHS	TOTAL LEASE VALUE	PAYMENTS MADE IN 2005	PAYMENTS MADE IN 2006	PAYMENTS MADE IN 2007	DUE IN 2008	DUE IN THE FOLLOWING YEARS
→IN CZK THOUSAND								
AU analyser	06/2003	36	2,095	1,163	698	234	0	0
Motor vehicles of the 854 series	01/2006	126	311,176	0	12,966	31,117	31,117	235,976
WLABmz sleeping cars	03/2007	120	956,061	0	0	71,705	95,606	788,750
Total			1,269,332	1,163	13,664	103,056	126,723	1,024,726

A portion of assets under finance lease were transferred to ČD Cargo, a.s. as of 1 December 2007:

BUSINESS NAME OF THE ENTITY	DATE OF INCEPTION	TERM IN MONTHS	TOTAL LEASE VALUE	PAYMENTS MADE IN 2005	PAYMENTS MADE IN 2006	PAYMENTS MADE IN 2007	DUE IN 2008	DUE IN THE FOLLOWING YEARS
Freight rail vehicles								
Sgmrss rail vehicles	10/2005	96	145,613	4,396	18,202	17,537	0	0
Tadnss & Tadgnss rail vehicles	04/2006	96	294,719	0	17,024	33,677	0	0
Habbillnss rail vehicles	12/2005	96	866,711	0	82,770	98,184	0	0
Zacns rail vehicles	04/2006	96	81,276	0	6,209	9,314	0	0
Sgnss rail vehicles	12/2006	123	418,263	0	0	27,884	0	0
Locomotives of the 709 series	12/2006	120	58,940	0	0	5,403	0	0
Total			1,865,522	4,396	124,205	191,999	0	0

The transfer included the remaining payable from the lease of the Sgmrss freight rail vehicles totalling CZK 105,478 thousand, Tadnss & Tadgnss rail vehicles totalling CZK 244,018 thousand, Habbillnss rail vehicles totalling CZK 685,757 thousand, Zacns rail vehicles totalling CZK 65,753 thousand, Sgnss rail vehicles totalling CZK 390,379 thousand and locomotives of the 709 series totalling CZK 53,537 thousand.

Other assets held under operating leases recorded off-balance sheet amounted to CZK 17,938 thousand and CZK 23,683 thousand in the years ended 31 December 2007 and 2006, respectively.

4.3. → Non-Current Financial Assets

4.3.1. → Equity Investments in Subsidiaries

AT 31.12.2007 → IN CZK THOUSAND

BUSINESS NAME OF THE ENTITY	REGISTERED OFFICE	COST	PREVA- LUATION	OWNERSHIP PERCENTAGE	EQUITY	PROFIT OR LOSS FOR 2007	VALUATION AT 31 DEC 2007
RAILREKLAM, spol. s r. o.	Praha 1, Klimentská 36/1652	29,250	-9,938	51%	37,867	5,386	19,312
RailReal a. s.	Praha 3, Olšanská 1a	660	-660	66%	-1,157	-1,983	0
ČD Reality a. s.	Praha 1, Hyberská 1034/5	1,020	3,554	51%	8 969	398	4,574
Dopravní vzdělávací institut, a. s.	Praha 1, Hyberská 1014/13	3,200	2,809	100%	6,009	373	6,009
Smíchov Station Development, a. s.	Praha 8, Ke Štvanici 656/3	1,020	-1,020	51%	-1,609	-1,690	0
ČD travel, s. r. o.	Praha 1, Hyberská 1034	7,500	121	51.72%	14,741	503	7,621
Traťová strojní společnost, a. s.	Pardubice, Hlaváčova 206	287,483	102,209	51%	764,102	53,058	389,692
Výzkumný Ústav Železniční, a. s.	Praha 4, Novodvorská 1698	330,414	52,297	100%	382,711	7,085	382,711
ČD – Telematika a. s.	Praha 3, Pernerova 2819/2a	673,152	508,977	59.31%	1,993,136	51,710	1,182,129
DPOV, a. s.	Přerov, Husova 635/1b	387,425	-2,134	100%	385,291	50,262	385,291
ČD Cargo, a. s.	Praha 1, nábř.L.Svobody 1222	3,883,750	5,182,250	100%	9,066,000*	**)	9,066,000
ČD-GeneralvertretungWien GmbH	Wien, Rotenturmstrasse 22/24	1,293	2 637	100%	3,930	2,025	3,930
Žižkov Station Development, a. s.	Praha 8, Ke Štvanici 656/3	1,020	0	51%	2,000	-22	1,020
Centrum Holešovice, a. s.	Praha 1, Revoluční 767/25	1,020	-38	51%	1,925	-75	982
Total		5,608,207	5,841,064				11,449,271

*) Figure from the opening balance sheet of ČD Cargo, a. s. as of 1 December 2007

**) The end of the first reporting period of ČD Cargo, a. s. will be on 31 December 2008.

AT 31.12.2006 → IN CZK THOUSAND

BUSINESS NAME OF THE ENTITY	REGISTERED OFFICE	COST	PREVA- LUATION	OWNERSHIP PERCENTAGE	EQUITY	PROFIT OR LOSS FOR 2007	VALUATION AT 31 DEC 2006
RAILREKLAM, spol. s r. o.	Praha 1, Klimentská 36/1652	29,250	10,003	100%	39,253	4,095	39,253
RailReal a. s.	Praha 3, Olšanská 1a	660	-115	826	66%	-834	545
ČD Reality a. s.	Praha 1, Hyberská 1034/5	1,020	291	2,571	51%	856	1,311
ČD Generalvertretung GmbH	SRN Frankfurt am/M	1,592	-142	4,053	100%	2,678	1,364
Dopravní vzdělávací institut, a. s.	Praha 1, Hyberská 1014/13	3,200	2 754	100%	5,954	1,955	5,954
Smíchov Station Development, a. s.	Praha 8, Ke Štvanici 655/1	1,020	-978	82	51%	-1,185	42
ČD travel, s. r. o.	Praha 1, Hyberská 1034	7,500	-262	7,238	100%	70	7,238
Traťová strojní společnost, a. s.	Pardubice, Hlaváčova 206	287,483	76,415	713,526	51%	42,547	363,898
Výzkumný Ústav Železniční, a. s.	Praha 4, Novodvorská 1698	330,414	45,593	376,007	100%	5,846	376,007
ČD – Telematika a. s.	Praha 3, Pernerova 2a/2819	673,152	487,067	2,274,939	51%	25,088	1,160,219
RAILLEX, a. s.	Praha 1, Hyberská 1014/13	1,020	-15	51%	1,970	-30	1,005
Koleje Czeskie Sp. Z o.o.	Warszawa, Hoza 63/67, Polsko	761	0	100%	761	0	761
Total		1 337 072	620 611				1,957,597

The equity investment in RAILREKLAM, spol. s r.o. was made on the basis of a Founding Deed dated 21 February 1991. On the basis of an agreement dated 28 December 2000, a 50 percent equity investment held by Österreichisches Verkehrsbüro AG was transferred to the Company for CZK 29 million. As such, the Company became the sole owner of RAILREKLAM, spol. s r.o. On 6 February 2004, RAILREKLAM, spol. s r.o. increased its share capital to CZK 13.5 million. On 6 April 2007, a contract for the investment of TARDUS, s.r.o. in RAILREKLAM was concluded. This investments decreased the equity investment of the Company from 100 percent to 51 percent. The increase in the capital was recorded in the Register of Companies on 2 June 2007. RAILREKLAM, spol. s r.o. is engaged in advertising activities specifically related to railway transportation.

RailReal a.s. was incorporated following its registration in the Register of Companies on 6 December 2000. The Company acquired the shares of RailReal a.s. on the basis of deeds of donation dated 20 December 2000. The entity is principally engaged in undertaking projection and engineering activities in investment construction.

ČD - Telematika a. s., principal activities – provision of telecommunication services, software and advisory, assembly, maintenance, and servicing. ČD, a.s. increased its equity investment in ČD - Telematika a. s. from 40 percent to 51 percent by an investment of part of the business, it was registered in the Register of Companies on 4 May 2005. The General Meeting of ČD – Telematika a. s. held on 28 June 2006 decided to decrease the share capital by CZK 332,644 thousand through the withdrawal of shares from circulation for consideration. This was recorded in the Register of Companies on 13 February 2007 and the equity investment of ČD, a.s. increased to 59.31 percent.

ČD Reality a.s. was incorporated following registration in the Register of Companies on 16 November 2004. The entity is engaged in investment construction engineering activities, preparation and implementation of revitalisation projects and other related activities.

ČD Generalvertretung GmbH was incorporated following registration in the Register of Companies on 11 October 2004. The entity is engaged in the representation of the Company in its business and other interests abroad, predominantly conclusion and mediation of contracts relating to freight transport. The share was invested in the subsidiary ČD Cargo, a.s. which was formed on 1 December 2007.

Traťová strojní společnost, a.s., registered in the Register of Companies on 1 January 2005, principal activities: maintenance and repair of track superstructure, operation, repairs and renovation of railway machines. The company was formed by an investment of part of the business of České dráhy, a.s. On 15 December 2005, the Contract for the Investment of OHL ŽS, a. s. (former ŽS Brno) in Traťová strojní společnost was entered into. The investment decreased the shareholding of České dráhy from 100 percent to 51 percent. The increased share capital was recorded in the Register of Companies on 15 February 2006.

Výzkumný Ústav Železniční, a.s., registered in the Register of Companies on 1 July 2005, principal activities: testing engineering, research and development of rail vehicles and infrastructure equipment. The company was formed by an investment of part of the business of České dráhy, a.s.

Smíchov Station Development, a.s., registered in the Register of Companies on 1 June 2005, principal activities: design, renovation, modernisation and development of the Smíchovské nádraží locality.

ČD travel, s. r. o., registered in the Register of Companies on 1 August 2005, principal activities: travel agency and provision of related services. On 10 October 2006, České dráhy, a.s., as the sole owner of ČD travel, s. r. o. approved the increase in the share capital of the company of CZK 7 million through a cash contribution by OSŽ which became a new owner of ČD travel, s. r. o. The transaction was recorded in the Register of Companies on 8 March 2007. As of that date, the equity investment of České dráhy a.s. in ČD travel decreased to 51.7 percent.

Dopravní vzdělávací institut, a.s., registered in the Register of Companies on 21 September 2005, principal activities: organisation of courses, educational events and training activities, including tutoring activities, and language courses.

RAILLEX, a. s., registered in the Register of Companies on 17 June 2006, principal activities – storage of goods and freight handling. The share was invested in the subsidiary ČD Cargo, a.s. which was formed on 1 December 2007.

Koleje Czeskie Sp. Z o.o., registered in the Register of Companies on 18 December 2006. The company is engaged in the representation of business and other

interests of ČD, a.s. abroad, predominantly conclusion and mediation of contracts relating to freight transport. The share was invested in the subsidiary ČD Cargo, a.s. which was formed on 1 December 2007.

In the year ended 31 December 2007, the following new subsidiaries were formed:

DPOV, a. s., registered in the Register of Companies on 1 January 2007. The company is engaged in inspections, modernisation and renovation of rail vehicles. The company was formed through a spin-off from České dráhy, a. s.

ČD-DUSS Terminál, a. s., registered in the Register of Companies on 1 March 2007. The company is engaged in the operation of container terminals including related services. The equity investment of České dráhy, a. s. of 51 percent was invested in the subsidiary ČD Cargo, a. s.

CD – Generalvertretung Wien GmbH was formed on 30 March 2007 in Austria through the investment of České dráhy, a.s. in the amount of EUR 45 thousand. The company is engaged in business representation. On 22 January 2008, České dráhy, a.s. sold the company to its subsidiary ČD Cargo, a. s.

Centrum Holešovice a. s., registered in the Register of Companies on 2 May 2007. The company is engaged in the preparation of the project for the revitalisation of the train station area in Holešovice. The equity investment of České dráhy is 51 percent.

ČD Cargo, a. s., registered in the Register of Companies on 1 December 2007. The company was formed through the spin-off from České dráhy, a. s. The activities relating to railways freight transport were transferred to this subsidiary. České dráhy is the sole owner of this company.

Žižkov Station Development, a. s., registered in the Register of Companies on 14 December 2007. The equity investment of České dráhy, a. s. amounts to 51 percent. The company is engaged in the lease of real estate – apartments and non-residential premises.

4.3.2. → Equity Investments in Associates

AT 31.12.2007 → IN CZK THOUSAND

BUSINESS NAME OF THE ENTITY	REGISTERED OFFICE	COST	OWNERSHIP NĚNÍ	VLASTNICKÝ PERCENTAGE	EQUITY	PROFIT OR LOSS IN 2007	VALUATION AT 31 DEC 2007
CR-City a. s.	Praha 3, Olšanská 1a	680	-188	34%	1 448	-495	492
Masaryk Station Development a. s.	Praha 3, Olšanská 1a	680	-680	34%	-3,085	-2,853	0
Jídelní a lůžkové vozy, a. s.	Praha 4, Chodovská 3/228	20,000	89,703	38.79%	282.812	6,404	109,703
CR office a. s.	Praha 3, Olšanská 2643/1a	680	-124	34%	1,634	-102	556
ČD Logistic, a.s.	Praha10, K Hrušovu 293/2	3,400	-375	34%	8,896	-1,104	3,025
RS hotel a.s.	Praha 3, Olšanská 2643/1a	680	-116	34%	1,659	-116	564
RS residence s.r.o.	Praha 3, Olšanská 2643/1a	68	22,817	34%	67,310	1,390	22,885
WHITEWATER a.s.	Praha3, Olšanská 2643/1a	680	-132	34%	1,611	-181	548
ČD Restaurant, a.s.	Praha 6, Václavkova 169/1	4,000	-657	20%	16,713	-3,287	3,343
Ostravská dopravní společnost, a.s.	Ostrava, Přívoz, U Tiskárny 616/9	7,000	3,528	20%	52,646	17,645	10,528
Celkem		37,868	113,776				151,644

Notes to the financial statements ČD, a. s.

AT 31.12.2006 → IN CZK THOUSAND

BUSINESS NAME OF THE ENTITY	REGISTERED OFFICE	COST	REVALUA- TION	OWNERSHIP PERCENTAGE	EQUITY	PROFIT OR LOSS IN 2006	VALUATION AT 31 DEC 2006
CR-Ciity a. s.	Praha 3, Olšanská 1a	680	247	34%	2,727	2,391	927
BOHEMIAKOMBI, spol. s r. o.	Praha 1, Opletalova 6	822	3,701	20%	22,612	- 5,796	4,522
Masaryk Station Development a. s.	Praha 3, Olšanská 1a	680	-759	34%	-231	- 330	0
Jídelní a lůžkové vozy, a. s.	Praha 4, Chodovská 3/228	20,000	89,150	38.79%	281,386	12,227	109,150
Total		22,182	92,339				114,599

4.3.3. → Other Equity Investments and Securities

TYPE OF SECURITY AND INVESTMENT → IN CZK THOUSAND	31.12.2007	31.12.2006
PraK, a. s.	850	850
STROJEXPORT, a. s.	2,300	2,300
Hit Rail B.V.	4,017	4,017
EUROFIMA	262,873	262,873
INTERCONTAINER-INTERFRIGO, o. s.	5,189	5,189
INTERNATIONALE SPEDITION Děčín a. s.	8	8
Total	275,237	275,237

The equity investment of the Company in EUROFIMA is 1 percent. This equity investment allows the Company to draw finances of this institution, as detailed in Note 4.9. EUROFIMA is a multinational company engaged in the funding of purchases of rail vehicles and development of railway transportation in Europe.

4.4. → Inventory

→ IN CZK THOUSAND	31.12.2007	31.12.2006
Spare parts for machinery and equipment	290,925	349,415
Spare parts and other components for rail vehicles and locomotives	456,283	523,984
Other spare parts and other minor components	151,904	223,086
Fuels and other oil products	30,048	19,250
Switches, turntables, traverse tables and components for rail superstructures	129,254	145,642
Work clothes, work shoes, protective devices	242,541	311,979
Other	114,541	279,407
Total cost	1,415,496	1,852,763
Provisions	12,502	23,794
Total net book value	1,402,994	1,828,969

The balance of inventory decreased predominantly due to the investment in DPOV, a. s. in the amount of CZK 221,219 thousand and the investment in ČD Cargo, a. s. in the amount of CZK 98,424 thousand.

The Company records provisions against redundant inventory components and/or inventory that carries the risk of its net realisable value being lower than cost. The decrease in 2007 was due to the sale of this redundant inventory.

The inventories required for use in the long-term within the entire Company are gathered in the Supply Centre in Česká Třebová.

4.5. → Short-Term Receivables

4.5.1. → Trade Receivables

→IN CZK THOUSAND

YEAR	CATEGORY	BEFORE DUE DATE	PAST DUE (IN DAYS)					TOTAL	TOTAL
			0 - 90 DNÍ	91 - 180	181 - 365	366 - 730	731 AND GREATER		
2007	Brutto	1,626,770	275,235	13,169	27,477	19,153	13,609	348,643	1,975,413
	Opr. položky	0	-53	-5	-22,622	-14,036	-13,609	-50,325	-50,325
	Netto	1,626,770	275,182	13,164	4,855	5,117	0	298,318	1,925,088
2006	Brutto	2,952,440	233,280	18,841	32,719	31,816	30,627	347,283	3,299,723
	Opr. položky	0	0	0	-26,018	-31,816	-30,627	-88,461	-88,461
	Netto	2,952,440	233,280	18,841	6,701	0	0	258,822	3,211,262

The decrease in short-term trade receivables is predominantly due to the investment of receivables in the amount of CZK 2,593,746 thousand in ČD Cargo, a. s. as of 1 December 2007.

4.5.2. → Intercompany Receivables

ENTITY →IN CZK THOUSAND

AT 31.12.2007

AT 31.12.2006

SHORT-TERM RECEIVABLES

TRADE RECEIVABLES

ČD - Telematika a. s.	23,448	11,509
Traťová strojní společnost, a. s.	13,029	27,183
Výzkumný Ústav Železniční, a. s.	1,974	997
Jídelní a lůžkové vozy, a. s.	635	627
DPOV, a. s.	70,865	0
ČD Cargo, a. s.	1,009,256	0
Total short-term intercompany receivables*	1,119,207	40,316
Other than intercompany receivables	856,206	3,259,407
Total short-term intercompany receivables - gross	1,975,413	3,299,723
Provision against receivables	-50,325	-88,461
Total short-term trade receivables - net	1,925,088	3,211,262

*Receivables from other related parties, except for the above noted, are deemed immaterial and were included in other than intercompany receivables.

The balance of receivables from ČD Cargo, a. s. predominantly includes the assignment of a receivable of ČD, a. s. from SŽDC, s. o. for the operation of the railway route for December 2007 in the amount of CZK 412,033 thousand to ČD Cargo. As the receivable was assigned, this transaction is not included in the table in Note 4.16 which presents only supplies provided within the Group. This transaction is not presented in tables in Note 4.16.

The remaining portion of receivables from ČD Cargo, a. s. includes billed sales, the most significant item is the invoice for electricity for December 2007 in the amount of CZK 189,805 thousand.

4.5.3. → Tax Receivables

As of 31 December 2007 and 2006, tax receivables amounted to CZK 144,266 thousand and CZK 92,249 thousand, respectively, and largely consisted of receivables arising from VAT.

4.5.4. → Prepayments Made

As of 31 December 2007 and 2006, short-term prepayments made amounted to CZK 267,385 thousand and CZK 325,368 thousand, respectively, and largely consisted of prepayments made for the supply of services (electricity, heat, etc.).

4.6. → Estimated Receivables

→IN CZK THOUSAND	AT 31.12.2007	AT 31.12.2006
Cross-border rentals for passenger coaches	480,142	466,023
Cross-border rentals for freight wagons	0	229,473
Income from international transportation – passenger transportation	143,601	273,241
Income from international transportation – freight transportation	0	371,897
Other	81,651	212,773
Total estimated receivables	705,394	1,553,407

Estimated receivables from the freight transport were part of the investment in ČD Cargo, a. s.

Cross-border rentals for passenger coaches are billed retroactively for 12 months.

Income from international passenger transportation represents an amount due from the transportation services provided as of 31 December 2007 which were not billed to the foreign railway organisations and an amount receivable arising from unsettled operating output in border regions in respect of the neighbouring railway organisations. As compared to the previous year, estimated receivables decreased as most services were billed at the end of the period.

4.7. → Equity

The Company's share capital is composed of the investment made by the Czech State as the sole shareholder, represented by the Czech Transportation Ministry. The share capital consists of 20 ordinary registered shares with a nominal value of CZK 1 billion. The shares are placed with the shareholder, the Czech Transportation Ministry, and are transferable only subject to the prior consent of the Czech Government.

Information about the substance of individual equity components is presented in Note 3.7 to the financial statements.

The revaluation of the non-current financial assets using the equity method of accounting amounted to CZK 5,957,516 thousand.

The increase in statutory and other funds predominantly includes an allocation to the social fund in the amount of CZK 307,581 thousand, of which CZK 294,525 thousand is charged against the share premium, other allocations to the social fund of CZK 13,056 thousand include repayments of loans by employees. The amount of CZK 294,525 thousand represents 2 percent of the annual expenses recognised for salaries and compensation for salaries for the year ended 31 December 2006. The portion of the social fund of CZK 68,342 thousand was transferred to ČD Cargo, a. s. as of 1 December 2007.

The General Meeting decided to transfer the loss of CZK 449,399 thousand to the balance of 2007 as the losses carried forward and the loss reported in 2006 will be settled from the profit of the following reporting periods in compliance with Article 52 (4) (b) of the Company's Articles of Association.

4.8. → Reserves

→IN CZK THOUSAND

	BALANCE AT 1.1.2006	CHARGE	USE	BALANCE AT 31.12.2006	CHARGE	USE AND INVESTMENT*	BALANCE AT 31.12.2007
Reserve for claims	29,437	28,155	29,437	28,155	23,274	51,429	0
Reserve for rents	16,271	13,906	16,271	13,906	14,153	13,906	14,153
Reserve for legal disputes	9,290	10,107	9,290	10,107	12,660	10,107	12,660
Reserve for outstanding vacation days	75,443	46,450	75,443	46,450	94,531	46,450	94,531
Reserve for bonuses	0	37,680	0	37,680	33,795	71,475	0
Total reserves	130,441	136,298	130,441	136,298	178,413	193,367	121,344

*The reserve for claims and the reserve for bonuses in the aggregate amount of CZK 57,069 thousand was part of the investment in the subsidiary ČD Cargo, a. s. as of 1 December 2007.

All of the reserves charged in the year ended 31 December 2007 are non-tax deductible.

4.9. → Long-Term Payables

→IN CZK THOUSAND

	Balance at 31.12.2007	Balance at 31.12.2006
Payable to EUROFIMA	4,392,247	3,711,770
Payable to the City of Karlovy Vary	0	44,338
Long-term received prepayments	501	255,274
Long-term supplier payables	132,925	438,074
Total long-term payables	4,525,673	4,449,456

In 2004, the Company received a long-term loan from EUROFIMA to finance the purchase of rail vehicles. This loan was increased in the year ended 31 December 2006 by EUR 30 million and by another CZK 30 million in the year ended 31 December 2007. This loan is collateralised by a state guarantee. The amount of capitalised interest on the loan from EUROFIMA for the years ended 31 December 2007 and 2006 was CZK 41,780 thousand and CZK 42,827 thousand, respectively.

Long-term supplier payables in 2007 include construction investments. In 2006, they amounted to payables to suppliers arising from the repairs of freight rail vehicles. Payables and prepayments arising from repairs of freight rail vehicles were part of the investment in ČD Cargo, a. s.

4.10. → Short-Term Payables**4.10.1. → Trade Payables**

→IN CZK THOUSAND									
YEAR	CATEGORY	BEFORE DUE DATE	PAST DUE (IN DAYS)					TOTAL	TOTAL
			0 – 90	91 – 180	181–365	365-730	731 AND GREATER		
2007	Krátkodobé	4,512,696	766,333	2,416	3,487	13,302	1,426	786,964	5,299,660
2006	Krátkodobé	4,896,118	272,445	3,087	2,573	22,854	1,858	302,817	5,200,935

As of 31 December 2007, there was a temporary increase in short-term payables. These payables are expected to be settled in 2008 from the income from passenger transport and negotiated grants for the settlement of proven losses from the State and regions.

The Company carries no payables to taxation authorities, social security authorities or health insurers past their due dates.

4.10.2. → Intercompany Payables

ENTITY →IN CZK THOUSAND	AT 31.12.2007	AT 31.12.2006
SHORT-TERM PAYABLES		
TRADE PAYABLES		
ČD – Telematika a. s.	389,438	332,137
Traťová strojná společnost, a. s.	11,559	11,684
Výzkumný Ústav Železniční, a. s.	1,087	3,664
Jídelní a lůžkové vozy, a. s.	5,865	5,812
DPOV, a. s.	176,479	0
ČD Cargo, a. s.	7,999	0
Total short-term intercompany payables*	592,427	353,297
Other than intercompany payables	4,707,233	4,847,638
Total short-term trade payables	5,299,660	5,200,935

*Payables to other related parties, except for the above noted, are deemed immaterial and were included in other than intercompany payables.

4.10.3. → Payables from the Unpaid Investment in ČD Cargo, a. s.

According to the verified valuation of the non-cash investment as of 1 December 2007, the value of the non-cash investment did not amount to the value determined upon the formation of ČD Cargo. The difference of CZK 306 million was recorded as part of short-term payables - Payables to partners and association members.

4.10.4. Tax Payables and Subsidies

As of 31 December 2007, tax payables were largely composed of personal income taxation deducted from the gross wages of the Company's employees amounting to CZK 123,540 thousand (31 December 2006: CZK 147,256 thousand) and an outstanding amount of the investment subsidy received by the Company from municipalities of CZK 6,860 thousand (31 December 2006: CZK 4,310 thousand).

4.10.5. → Prepayments Received

As of 31 December 2007, short-term prepayments received amounted to CZK 179,990 thousand (31 December 2006: CZK 426,543 thousand) and were largely composed of rental prepayments.

4.11. → Estimated Payables

→IN CZK THOUSAND	AT 31.12.2007	AT 31.12.2006
Rental for passenger coaches of foreign companies in the Czech Republic	409,214	435,493
Rental for freight wagons of foreign companies in the Czech Republic	0	102,904
Costs of international transportation – passenger transportation	66,081	0
Costs of international transportation – freight transportation	220,853	234,174
Other	575,176	292,431
Total estimated payables	1,050,471	1,285,855

Estimated payables arising from the freight transportation were part of the investment in ČD Cargo, a. s.

Rentals for passenger coaches of foreign companies in the Czech Republic are billed retroactively for 12 months (passenger transportation).

Costs of international passenger transportation represent an amount payable arising from unsettled operating output in border regions in respect of the neighbouring railway organisations. As compared to the previous year, estimated payables decreased due to the billing of most services at the end of the reporting period.

4.12. → Bank Loans

LONG-TERM BANK LOANS

→IN CZK THOUSAND					
BANK	CURRENCY	BALANCE AT 31.12.2007	BALANCE AT K 31.12.2006	INTEREST RATE	COLLATERAL FORM
ČSOB	EUR	1,636,700	1,972,248	3M EURIBOR + 0,5	State guarantee
Total		1,636,700	1,972,248		

The Company entered into a loan agreement with a consortium of banks led by Československá obchodní banka, a.s. Other members of the consortium are Kreditanstalt für Wiederaufbau, Bayerische Landesbank, Česká spořitelna, a.s. and Deutsche Bank Filiale Prag, org. složka. The loan has been provided to finance the renovation of the Company's rolling stock and is collateralised by a state guarantee issued by the Czech Finance Ministry. This guarantee serves to collateralise the principal balance and interest. As of 31 December 2006, the whole loan facility of EUR 92,065 thousand was drawn. The Company began repaying the loan principal on 25 May 2005 (repayments on 25 May and 25 November each year). As of 31 December 2007, EUR 20,333 thousand was repaid from the aggregate loan facility and the principal of EUR 71,731 thousand remains to be repaid between 2008 and 2014. The final maturity date of the loan is 25 November 2014.

The portion of bank loans maturing after one year from the balance sheet date is included in long-term loans. The portion of bank loans maturing within one year from the balance sheet date is included in short-term bank loans.

Short-Term Bank Loans

As of 31 December 2007, the portion of long-term bank loans maturing within one year from the balance sheet date amounts to CZK 272,784 thousand. In addition, the Company records the drawing of overdraft loans with ČSOB which amount to CZK 295,429 thousand as of 31 December 2007 as part of short-term bank loans. The Company did not draw the overdraft facility with KB.

The amount of capitalised interest and relating fees on the long-term banking loan from ČSOB for the year ended 31 December 2007 was CZK 99,615 thousand, of which interest amounted to CZK 96,230 thousand and fees amounted to CZK 3,385 thousand. Interest on the loan from ČSOB is reported as interest expenses of the current period after train sets of the 680 series were put into use. The amount of capitalised interest and relating fees on the loan from ČSOB for the year ended 31 December 2006 was CZK 21,817 thousand.

4.13. → Income Taxes

4.13.1. → Tax Payable

The Company has been reporting tax losses since its incorporation on 1 January 2003. The tax loss amounted to CZK 800,927 thousand, CZK 2,175,107 thousand, CZK 2,793,616 thousand and CZK 2,878,475 thousand for the years ended 31 December 2007, 2006, 2005 and 2004, respectively (changes in the tax loss for 2004, 2005 and 2006 as compared to the disclosures provided in the notes to the financial statements for individual years were due to additional tax returns filed during the following years). The difference between the accounting loss and the tax base was predominantly due to the difference between depreciation for accounting and tax purposes.

In the year ended 31 December 2007, the Company paid taxes from individual tax bases, relating to dividends from EUROFIMA for 2003 – 2006 in the following amounts: 2003: CZK 322 thousand, 2004: CZK 321 thousand, 2005: CZK 593 thousand and 2006: CZK 555 thousand.

4.13.2. → Deferred Taxation

The Company has determined a deferred tax asset as follows:

→IN CZK THOUSAND	AT 31.12.2007	AT 31.12.2006
Tangible and intangible fixed assets	-232,437	-1,390,023
Non-current financial assets	0	0
Trade receivables	7,726	8,418
Inventory	2,564	5,721
Reserves	24,927	19,249
Unpaid contractual fines	-20,944	-30,954
Unpaid supplier contractual fines	3,127	134
Revaluation of financial investments	0	-171,106
Accumulated tax loss	1,960,375	2,226,540
Total deferred tax asset - unrecognised	1,745,338	667,979

The decrease in tangible and intangible fixed assets is due to the spin-off of part of the assets into ČD Cargo, a. s.

The Company has decided not to recognise the deferred tax asset on the grounds of prudence and due to the uncertainty regarding the availability of future taxable profits.

4.14. → Accrued Expenses and Deferred Income

Accrued expenses predominantly comprise the estimated additional payment of contractual wages to the Company's management for the year ended 31 December 2007.

Deferred income predominantly includes rental income from the gas station leased to OMV, which was prepaid for 20 years.

4.15. → Income from the Sale of the Company's Products and Services

→IN CZK THOUSAND

	YEAR 2007			YEAR 2006		
	IN-COUNTRY	CROSS-BORDES	TOTAL	IN-COUNTRY	CROSS-BORDES	TOTAL
Income from freight transportation	5,892,668	10,328,810	16,221,478	5,915,311	11,337,074	17,252,385
Income from passenger transportation	4,456,674	1,811,336	6,268,010	4,198,558	1,714,440	5,912,998
Income from other transportation	58,452	0	58,452	63,000	0	63,000
Income from securing railway routes	11,382,453	0	11,382,453	11,479,422	0	11,479,422
Income from other services	2,331,640	0	2,331,640	1,947,938	0	1,947,938
Income from the sale of the Company's products and services	24,121,887	12,140,146	36,262,033	23,604,229	13,051,514	36,655,743

Income from freight transportation in 2007 is impacted by the spin-off of freight transportation to the newly formed subsidiary ČD Cargo, a. s. on 1 December 2007.

Cross-border income includes the share of the Company of income from the international transportation of goods and passengers, border area services and sales from the cross-border rent of coaches and wagons.

Income from securing railway routes principally represents income from the services rendered to SŽDC and involves securing the management of operations of CZK 4,720,292 thousand (2006: CZK 4,699,422 thousand) and operability of CZK 6,662,161 thousand (2006: CZK 6,780,000 thousand). A description of the transactions between the Company and SŽDC is provided in Note 7.2.

Income from other services includes proceeds from the other activities of the Company, specifically income from the lease of land, buildings and non-residential premises and apartments, income for the commercial-technical services, income from heat and electricity distribution and income from health insurers.

4.16. → Related Parties Transactions

4.16.1. → Income Generated with Related Parties

2007

→IN CZKTHOUSAND

ENTITY	RELATION TO THE COMPANY	MATERIAL	SERVICES	OTHER INCOME	TOTAL
ČD – Telematika a. s.	Subsidiary	237	14,666	41,014	55,917
Traťová strojní společnost, a. s.	Subsidiary	38,845	46,758	50	85,653
Výzkumný Ústav Železniční, a. s.	Subsidiary	10	6,187	32	6,229
DPOV, a.s.	Subsidiary	175,342	80,897	2,918	259,157
ČD Cargo, a. s.	Subsidiary	70,274	394,093	3,488	467,855
Jídelní a lůžkové vozy, a. s.	Associate	2	13,719	0	13,721
Total		284,710	556,320	47,502	888,532

2006

→IN CZKTHOUSAND

ENTITY	RELATION TO THE COMPANY	MATERIAL	SERVICES	OTHER INCOME	TOTAL
ČD – Telematika a. s.	Subsidiary	61	36,620	630	37,311
Traťová strojní společnost, a. s.	Subsidiary	39,083	43,347	104	82,534
Výzkumný Ústav Železniční, a. s.	Subsidiary	47	11,919	6	11,972
Jídelní a lůžkové vozy, a. s.	Associate	0	22,917	0	22,917
Total		39,191	114,803	740	154,734

*Income from other related parties, except the above noted, were deemed immaterial and were not disclosed.

4.16.2. → Purchases from Related Parties

2007

→IN CZKTHOUSAND

ENTITY	RELATION TO THE COMPANY	PURCHASE OF MATERIAL	SERVICES	OTHER INCOME	TOTAL
ČD - Telematika a. s.	Subsidiary	25,761	702,937	7	728,705
Traťová strojní společnost, a. s.	Subsidiary	0	20,400	0	20,400
Výzkumný Ústav Železniční, a. s.	Subsidiary	0	4,673	0	4,673
DPOV, a.s.	Subsidiary	165,133	614,541	235	779,909
ČD Cargo, a.s.	Subsidiary	62	3,422	2,761	6,245
Jídelní a lůžkové vozy, a. s.	Associate	183	160,077	0	160,260
Total		191,139	1,506,050	3,003	1,700,192

2006

→IN CZK THOUSAND

ENTITY	RELATION TO THE COMPANY	PURCHASE OF MATERIAL	SERVICES	OTHER EXPENSES	TOTAL
ČD - Telematika a. s.	Subsidiary	51,628	728,252	19	779,899
Traťová strojní společnost, a. s.	Subsidiary	411	40,331	0	40,742
Výzkumný Ústav Železniční, a. s.	Subsidiary	0	4,795	0	4,795
Jídelní a lůžkové vozy, a. s.	Associate	4,040	123,109	117	127,266
Total		56,079	896,487	136	952,702

*Purchases from other related parties, except for the above noted, are deemed immaterial and were not disclosed.

4.16.3. → Purchases and Sales of Fixed Assets and Financial Assets with Related Parties

2007

→IN CZK THOUSAND

ENTITY	RELATION TO THE COMPANY	INTANGIBLE FIXED ASSETS	TANGIBLE FIXED ASSETS
ČD - Telematika a. s.	Subsidiary	0	31
Traťová strojní společnost, a. s.	Subsidiary	0	13,353
Výzkumný Ústav Železniční, a. s.	Subsidiary	0	0
DPOV, a.s.	Subsidiary	0	0
ČD Cargo, a.s.	Subsidiary	0	153,538
Jídelní a lůžkové vozy, a. s.	Associate	0	0
Total		0	166,922

2006

→IN CZK THOUSAND

ENTITY	RELATION TO THE COMPANY	INTANGIBLE FIXED ASSETS	TANGIBLE FIXED ASSETS
ČD - Telematika a. s.	Subsidiary	0	957
Traťová strojní společnost, a. s.	Subsidiary	0	66,659
Výzkumný Ústav Železniční, a. s.	Subsidiary	0	243
Jídelní a lůžkové vozy, a. s.	Associate	0	0
Total		0	67,859

2007

→IN CZK THOUSAND

ENTITY	RELATION TO THE COMPANY	INTANGIBLE FIXED ASSETS	TANGIBLE FIXED ASSETS
ČD - Telematika a. s.	Subsidiary	85,181	186,327
Traťová strojní společnost, a. s.	Subsidiary	0	13,099
Výzkumný Ústav Železniční, a. s.	Subsidiary	0	2,610
DPOV, a.s.	Subsidiary	0	53,375
ČD Cargo, a.s.	Subsidiary	0	0
Jídelní a lůžkové vozy, a. s.	Associate	0	0
Total		85,181	255,411

2006

→IN CZK THOUSAND

ENTITY	RELATION TO THE COMPANY	INTANGIBLE FIXED ASSETS	TANGIBLE FIXED ASSETS
ČD - Telematika a. s.	Subsidiary	139,306	19,168
Traťová strojní společnost, a. s.	Subsidiary	0	7,728
Výzkumný Ústav Železniční, a. s.	Subsidiary	0	13,923
Jídelní a lůžkové vozy, a. s.	Associate	0	381
Celkem		139,306	41,200

*Sales and purchases of fixed assets and financial assets with related parties, except for the above noted, were deemed immaterial and were not disclosed.

4.17. → Consumed Purchases

→IN CZK THOUSAND	YEAR 2007	YEAR 2006
Consumed material	2,301,491	2,345,204
Consumed energy	3,209,216	2,862,406
Consumption of fuels	1,997,141	2,173,572
Total consumed purchases	7,507,848	7,381,182

4.18. → Services

→IN CZK THOUSAND	YEAR 2007	YEAR 2006
Repairs and maintenance	4,496,355	4,183,427
Travel expenses	237,805	248,774
Telecommunications, data and postal services	720,679	756,258
Other rental	91,000	99,270
Use of railway routes, management of operations	5,762,721	6,034,724
Rent for railway coaches and wagons	1,060,048	1,124,204
Freight charges	418,338	398,265
Services of dining and sleeping carriages	160,077	149,876
Services associated with the use of buildings	275,805	247,786
Cleaning and shifting of coaches and wagons	338,505	269,865
Lease	299,399	153,373
Border area services	385,549	814,777
Other services	1,044,426	837,465
Total	15,290,707	15,318,064

Other services predominantly include expenses related to the environment, education, and similar charges.

4.19. → Change in Reserves and Provisions Relating to Operating Activities

→IN CZK THOUSAND	YEAR 2007	YEAR 2006
Change in reserves	42,115	5,856
Change in provisions against receivables	-7,731	-24,045
Change in provisions against tangible fixed assets	13,456	-242,133
Change in provisions against non-current financial assets	0	0
Change in provisions against inventory	-11,293	-29,703
Total change in reserves and provisions relating to operating activities	36,547	-290,025

4.20. → Other Operating Income

→IN CZK THOUSAND	YEAR 2007	YEAR 2006
Settlement of losses from passenger transportation from the State budget including the grant for student fare	3,491,006	2,535,782
Settlement of losses from passenger transportation from the regional budgets including the grant for student fare	4,670,185	4,561,631
Other grants	448,803	587,037
Recoveries of receivables written off and transferred	86	72
Contractual penalties and default interest	34,183	74,545
Compensation for deficits and damage	138,917	122,595
Acquisition of material	268,313	14,736
Other	534,507	448,490
Total other operating income	9,586,000	8,344,888

4.21. → Other Operating Expenses

→IN CZK THOUSAND	YEAR 2007	YEAR 2006
Contractual penalties and default interest	14,892	4,942
Write-offs of receivables and transferred receivables	7,011	6,813
Deficits and damage relating to operating activities	40,099	80,205
Insurance	170,412	165,780
Employee uniforms and lump sum payments	124,561	148,748
Compensation for asset damage and impaired health	38,555	49,642
Membership allowances	14,866	23,074
Other operating charges	86,041	81,284
Total other operating expenses	496,437	560,488

4.22. → Other Financial Income and Expenses

Other financial income and expenses largely include foreign exchange rate gains and losses, and interest on the loans after bringing tangible fixed assets into operations and interest on the loan from EUROFIMA.

5. → EMPLOYEES, MANAGEMENT AND STATUTORY BODIES

The following table summarises the average recalculated number of the Company's employees and managers for the years ended 31 December 2007 and 2006:

2007

→IN CZK THOUSAND	HEADCOUNT	WAGES AND SALARIES	SOCIAL SECURITY AND HEALTH INSURANCE	OTHER EXPENSES	TOTAL STAFF COSTS
Staff	53,302	14,833,325	4,987,036	729,320	20,549,681
Management	247	248,462	86,526	4,402	339,390
Celkem	53,549	15,081,787	5,073,562	733,722	20,889,071

2006

→IN CZK THOUSAND	HEADCOUNT	WAGES AND SALARIES	SOCIAL SECURITY AND HEALTH INSURANCE	OTHER EXPENSES	TOTAL STAFF COSTS
Staff	58,566	15,279,692	5,084,809	729,615	21,094,116
Management	257	226,164	78,299	4,344	308,807
Celkem	58,823	15,505,856	5,163,108	733,959	21,402,923

In addition to the possibility of using reduced fares, the members of the Company's statutory and supervisory bodies were provided with cash bonuses of CZK 2,959 thousand and CZK 3,346 thousand in 2007 and 2006, respectively. Management of the Company is provided with a benefit-in-kind taking the form of the use of company cars for private purposes.

6. → CONTINGENT LIABILITIES AND OTHER OFF BALANCE SHEET COMMITMENTS

On 24 February 2005, the Company entered into a Framework Lease Contract for the financing of the purchase of freight wagons under finance leasing in the aggregate amount of CZK 1.2 billion. The Company issued a blank bill with the restrictive clause for the benefit of CitiLeasing, s.r.o. as a collateralising instrument in respect of the lease contracts. With effect from 1 December 2006, ownership rights to the leased assets were transferred from CitiLeasing, s.r.o. to Fortis Lease Czech s.r.o. In compliance with the bill arrangement, the lessor will be entitled to fill out the bill in an amount equal to the amount due from the rent and accrued interest, up to 40 percent of the acquisition cost, net of VAT of the leased assets, in the event that the lease contract is breached.

Given the formation of the subsidiary ČD Cargo, a. s. engaged in freight railway transportation, all rights (receivables) and payables arising from the Framework Lease Contract were transferred from České dráhy, a. s. to ČD Cargo, a. s. with effect from 1 December 2007.

7. → OTHER INFORMATION

7.1. → Significant Factors Impacting the Company's Operations

The Company was formed pursuant to, and its operations are governed by, general legal regulations governing joint stock companies and the Transformation Act. The Transformation Act, inter alia, sets out the scope of the Company's assets and its role in operating railway routes and rendering transportation services in the public interest.

The Company provides transportation services in the public railway passenger transportation segment for a fixed (cost adjusted) price and procures transportation services in designated categories of passenger trains in the Czech Republic's rail network. The scope of these services and the level of compensation (income for the Company) are defined in agreements entered into with the State and territorial self-governing units. The level of the compensation is linked to the volume of funds set out in the State budget to finance provable losses incurred in respect of passenger transportation.

At the date of the financial statements, all contracts for regional transportation services among self-governing units and ČD, a.s. for 2008 were signed. Management of the Company anticipates that regions will fully settle the payables arising from the concluded contracts in 2008.

The Company operates railway routes on the basis of a three year agreement put in place with SŽDC. The contract for operating railway routes was entered into at the end of 2005 for the years 2006 – 2008. The level of compensation (the Company's income) for operating railway routes, is determined by appendices to the contract for each individual year. The Company pays the amounts to SŽDC, s.o. for the use of the railway route. The amount of the compensation (the Company's expense) is determined by Act No. 526/1990 Coll., on Prices, as amended.

7.2. → Transactions with SŽDC

EXPENSES AND INCOME

Expenses and income resulting from the transactions conducted with SŽDC for the years ended 31 December 2007 and 2006 were as follows:

2007

→IN CZK THOUSAND	EXPENSES	INCOME
Securing railway routes - management of operation	-	4,720,292
Securing railway routes - maintenance of operability	-	6,662,161
Use of railway routes - passenger transport	1,595,008	-
Use of railway routes - freight transport	4,093,395	-
Total	5,688,403	11,382,453

2006

→IN CZK THOUSAND	EXPENSES	INCOME
Securing railway routes - management of operation	-	4,699,422
Securing railway routes - maintenance of operability	-	6,780,000
Use of railway routes - passenger transport	1,597,741	-
Use of railway routes - freight transport	4,363,743	-
Total	5,961,484	11,479,422

Income from the securing of railway route is disclosed as sales of products and services in Note 4.15.

The costs of using railway routes are reported as services and are disclosed in Note 4.18.

RECEIVABLES AND PAYABLES

As of 31 December 2007, the Company reported receivables from and payables to SŽDC. The aggregate net value of the balances of these items was CZK 33,618 thousand in the year ended 31 December 2007. The payable is reported in 'Trade payables'.

The aggregate net value of balances of these items was CZK 493,428 thousand in the year ended 31 December 2006.

In addition, the Company reported a payable in 2007 arising from unbilled supplies from SŽDC reported as an estimated payable which amounted to CZK 216,377 thousand and CZK 119,428 thousand as of 31 December 2007 and 2006, respectively.

7.3. → Post Balance Sheet Events

No significant events occurred subsequent to the balance sheet date that would require adjustment to, or disclosure in, the financial statements.

In its Resolution No. 372 dated 23 April 2008, the Senate of the Czech Parliament approved the Draft Act which changes Act No. 77/2002 Coll. on the Joint Stock Company České dráhy, the state organisation Správa železniční dopravní cesty and the change in Act No. 266/1994 Coll., on Railways, as amended, and Act No. 77/1997 Coll., on State Enterprises, as amended, reflecting the judgement issued by the Constitutional Court as Act No. 83/2003 Coll., Act No. 179/2003 Coll. and Act No. 293/2004 Coll. The Act will become effective on 1 June 2008.

The amendment involves the change in the operator of the national railway routes and regional railway routes owned by the State. SŽDC, s. o., instead of ČD, a. s., will secure the operability of the national railway routes and regional railway routes, organise railway transportation on railway routes – prepare timetables and provide fire-fighter services. i.e. independently provide activities involved in railway route operation. For this purpose, SŽDC, s. o. will assume relevant material, technological and staff capacities of ČD, a. s. The provision of other activities involved in the railway route operation (servicing of the railway route and organising of railway transportation in extraordinary situations), including relevant capacities, will remain with ČD, a. s. which will be the supplier of these activities for SŽDC, s. o., as the operator of the railway route.

During its meeting of 8 January 2008, the Board of Directors of ČD, a.s. cancelled the authorisation of Jaromír Kadlec to manage the Division of Deputy CEO for Operations and appointed Miroslav Jasenčák with effect from 9 January 2008.

Following Resolution No. 9 of 9 January 2008 regarding the intention to found a subsidiary of ČD, a.s. for passenger transport, the Czech government acknowledged this intention, approved of the initiation of work resulting in the foundation and incorporation of the subsidiary and, in line with the intention, it placed a duty on the Ministry of Transportation to prepare and submit materials regulating the foundation and incorporation of the subsidiary to the government by 31 October 2008.

On 29 January 2008, the Supervisory Board of ČD, a.s. acknowledged and approved the announcement of Rodan Šenekl regarding his resignation from membership in the Board of Directors of ČD, a.s. as of 31 January 2008. Furthermore, the Supervisory Board of ČD, a.s. acknowledged and approved the announcement of Josef Bazala regarding his resignation from the position of the Chairman of the Board of Directors as of 29 January 2008. In their meeting of 29 January 2008, the Supervisory Board acknowledged Josef Bazala's resignation from the position of the Company's CEO as of 31 January 2008. On 29 January 2008, the Supervisory Board of ČD, a.s. appointed Petr Žaluda as the Chairman and member of the Board of Directors of ČD, a.s. with effect from 1 February 2008.

On 29 January 2008, the Board of Directors of ČD, a.s. appointed Petr Žaluda the Company's CEO with effect from 1 February 2008. It acknowledged the resignation of Jiří Kolář from the position of Deputy CEO of ČD, a.s. for passenger transport as of 31 January 2008 and appointed Petr Moravec to this position with effect from 1 February 2008. As of 1 February 2008, Jiří Kolář was appointed Deputy CEO for Operations, and the authorisation of Miroslav Jasenčák to manage the division of the Deputy CEO for Operations was cancelled as of 31 January 2008.

On 13 March 2008, the Supervisory Board of ČD, a.s. appointed the Deputy CEO for passenger transport, Petr Moravec, a member of the Board of Directors of ČD, a.s. as of 15 March 2008.

In its meeting of 1 April 2008, the Board of Directors of ČD, a.s. appointed Miroslav Šebeňa Deputy CEO of ČD, a.s. for marketing and communication as of that date.

In its meeting of 29 April 2008, the Board of Directors of ČD, a.s. appointed Milan Joseph Ruttner the Company's Deputy CEO for personnel affairs as of 1 May 2008.

Following Resolution No. 476 of 21 April 2008, the Czech government decided on the increase in income in the budget of SFDI in 2008 and 2009 in the amount of CZK 12 billion intended for funding the sale of a part of the business of ČD, a.s. to SŽDC, s.o.

Following Resolution No. 686/2004 approved at its meeting of 27 January 2004, the Board of Directors of České dráhy, a.s. (hereinafter the Company) decided that the Company will not prepare a Report on Relations between the Controlling and Controlled Entity and on the Relationship between the Controlled Entity and Other Entities Controlled by the Same Controlling Entity for the Year Ended 31 December 2003 (hereinafter the 'Related Parties Report'). To date, the Board of Directors has not decided to change this resolution.

In the opinion of the Company, if no controlling contract was concluded, the obligation to prepare a Related Parties Report within three months after the end of the reporting period relates only to the statutory bodies of controlled entities associated in groups where relations are subject to uniform management. Such Related Parties Reports comprise all of the relations within the group to which the relevant controlled entity is included.

The arrangement where the Czech Republic takes the position of a controlling entity is not considered a group because a group consists only of a controlling entity and controlled entities whose enterprises belong to the group. An enterprise is a set of tangible, personal and intangible components of business activities. An enterprise contains objects, rights and other property values owned by an entrepreneur and used for the operation of the enterprise.

CER	Community of European Railways
CEVIS	Central Wagon Information System
CNP	Central Freight Cash Desk
ČD	České dráhy, akciová společnost / Czech Railways, joint stock company
ČDC	ČD Cargo, a.s.
ČD-T	ČD-Telematika a.s.
DTNP	Freight transport data warehouse
DTOP	Passenger transport data warehouse
EC	Passenger train category of higher quality (EuroCity)
EUROFIMA	European Company for the Financing of Railroad Rolling Stock
ETCS	European Train Control System
GSM-R	Global System for Mobile Communications-Railways
GVD	Train transport flowchart
Hrtkm	Gross tonne kilometres (the total of products of transport weights of trains and transport distance)
IC	Passenger train category of higher quality (InterCity)
ISOŘ	Information System of Operational Management
JLV	Jídelní a lůžkové vozy, a.s. / Catering and Sleeping Cars Co.
KADR	Railway infrastructure capacity (IS)
Oskm	Passenger kilometres (the total of products of the number of paying transported passengers and distance-related transport fees)
OSŽD	Organizace pro spolupráci železnic / OSJD – Organisation for Railway Cooperation
PARIS	Sale and Reservation Information System
POP	Portable personal cash desk
SC	Passenger train category of highest quality (SuperCity)
SENA	System for preparation of timetables
SFDI	State Fund for Transport Infrastructure
SŽDC	Správa železniční dopravní cesty / Railway Route Administration
TERFN	Trans-European network for freight transport
TSI	Technical specifications of interoperability
TSS	Track Mechanical Station
ÚDIV	Central freight wagon management
UIC	International Union of Railways
UNIFE	European Association of Railway Industry
UNIPOK	Versatile ticket office
vlkm	Train kilometres (the total of products of the number of trains and distances travelled)
VUZ	Výzkumný ústav železniční / Railway Research Institute

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