České dráhy, a.s.

Legal Entity Identifier (LEI): 31570010000000034336

5.50 per cent. notes in the anticipated aggregate nominal amount of up to CZK 5,001,000,000 with the possibility of increase up to CZK 8,001,000,000 due 24 June 2029 ISIN CZ0003562340

This document constitutes the prospectus (the "**Prospectus**") in respect of 5.50 per cent. notes issued under Czech law in the anticipated aggregate nominal amount of up to CZK 5,001,000,000 (five billion one million Czech Koruna) with the possibility of increase up to CZK 8,001,000,000 (eight billion one million Czech Koruna) due 24 June 2029 (the "**Notes**" or the "**Issue**") by České dráhy, a.s., incorporated under the laws of the Czech Republic, with its registered office at Nábřeží L.Svobody 1222, 110 15 Prague 1, Identification Number: 709 94 226, registered in the Commercial Register maintained by the Municipal Court in Prague, File Number: B 8039 (the "**Issuer**").

The Notes will bear fixed interest payable annually on 24 June each year, commencing on 24 June 2025. The issue price of all the Notes issued on 24 June 2024 (the "**Issue Date**") is equal to 99.375 per cent. of their nominal amount. The issue price of any Notes issued after the Issue Date will be determined based on a joint decision of the Issuer and the Joint Lead Managers taking into account the current market conditions. Where relevant, a corresponding accrued interest will be added to the amount of the issue price for any Notes issued after the Issue Date.

Unless previously redeemed or purchased by the Issuer and cancelled as described below, the Notes will be redeemed in accordance with the terms and conditions of the Notes (the "**Terms and Conditions**") included in "*Terms and Conditions of the Notes*" at their outstanding nominal amount on 24 June 2029 (the "**Maturity Date**") (see Condition 6.1 (*Redemption at Maturity*)). The Issuer may, at its option, redeem all of the Notes at their nominal amount plus accrued and outstanding interest on any date from and including, 24 December 2028 to, but excluding, their Maturity Date as described under Condition 6.4 (*Early Redemption at the Option of the Issuer*).

The Notes constitute direct, general, unconditional and unsubordinated obligations of the Issuer which rank and will continue to rank *pari passu* among themselves and at least *pari passu* with any present and future unsubordinated and unsecured debts of the Issuer or secured at least in the same or similar manner in accordance with the Terms and Conditions, save for such obligations as may be preferred by provisions of law that are both mandatory and of general application.

In all cases, payments under the Notes will be made in accordance with the laws applicable in the Czech Republic as of the moment such payment is made. Where it is required by the laws of the Czech Republic applicable as of the moment a payment of nominal or interest is made, applicable tax and other fees will be withheld or deducted. If any deduction or withholding is required at the time of such payment, the Issuer shall not be obligated to pay to the Noteholders (as defined in the Terms and Conditions) any additional amounts. Subject to certain conditions, the Issuer is a taxpayer of a tax withheld or deducted from the interest on the Notes. For further information, please see "*Taxation and Foreign Exchange Regulation*".

This Prospectus has been prepared and published for the purposes of the admission of the Notes to trading on the Regulated Market (as defined below) and constitutes a prospectus for the purposes of Regulation (EU) 2017/1129 of the European Parliament and of the Council of 14 June 2017 on the prospectus to be published when securities are offered to the public or admitted to trading on a regulated market, and repealing Directive 2003/71/EC, as amended (the "**Prospectus Regulation**").

The Prospectus, which includes the text of the Terms and Conditions, has been approved by the Czech National Bank (the "**CNB**") as the competent authority under the Prospectus Regulation in its decision ref. no. 2024/068811/CNB/650, file no. S-Sp-2024/00078/CNB/653 dated 19 June 2024, which became final and effective on 20 June 2024. The CNB only approves this Prospectus as meeting the standards of completeness, comprehensibility and consistency imposed by the Prospectus Regulation and its approval should not be considered as an endorsement of the Notes that are the subject of this Prospectus or the Issuer's profitability. Potential investors should make their own assessment as to the suitability of investing in the Notes.

An investment in the Notes issued under this Prospectus involves certain risks. Prospective investors should read and consider the entire Prospectus and, in particular, "*Risk Factors*", prior to making an investment in the Notes.

Application has been made for the Notes to be admitted to trading on the regulated market (*Regulovaný trh*) of Burza cenných papírů Praha, a.s., with its registered office at Rybná 14/682, 110 05 Prague 1, Identification No.: 471 15 629, registered with the Commercial Register kept by the Municipal Court in Prague, File No. B 1773 (the "**PSE**" and the "**Regulated Market**"). The Notes are expected to be admitted to trading on the PSE on or around the Issue Date. The Regulated Market is a regulated market for the purposes of Directive 2014/65/EU of the European Parliament and the Council on markets in financial instruments (as amended, "**MiFID II**"). The ISIN of the Notes assigned by Centrální depozitář cenných papírů, a.s., with its registered office at Rybná 682/14, Old Town, 110 00 Prague 1, Identification No.: 250 81 489 (the "**Central Depository**") is CZ0003562340.

If there is any significant new factor, material mistake or material inaccuracy relating to the information included in the Prospectus which may affect the assessment of the securities and which arises or is noted between the time when the Prospectus is approved and the admission of the Notes to trading on the Regulated Market, the Issuer will update the Prospectus in the form of a supplement. Any such supplement will be approved by the CNB.

The Prospectus is valid for twelve months from the date on which its approval by the CNB became final and effective. The validity of the Prospectus will expire on 20 June 2025. The obligation to supplement the Prospectus in the event of significant new factors, material mistakes or material inaccuracies does not apply from when the Prospectus is no longer valid and applies only until the admission of the Notes to the Regulated Market.

The distribution of this Prospectus and the offer, sale or purchase of the Notes may be restricted by law in certain jurisdictions. Neither the Prospectus nor the Notes have been allowed or approved by any public authority of any jurisdiction, with the exception of the approval of the Prospectus by the CNB. The Notes have not been, and will not be, registered under the United States Securities Act of 1933 (the "**Securities Act**") and are subject to United States tax law requirements. The Notes are being offered outside the United States ("**U.S.**") by the Joint Lead Managers (as defined in "*Subscription and Sale*") in accordance with Regulation S under the Securities Act ("**Regulation S**"), and may not be offered, sold or delivered within the U.S. or to, or for the account or benefit of, U.S. persons except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act.

The Issuer was assigned rating Baa2 with a stable outlook by Moody's France S.A.S. ("**Moody's**"). Moody's is established in the EEA and is registered under Regulation (EU) No 1060/2009, as amended (the "**EU CRA Regulation**"). As such, Moody's is included in the list of credit rating agencies published by the European Securities and Markets Authority ("**ESMA**") in accordance with the EU CRA Regulation.

After the admission of the Notes to trading on the Regulated Market, potential investors must base their investment decisions not only on the Prospectus as amended by any supplements, but also on other information published by the Issuer after the date of the Prospectus or other publicly available information.

Joint Lead Managers

Česká spořitelna, a.s.	**Komerční banka, a.s.**	**UniCredit Bank Czech Republic and Slovakia, a.s.**

The date of this Prospectus is 10 June 2024.

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CONTENTS

IMPORTANT NOTICES

The Issuer accepts responsibility for the information contained in this Prospectus and declares that, to the best of its knowledge, the information contained in this Prospectus is in accordance with the facts and this Prospectus makes no omission likely to affect its import.

The Issuer has confirmed to the Joint Lead Managers (as defined in "*Subscription and Sale*") that this Prospectus contains all information regarding the Issuer and the Notes which is (in the context of the issue of the Notes) material; such information is true and accurate in all material respects and is not misleading in any material respect; any opinions, predictions or intentions expressed in this Prospectus on the part of the Issuer are honestly held or made and are not misleading in any material respect; this Prospectus does not omit to state any material fact necessary to make such information, opinions, predictions or intentions (in such context) not misleading in any material respect; and all proper enquiries have been made to ascertain and to verify the foregoing.

The Issuer has not authorised the making or provision of any representation or information regarding the Issuer or the Notes other than as contained in this Prospectus or as approved for such purpose by the Issuer. Any such representation or information should not be relied upon as having been authorised by the Issuer or the Joint Lead Managers.

Neither the Joint Lead Managers nor any of their respective affiliates have authorised the whole or any part of this Prospectus and none of them makes any representation or warranty or accepts any responsibility or liability as to the accuracy or completeness of the information contained or incorporated in this Prospectus. Neither the Joint Lead Managers nor any of their affiliates accept any responsibility or liability in relation to the information contained or incorporated by reference in this Prospectus or any other information provided by the Issuer in connection with the Issue. The Joint Lead Managers expressly do not undertake to review the financial condition or affairs of the Issuer or to advise any investor in the Notes of any information coming to its attention.

This Prospectus is to be read in conjunction with all documents which are deemed to be incorporated in it by reference (see "*Information Incorporated by Reference*"). This Prospectus shall be read and construed on the basis that those documents are incorporated and form part of this Prospectus.

Unless stated otherwise, all information provided in this Prospectus is valid as of the date of this Prospectus. Neither the delivery of this Prospectus nor the offering, sale or delivery of any Notes shall, under any circumstances, create any implication that there has been no change in the affairs of the Issuer (financial or otherwise) since the date hereof or the date upon which this Prospectus has been most recently amended or supplemented or that there has been no adverse change in the financial position of the Issuer since the date hereof or the date upon which this Prospectus has been most recently amended or supplemented or that the information contained in it or any other information supplied in connection with the Issuer or the Notes is correct as of any time subsequent to the date on which it is supplied or, if different, the date indicated in the document containing the same. Moreover, the information included in this Prospectus may be further modified or supplemented by supplements to this Prospectus.

Neither this Prospectus nor any other information supplied in connection with the Notes (a) is intended to provide the basis of any credit or other evaluation or (b) should be considered as a recommendation by the Issuer or the Joint Lead Managers that any recipient of this Prospectus or any other information supplied in connection with the Notes should purchase any Notes. Each investor contemplating purchasing any Notes should make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness, of the Issuer. Neither this Prospectus nor any other information supplied in connection with the issue of any Notes constitutes an offer or invitation by or on behalf of the Issuer or the Joint Lead Managers to any person to subscribe for or to purchase any Notes. None of the Issuer or the Joint Lead Managers or any of their affiliates makes any representation to any investor in the Notes regarding the legality of any investment by such under applicable laws.

Any assumptions and projections concerning the future development of the Issuer, the Issuer's financial or market positions and the scope of the Issuer's business, should not be deemed as representations or binding promises of the Issuer regarding any future events or outcomes, because such future events and outcomes are subject, entirely or in part, to circumstances and events beyond the Issuer's control. Potential investors should make their own analyses of any development trends or projections contained in this Prospectus, and if relevant, conduct further independent investigations, and base their investment decisions on the results of such investigations and analyses.

This Prospectus does not constitute an offer to sell or a solicitation of an offer to buy any Notes in any jurisdiction to or from any person to or from whom it is unlawful to make the offer or solicitation in such jurisdiction.

The distribution of this Prospectus and the offering, sale and delivery of Notes in certain jurisdictions may be restricted by law. Persons into whose possession this Prospectus comes are required by the Issuer and the Joint Lead Managers to inform themselves about and to observe any such restrictions. For a description of certain restrictions on offers, sales and deliveries of Notes and on distribution of this Prospectus and other offering material relating to the Notes, see "*Subscription and Sale*".

In particular, the Notes have not been, and will not be, registered under the Securities Act or any U.S. state securities laws. The Notes are being offered outside the United States by the Joint Lead Managers in accordance with Regulation S under the Securities Act and may not be offered, sold or delivered within the United States or to, or for the account or benefit of, U.S. persons except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act.

In this Prospectus, unless otherwise specified, references to the "**EU**" are references to the European Union, references to a "**Member State**" are references to a Member State of the European Economic Area ("**EEA**"), references to "**EUR**" or "**euro**" are to the currency introduced at the start of the third stage of European economic and monetary union, and as defined in Article 2 of Council Regulation (EC) No 974/98 of 3 May 1998 on the introduction of the euro, as amended and references to "**CZK**" or "**Czech Koruna**" are to the Czech Koruna, the lawful currency of the Czech Republic. References to "**billions**" are to thousands of millions.

Certain figures included in this Prospectus have been subject to rounding adjustments; accordingly, figures shown for the same category presented in different tables may vary slightly and figures shown as totals in certain tables may not be an arithmetic aggregation of the figures which precede them.

MiFID II product governance / the target market is retail investors, professional clients and eligible counterparties – Solely for the purposes of the manufacturer's product approval process, the target market assessment in respect of the Notes has led to the conclusion that (i) the target market for the Notes is eligible counterparties, professional clients and clients, who are not professional clients, as defined in MiFID II, and (ii) all channels for distribution of the Notes are appropriate. Any person subsequently offering, selling or recommending the Notes (a "**distributor**") should take into consideration the manufacturers' target market assessment; however, a Notes distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturers' target market assessment) and determining appropriate distribution channels, subject to the distributor's suitability and appropriateness obligations under MiFID II, as applicable).

This Prospectus contains various forward-looking statements that relate to, among other things, events and trends that are subject to risks and uncertainties that could cause the actual business activities, results and financial position of the Issuer and its subsidiaries (the "**Group**") to differ materially from the information presented herein. When used in this Prospectus, the words "estimate", "project", "intend", "anticipate", "believe", "expect", "should" and similar expressions, as they relate to the Issuer, the Group and its management, are intended to identify such forward-looking statements. Investors are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date of this Prospectus. The Issuer does not undertake any obligations publicly to update or revise any forward-looking statement, whether as a result of new information, future events or otherwise, except as may be required by law or applicable regulations.

When relying on forward-looking statements, investors should carefully consider the foregoing risks and uncertainties and other events, especially in light of the political, economic, social and legal environment in which the Group operates. Factors that might affect such forward-looking statements include, among other things, overall business and government regulatory conditions, changes in tariff and tax requirements (including tax rate changes, new tax laws and revised tax law interpretations), interest rate fluctuations and other capital market conditions, including foreign currency exchange rate fluctuations, economic and political conditions in the Czech Republic and other markets, and the timing, impact and other uncertainties of future actions. See "*Risk Factors*". The Issuer does not make any representation, warranty or prediction that the factors anticipated by such forward-looking statements will be present, and such forward-looking statements represent, in each case, only one of many possible scenarios and should not be viewed as the most likely or standard scenario.

Information contained in "*Taxation and Foreign Exchange Regulation*" and "*Enforcement of Civil Liabilities Against the Issuer*" are of a general nature and they do not represent an exhaustive overview. The information in these chapters is based on the facts as of the date of this Prospectus and they have been obtained from publicly available sources that have not been processed or independently verified by the Issuer. The potential investors should rely only on their own analysis of factors mentioned in these chapters and on their own tax, legal and other advisors. Potential foreign purchasers of the Notes are advised to consult their legal and other advisors on the provisions of the relevant laws, in particular the foreign exchange and tax regulations of the Czech Republic, the countries of their residence and other potentially relevant countries, and any relevant international agreements and the impact of such regulations and agreements on specific investment decisions.

SUITABILITY OF INVESTMENT

The Notes may not be a suitable investment for all investors. Legal investment considerations may restrict certain investments. The investment activities of certain investors are subject to investment laws and regulations, or review or regulation by certain authorities. Each potential investor in the Notes must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor in the Notes may wish to consider, either on its own or with the help of its financial and other professional advisers, whether it has sufficient knowledge and experience to make a meaningful evaluation of the Notes, the merits and risks of investing in the Notes and the information contained or incorporated by reference in this Prospectus or any applicable supplement. Each potential investor in the Notes may also wish to consider whether it has access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Notes and the impact the Notes will have on its overall investment portfolio and whether it has sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes, including Notes where the currency for principal or interest payments is different from the potential investor's currency. In addition, each potential investor in the Notes may also wish to consider whether it understands thoroughly the terms of the Notes and is familiar with the behaviour of financial markets and whether it is able to evaluate possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks. Each potential investor should consult its legal advisers to determine whether and to what extent (1) Notes are legal investments for it, (2) Notes can be used as collateral for various types of borrowing and (3) other restrictions apply to its purchase or pledge of any Notes. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of Notes under any applicable risk-based capital or similar rules.

RISK FACTORS

Any investment in the Notes is subject to a number of risks. Prior to investing in the Notes, prospective investors should carefully consider risk factors associated with an investment in the Notes, the Group's business and the industry in which it operates, together with all other information contained in this Prospectus including, in particular, the risk factors described below. Words and expressions defined in "Terms and Conditions of the Notes" below or elsewhere in this Prospectus have the same meanings in this section.

The Issuer believes that the following factors may affect its ability to fulfil its obligations under the Notes. All of these factors are contingencies that may or may not occur and the Issuer is not in a position to express a view on the likelihood of any such contingency occurring. Factors which the Issuer believes may be material for the purpose of assessing the risks associated with the Notes are also described below. Additional risks and uncertainties relating to the Group that are not currently known to the Issuer, or that the Issuer currently deems immaterial, may individually or cumulatively also have a material adverse effect on the Group's business, results of operations or financial position.

In this Prospectus, the most material risk factors have been presented at the beginning in each category. The order of presentation of the remaining risk factors in each category in this Prospectus is not intended to be an indication of the probability of their occurrence or of their potential effect on the Group's ability to fulfil its obligations under the Notes.

RISKS RELATED TO THE GROUP'S BUSINESS AND INDUSTRIES GENERALLY

Industry risks

The Group is exposed to competition from other providers of rail transport.

The Group is a major rail transport carrier in the Czech Republic. ČD is a leading passenger rail transport carrier in the Czech Republic, providing regional passenger transport pursuant to long-term contracts entered into with the individual regions of the Czech Republic (the "**Czech Regions**"), long-distance passenger rail transport pursuant to long-term contracts entered into between ČD and the Czech Republic (the "**State**") and commercial passenger transport purely on economic grounds and without any payments from the State or the Czech Regions. In addition, ČD Cargo, a.s. ("**ČD Cargo**") is a leading freight rail transport in the Czech Republic.[1] However, the Group's business is exposed to competitive pressures, including in the areas of pricing and service, from other operators of rail transport and from modes of transport other than rail.

A substantial part of the revenues of the Group's Passenger Transport Business, both in terms of regional transport and domestic long-distance transport, represents payments received by ČD from the Czech Regions and the State. Due to the liberalisation of the passenger transport market, the Group may fail to renew contracts between ČD and the Czech Regions for regional passenger rail transport and between ČD and the State for long-distance passenger rail transport.

Regional Passenger Transport

ČD's passenger transport business is unprofitable on a stand-alone basis, as tariffs are set below economically reasonable levels to keep prices affordable for consumers. In addition to tickets sales, revenues are generated from payments received from the Czech Regions and the State acting through the Ministry of Transport. The Czech Regions provide ČD with annually agreed payments, corresponding to prices determined by ČD, for the provision of public services on a monthly or pro-rata basis (thus not limiting ČD's liquidity) under the terms and conditions set in the respective agreements concluded with individual Czech Regions. The payments received from the Czech Regions shall be equal to the estimated eligible costs, including a margin allowing a reasonable profit to be provided for the provision of regional passenger transport.

Approximately one third of the payments provided by the Czech Regions to ČD is funded by the State from the State budget pursuant to the Memorandum on Ensuring Stable Financing of Public Regional Passenger Rail Transport entered into between, among others, the State and the Czech Regions in 2009 (the "**Memorandum**"). On 9 March 2016, the government of the Czech Republic (the "**Government**") approved a resolution outlining the funding mechanism for the Czech Regions and their respective regional passenger rail transport for the period between 2020 and 2034. The approved document retains the previous funding mechanism. As such, the Czech

[1] Source: SŽ Annual Report 2023, available at https://www.spravazeleznic.cz/o-nas/publikace/vyrocni-zpravy.

Regions continue to receive the same amount from the State budget as before, adjusted for inflation. Due to the high density of the network and low occupancy rates, regional rail transport is, to a large extent, dependent on these payments.

As most of the long-term contracts governing regional passenger transport expired on 14 December 2019, the Czech Regions entered into new contracts governing passenger transport beginning as of 15 December 2019. As of the date of this Prospectus, ČD is a party to 31 contracts with the Czech Regions the vast majority of which were implemented under the so-called market consultation and subsequent direct award. Based on the agreements with the Czech Regions which are in place as of the date of this Prospectus, ČD expects to obtain a total output of up to 81.7 million train-kilometres in 2024. This would represent an increase by approximately 1.6 per cent. compared to ČD’s total output in the regional transport in 2023. However, there is no guarantee that ČD will obtain such transport volume in the future as the existing agreements allow the Czech Regions to, subject to the limitations set out in the respective agreements, to decrease the ordered transport volume.

Under the terms of certain agreements with the Czech Regions, ČD bears the risk of a decrease of the revenues from the ticket sales. Under such agreements, if the revenues from the ticket sales decrease, the payments received from the Czech Regions will not be adequately increased, which might result in ČD being obliged to operate certain lines at a loss.

When the existing contracts expire, ČD may not be successful in obtaining new contracts either through direct orders from the Czech Regions, or through public tenders. As from 2023, direct orders are permitted by EU legislation only in limited circumstances, subject to strict contractual requirements for service quality, frequency, and capacity. The preferred method of awarding contracts is through public tenders. ČD’s competitors in these public tenders may include Czech passenger rail operators, such as RegioJet a.s. (“**RegioJet**”), Leo Express Global a.s. (“**LEO Express**”), GW Train Regio a.s. (“**GW Train**”) and ARRIVA vlaky s.r.o. (“**Arriva**”). As such, there can be no guarantee that ČD will be able to renew its current contracts in the future. The Group also cannot guarantee that any renewal of contracts or new contracts for the provision of regional passenger rail transport will be on substantially the same terms or for the same scope of services as currently provided. Any of these risks could have a material adverse impact on the Group’s business, results of operations, financial condition, cash flows and prospects.

Domestic Long-distance Passenger Transport

The State, acting through the Ministry of Transport, provides ČD with payments for the provision of public services under the similar terms and conditions as the contracts governing regional passenger transport. As of the date of this Prospectus, ČD and the State have entered into seven contracts for the operation of 21 long-distance lines. Some of the long-distance lines operated by ČD are also international lines: Prague – Berlin, Prague – Vienna, Prague – Bratislava – Budapest, Prague – Munich, Prague – Vsetín – Žilina, Ostrava – Žilina and Cheb – Nürnberg. See “*Description of the Issuer— Pricing, Payments and Tariff Regulation— Passenger Transport Business - Long-Distance (domestic and international)—Liberalisation of the regulated long-distance passenger transport in the Czech Republic*” for a complete overview of the individual long-distance lines operated by ČD as of the date of this Prospectus and their expiry dates.

Since 2020, the Ministry of Transport has had to conclude new contracts with railway transport operators on a competitive basis. As of the date of this Prospectus, the Group has been successful in 86 per cent. of the tenders launched since 2020 (based on train-kilometres). For the year ended 31 December 2024, ČD has contracted total transport volumes of 112.6 million train-kilometres (for both regional and long-distance transport), which translates into 95 per cent. of its contracted transport volumes in the year ended 31 December 2019. As of the date of this Prospectus, the operation of the R9: Praha – Havlíčkův Brod – Brno/Jihlava line following the expiration of the current contract in December 2024 is expected to be awarded as a short-term direct assignment, while a tender for the operation of the Ex6: Praha – Plzeň – Cheb / German state border line and the R16: Praha – Plzeň – Klatovy line following the expiration of the current contract in December 2026 and a tender for the operation of the Ex7: Praha – České Budějovice – Český Krumlov / Austrian state border line, the R11A (R31): České Budějovice – Plzeň line, the R11B (R11): Brno – Jihlava – České Budějovice line and the R17: Praha – Tábor – Veselí nad Lužnicí – České Budějovice / České Velenice line following the expiration of the current contract in 2025 (and 2026 in the case of the R11 line) are in progress. The Group cannot provide any assurance that it will be awarded any contracts tendered in the future or that any renewal of existing contracts or new contracts will be on substantially the same terms or for the same scope of services as currently provided. ČD’s competitors in these public tenders may include Czech passenger rail operators, such as RegioJet, LEO Express and Arriva, as well as significant passenger rail operators from neighbouring countries, such as German Deutsche Bahn and Austrian

ÖBB. Should ČD not be awarded some or all tendered contracts, this may have a material adverse effect on the Group's business, results of operations, financial condition, cash flows and prospects.

Commercial Passenger Transport

Commercial passenger transport is undertaken by ČD and other passenger rail operators on commercial routes purely on economic grounds and without any payments from the State or the Czech Regions. As of the date of this Prospectus, the Prague-Ostrava-Košice route is the only non-regulated commercial route in the Czech Republic. As a result, this line is characterised by high levels of competition. ČD's two main local competitors, LEO Express and RegioJet, have significantly improved the level of service provided to customers on this line since the commencement of their operations in 2012 and 2011, respectively. Specifically, the competitive pressure has led to improvements in interior equipment of the trainsets, onboard comfort and onboard services, including catering and Wi-Fi connection. Should ČD fail to effectively respond to competition from the existing or new passenger rail operators on any commercial route, it may lose some of its customers. This could have a material adverse impact on the Group's business, results of operations, financial condition, cash flows and prospects.

Freight Transport Business

ČD Cargo competes against other companies that provide rail freight transport, truck freight transport and, to a smaller extent, ship carriers and providers of tube transport systems. ČD Cargo's major competitors in this area include large domestic carriers, such as METRANS Rail s.r.o., PKP CARGO INTERNATIONAL, a.s., Rail Cargo Carrier – Czech Republic, s.r.o., ORLEN Unipetrol Doprava, s. r. o. and IDS Cargo, a.s., and former national carriers from neighbouring countries, such as PKP Cargo, Deutsche Bahn a RCA. The European rail freight transport business is highly concentrated and ČD Cargo's ability to efficiently compete with other rail freight operators, in particular those in other neighbouring countries, depends on ČD Cargo's ability to provide its customers with reliable services under commercially attractive terms. Should ČD Cargo's competitors develop any technological or other business advantage or should ČD Cargo lose a significant business or customer to a competitor, this could have a material impact on the Group's Freight Transport Business' market share and, as a result, on the Group's business, results of operations, financial condition, cash flows and prospects.

Business risks

The Group is exposed to commodity price risk.

For the year ended 31 December 2023, the purchases of fuel (diesel) and electricity represented 28.9 per cent. of the Group's costs of services, raw material and energy, as compared to 32.9 per cent. for the year ended 31 December 2022. The Group is therefore exposed to commodity price risk, mainly as a result of fuel and electricity usage. The price of fuel and electricity can be volatile as their prices and supply levels can be influenced significantly by international, political and economic circumstances. During the course of 2022, the European electricity market continued to experience a price surge and volatility, with the baseload year-ahead power prices briefly exceeding EUR 1,000 per MWh in August 2022. While in the first half of 2023, electricity prices in the EU were higher compared with the same period in 2022, they stabilised in the second half of 2023. Further volatility in the price of both commodities may be expected in response to, in particular, the ongoing war in Ukraine and the associated sanctions imposed on Russia and certain Russian companies and entities, including producers of oil and gas, the conflict in Gaza and the Houthi attacks on international shipping in the Red Sea. See "*—The Group may be negatively affected by the ongoing war in Ukraine and other geopolitical tensions.*"

The Group manages the commodity price risk using a combination of the following instruments so as not to exceed the open risk position limit set by the Risk Management Committee and approved by the Board of Directors: (i) entering into mid-term derivatives for the purchase of fuel; (ii) in the event the price of fuel and electricity increases by more than 10 per cent., the Group may request the Czech Regions and the State to increase the payments for the provision of passenger transport services pursuant to long-term contracts; and (iii) annually negotiating a fixed price of electricity from the relevant supplier for the following calendar year. As of the date of this Prospectus, the Group considers to request the Czech Regions and the State to increase the payments under point (ii) above.

As of the date of this Prospectus, ČD Cargo has hedging contracts covering 60 per cent. of its total expected consumption of diesel in 2024. However, the Group may incur losses if any of the variety of instruments and strategies used to hedge exposures are not effective or cannot be implemented. See "*—Risks related to the Group's financial profile—The Group's hedging strategy may not prove successful or its hedge counterparties may not perform their obligations under the relevant hedging arrangements to which the Group is a party*".

As for electricity, both ČD and ČD Cargo have agreed on a fixed price for which they will purchase electricity for the remainder of the year 2024. See "*Description of the Issuer—Material Contracts*". Once these contracts expire, there is no guarantee that the Group will be able to renew them or enter into new contracts on similar terms. Accordingly, there is a risk that the Group's electricity costs may increase in the future and the Group will not be able to pass these costs onto its customers and offset them by the corresponding increase in the payments for the provision of passenger transport services pursuant to long-term contracts with the State and the Czech Regions.

In addition, the availability of fuel or energy can be subject to limitations on their supply, including due to cancellations or limitations on extraction or import of gas or other commodities, outages or limitations on power production or refinery production, damaged transmission infrastructure, laws (which may or may not come into effect) political uprisings or wars, such as the ongoing war in Ukraine and the associated sanctions imposed on Russia and certain Russian companies and entities, including producers of oil and gas, the conflict in Gaza and the Houthi attacks on international shipping in the Red Sea, which has the potential to disrupt global supply chains and unfold into a larger-scale conflict involving other countries, or other means stipulating mandatory allocation or contribution systems of such supplies.

The Group may become subject to increasing competition from providers of other modes of transport, primarily bus, car and air transport, in the passenger transport market and, in the freight transport market, trucks and, to a limited extent, ship carriers. The reduction in oil prices in recent years has led to lower costs for these modes of transport and thus increased their attractiveness relative to railway transport. If the price of oil further decreases or stays on relatively low levels, customer interest in railway transport might decrease and render railway transport less attractive in general. This could have a material adverse effect on the Group's business, results of operations, financial condition, cash flows and prospects.

The materialisation of the above risks could have a material adverse effect on the Group's business, results of operations, financial condition, cash flows and prospects.

The Group is exposed to operational risks, as well as natural disasters, pandemics, extreme weather conditions, human error and sabotage.

The Group is exposed to the risk of operational incidents. Certain operational incidents are outside the Group's control, which may cause delays or interruptions in the Group's operations, increase capital expenditures and harm the Group's business and reputation. For instance, the Group's operations as well as the railway systems on which the Group operates may be adversely affected by many factors, including a breakdown or failure of equipment, natural disasters and extreme weather conditions, pandemics, including potential future spread of COVID-19 variants, human error or sabotage. Any physical damage to the railway system, the related infrastructure or the Group's facilities and assets may be costly to repair and any outages may cause the Group to lose revenues due to its inability to provide transport services in accordance with existing contracts with its customers.

Further, an accident, derailment or other incident involving the Group's railway operations could result in damage or loss to the Group's property, rolling stock and also disrupt the Group's services and give rise to potential claims by its customers, mainly passengers and freight shippers. For example, in the five years prior to the date of this Prospectus, trains operated by the Group were involved in the following major accidents:

- a derailment of a ČD passenger train near Hlinsko in 2022, which was caused by a tree that fell onto the railroad, resulting in damages of approximately CZK 2 million;

- a collision of a ČD international express train with another train at a railroad near Milavče in 2021, which resulted in three casualties and damages of over CZK 100 million;

- a collision of a ČD Cargo train with another train near Světec in 2021, which resulted in one casualty and damages of approximately CZK 50 million;

- a collision of a ČD passenger train with a truck on a railroad crossing in Rožná na Žďársku in 2021, resulting in damages of approximately CZK 32.5 million;

- a collision of a ČD Pendolino high speed train with another train in the town of Bohumín in 2022, which resulted in one fatality and several people being injured and damages of approximately CZK 218 million;

- a collision of a ČD passenger train with a truck on a railroad crossing near the town of Dětmarovice on 24 January 2024, which resulted in one fatality and several people being injured. The extent of potential damages is under review; and
- a derailment of a ČD regional passenger train near Klínec on 2 May 2024. The extent of potential damages is under review.

Any operational or other safety incident involving harm to any person, loss of life or significant damage to property or assets exposes the Group to financial risk including personal injury claims and other liability claims and criminal proceedings, as well as the possibility that its operations may be suspended or terminated. In the event of a serious accident involving passengers, the Group may also need to provide additional assistance to the affected passengers, in excess of any reimbursement from insurance payments.

Any of the above events could have a material adverse impact on the Group's reputation and the attractiveness of its services in the future. An adverse change in the perception of the Group's safety record could result in customers switching to other means of transport, to other rail transport providers or, due to public pressure, force the Government to divest some of the Group's operations to third-party operators. As a carrier and operator of rolling stock with a relatively high average age, the Group may also be responsible for spillage or leakage from its rolling stock that may be transporting environmentally sensitive materials, the cost of which may exceed any reimbursement received from relevant insurance.

The materialisation of any of the above risks could have a material adverse effect on the Group's business, results of operations, financial condition, cash flows and prospects.

The Group is subject to legal proceedings.

The Group is involved in several material legal proceedings and in proceedings by Czech regulatory agencies (see "*Description of the Issuer—Disputes*" for a detailed description of all material proceedings).

Adverse monetary awards, judgments in litigation or arbitral proceedings, individually or in aggregate, could have a material adverse effect on the Group's business, results of operations or financial condition. Further, such judgments or decisions might include restrictions on the Group's ability to conduct business, which could increase the cost of doing business and limit the Group's prospects for future growth. In addition, any potential loss in litigation or arbitral proceedings may result in negative publicity for the Group and damage its reputation.

As of 31 December 2023, the Group maintained provisions in relation to legal, regulatory and administrative proceedings in the amount of CZK 1.029 billion. However, the Group has not recorded provisions in respect of all legal, regulatory and administrative proceedings to which the Group is a party or to which it may become a party. In particular, the Group has not recorded provisions in cases in which the outcome is unquantifiable or the Group currently expects to be ruled in its favour. Additionally, the Group may not record provisions for the full amount of the claim, but rather for its estimate of the likely outcome. As a result, the Group cannot give any assurance that its provisions will be adequate to cover all amounts payable in connection with any such proceedings. The Group's failure to quantify sufficient provisions or to assess the likely outcome of any proceedings could have a material adverse effect on the Group's business, results of operations, financial condition, cash flows and prospects.

The Group is unable to or may not insure itself against all potential risks and may become subject to higher insurance premiums.

The Group maintains a comprehensive set of insurance policies to cover those risks that it believes to be common in the area of its key activities. The Group does not maintain insurance in relation to damages to its train units. The Group's insurance policies are subject to commercially negotiated deductibles, exclusions and limitations, and the Group will only receive insurance proceeds in respect of a claim made to the extent that its insurers have the funds to make payment. In addition, the Group's operations may be affected by a number of risks for which full insurance cover is either not available or not available on commercially reasonable terms. The Group cannot assure investors that its insurance coverage will be sufficient to cover losses arising from any, or all, of such risks, or that it will be able to renew existing insurance cover on commercially reasonable terms, if at all.

Should an incident occur in relation to which the Group has no insurance coverage or inadequate insurance coverage, the Group could lose the capital invested in, and anticipated future revenue relating to, any asset that is damaged or destroyed and, in certain cases, the Group may remain liable for financial obligations related to the impacted asset. Similarly, in the event that any assessments are made against the Group in excess of any related insurance coverage that it may maintain, its assets could be subject to attachment, confiscation or restraint under various judicial procedures. Any of these occurrences could have a material adverse effect on the Group's business, results of operations, financial condition, cash flows and prospects.

The Group's business requires significant capital expenditures.

Modernisation of rolling stock requires significant capital expenditures. According to its current investment plan, the Group plans to invest more than CZK 102 billion (EUR 4.0 billion) in the renewal and modernisation of its fleet and buildings during the period between 2024 and 2028. See "*Description of the Issuer—Passenger Transport Business*" and "*Description of the Issuer—Freight Transport Business*" for a description of the Group's investment into modernisation of its rolling stock. The Group cannot guarantee that it will generate sufficient cash flows in the future or that it will be able to raise funds at commercially reasonable rates to be able to meet its capital expenditure needs, sustain its operations, or meet its other capital requirements as and when they arise. Additionally, changes in the legal framework, delays in supply of such equipment and subsequent delays in putting newly acquired equipment into operation may have adverse effects on the Group's ability to fulfil the scope of services pursuant to contracts with third parties in relation to passenger or freight transport. For instance, ČD has recently filed claims for the payment of contractual fines arising from overdue deliveries of rolling stock under its contracts with several suppliers, including Siemens and ŠKODA TRANSPORTATION. These claims value up to hundreds of millions of CZK. The materialisation of any of these risks could have a material adverse effect on the Group's business, results of operations, financial condition, cash flows and prospects. Such changes may also harm the Group's ability to compete in tenders for both passenger and cargo services.

The Group's transport services and their quality are dependent on the quality of the railway systems on which it operates and on timetables established by SŽ in cooperation with ČD and other rail transport providers.

The transport services the Group provides, and their quality, are dependent on the quality of the railway systems on which the Group operates, primarily the Czech railway system. Any closures or extensive reconstructions could disrupt the Group's operations, limit its services, cause delays and force the Group to use alternative and longer routes or use substitute bus transport, which could have a material adverse effect on the Group's business, results of operations, financial condition, cash flows and prospects.

Further, the ability of the Group to provide rail transport services is largely dependent on timetables established between Správa železnic, státní organizace ("**SŽ**"), the railway infrastructure administrator, and rail transport providers. Adverse changes in SŽ's financial stability may have a material adverse impact on the Group's ability to provide adequate quality of service, which in turn may increase operation costs or inefficiencies. This could have a material adverse effect on the Group's business, results of operations, financial condition, cash flows and prospects.

Loss of some major customers of ČD Cargo could have a material adverse effect on the Group's business, financial condition, results of operations, cash flows and prospects.

ČD Cargo's business depends to a certain extent on a number of major customers. In the year ended 31 December 2023, the majority of the revenues of the Group's Freight Transport Business (the sole contributor of which is ČD Cargo and its subsidiaries) were derived from its top 20 customers, most of which operate in the mining, metallurgy, power, chemical, automotive and intermodal transport industries. As a result, it is critical that ČD Cargo maintains close relationships with its major clients.

The loss of one or more of ČD Cargo's major customers, a substantial decrease in demand from any of its major customers or counterparty risk associated with any of these customers could result in a substantial loss of revenues, which could, in turn, have a material adverse effect on the Group's business, results of operations, financial condition, cash flows and prospects.

Furthermore, ČD Cargo may be exposed to a credit risk relating to the non-payment or non-performance by customers with respect to trade receivables. The failure of its customers to perform their obligations or the possibility that they may terminate their agreements with ČD Cargo could result in ČD Cargo being unable to meet its working capital requirements. Financial difficulties experienced by customers, including bankruptcies, restructurings and liquidations, or potential financial weakness in the industry, which may be further exacerbated during a period of economic downturn or weaker economic conditions, increase this risk. A failure of customers to pay any material due amounts to ČD Cargo could have a materially adverse effect on the Group's business, results of operations, financial condition, cash flows and prospects.

ČD Cargo is exposed to fluctuations in demand for certain commodities and to trends in the industries that use these commodities.

ČD Cargo's operations consist mainly of the transport of commodities, including iron and machine industry products, construction materials, chemical products and liquid fuels, wood and paper products, foods and farming products, coal and automotive, but also combined transport and transport of other shipments, including extraordinary cargo.

In 2023, the largest year-on-year sales overruns were achieved in transportation of chemical products (increase by 0.3 million tonnes year-on-year), especially fuels, and automotive (flat year-on-year), due to higher transported volume and price increases. On the other hand, the largest decline in ČD Cargo's sales was in timber and paper products (decrease by 1.6 million tonnes), due to the weakening effects of the bark beetle calamity in the Czech Republic.

As a result, ČD Cargo's revenues and results of operations are dependent on the demand for these commodities, which is directly linked to any trends or changes in the industries that use these commodities and in the economy as a whole. For instance, long-term structural changes in the energy industry signified by the shift away from fossil fuels in the power and heating industry have translated into a downward trend in the transport of lignite. In 2023, the Group recorded a year-on-year decrease in the transport of lignite by 1.7 million tonnes and expects this trend to continue. Fluctuations in demand due to any of the foregoing may affect the volume of the commodities being transported. Any significant deterioration in any of these industries could have a material adverse effect on the Group's business, results of operations, financial condition, cash flows and prospects.

The Group may be negatively affected by the ongoing war in Ukraine and other geopolitical tensions.

Following the invasion of Ukraine by Russia, the United States, the EU, the UK, Switzerland, Canada, Japan, Australia among other countries imposed sanctions against Russia, Belarus and certain Russian and Belarussian companies and institutions. While the length and impact of the ongoing war is unpredictable, it presents a key downside risk for corporates and households in Europe, it has led to a rise in energy prices as well as certain raw materials. As a result of the conflict and the associated sanctions, the Group's transport volumes to and from Russia and Belarus decreased, thereby negatively affecting the Group's business. In the years ended 31 December 2023 and 2022, the freight routes operated by ČD Cargo to and from Ukraine, Belarus and Russia generated 4 per cent. of the revenues of the Group's Freight Transport Business. In addition, the commodities transport industry has been adversely affected by the current commodities shortages and by increase in the cost of raw materials due to, among other things, export disruptions in Ukraine, Belarus and Russia. Any widespread disruptions may also adversely affect other economic sectors and, as a such, further decrease the demand for railway transport across Europe.

The continuation of the conflict between Russia and Ukraine, including the extension of the conflict to other countries in the region, could lead to further worsening of the security situation in Europe and increase in energy prices, thereby contributing to higher inflation and interest rates and have a negative impact on financial market stability. Furthermore, the disruption and volatility in the global financial markets caused by the Russian invasion and the potential of further tightening of financial market conditions due to the conflict could have a material adverse effect on the Group's ability to access funding, capital and liquidity on financial terms acceptable to it and result in an increase in the Group's cost of funding due to widening of credit spreads.

Further, on 7 October 2023, Hamas launched an attack on Israel. In response, Israel declared war against Hamas, targeting the Gaza strip. The war has caused a humanitarian crisis and may lead to further escalation of the conflict in the region, a rise in oil and gas prices, more inflationary pressures and market volatility, among others. Further, political tensions between China and Taiwan, combined with potential spillover effects on the worldwide economic and political situation can further elevate geopolitical risks. In addition, the current conflict in the Red Sea, in the wake of Houthi attacks on international shipping, has the potential to disrupt global supply chains and unfold into a larger-scale conflict involving other countries. The negative effect of the conflict on international shipping has also negatively affected the combined maritime-rail transport of cargo.

The materialisation of the above risks could negatively affect global macroeconomic condition and the economy and could have a material negative effect on the Group's business, results of operations, financial condition, cash flows and prospects.

The Group may be adversely affected by the nature of its contracts with suppliers.

Suppliers who provide goods or services to the Group need to fulfil certain specific technical requirements stemming from the specific nature of the Group's business, as well as the applicable regulations and the Group's internal rules. This limits the number of eligible suppliers and restricts the Group's choices and competitiveness among suppliers. The Group is particularly dependent on certain suppliers of rolling stock, repair and maintenance services, and IT. Any changes in relation to the abovementioned technical requirements may cause a decrease in the number of suppliers the Group can choose between, an increase in prices, shortages in supply or delays, which could have a material adverse effect on the Group's business, results of operations, financial condition, cash flows and prospects.

An increase in costs incurred in relation to using the rail network poses risks to the Group.

ČD and ČD Cargo, as well as other rail transport providers in the Czech Republic, incur costs payable to SŽ for the usage of the rail network. These costs, expressed as a maximum price per unit, are set by SŽ following an assessment by the Ministry of Transport. The costs payable to SŽ for the use of the railway infrastructure and allocated infrastructure capacity in 2023 and 2022 amounted to CZK 2,859 million and CZK 2,949 million, respectively. Any increases in the amount to be paid to SŽ, not accompanied by equivalent pro-rated compensation from parties using the public rail service, would have an adverse impact on the Group. In the case of cessation of business by SŽ, any potential negotiations or standstills with its successor may pose risks to the Group and as a result may have a material adverse effect on the Group's business, results of operations, financial condition, cash flows and prospects.

The Group relies on advanced IT systems and technology to operate its business and any failure of these systems could have an adverse effect on its business.

The Group relies on advanced IT systems and technologies for coordination of scheduling, dispatching and other aspects of its railway operations, such as accounting, ticket sales for passenger trains, tracking of freight deliveries and numerous other functions. There is a risk that such technology could fail. Hardware and software used by the Group may be damaged by human error, natural disasters, power loss, sabotage, computer viruses and other internal or external events. Significant disruption to information systems, including computer hardware, software or communication devices, may lead to operation stoppages, breach of security policies or other problems that may have an adverse effect on the Group. The Group has in place disaster recovery procedures, security measures, support and maintenance, usually provided in-house in the first instance and thereafter by third party contractors, in the event of failure or disruption, but such procedures and measures may not anticipate, prevent or mitigate any material adverse effect of such failure or disruption on the Group's business, results of operations, financial condition, cash flows and prospects.

Furthermore, the Group may at any time be required to expend significant capital or other resources to protect against failure and disruption, including the replacement or upgrading of its existing business continuity systems, procedures and security measures. If replacements, expansions, upgrades and other maintenance are not completed efficiently or there are operational failures, the quality of service experienced by passengers or clients may decline. If, as a result, passengers or clients were to reduce or stop their use of the Group's services, this could have a material adverse effect on the Group's business, financial condition and results of operations. Additionally, if the Group is unable to acquire or implement new technology, it may suffer a competitive disadvantage, which could also have a material adverse effect on the Group's business, results of operations, financial condition, cash flows and prospects.

The Group is exposed to cyber risk and other unauthorised access of its internal and customer data.

The scale of the Group's business and nature of its operations requires the Group to receive, process and store confidential information about its customers, employees and counterparties, all of which needs to be safeguarded against loss, mismanagement or unauthorised disclosure. Despite the Group's security measures and data protection mechanisms, its information technology and infrastructure may be vulnerable to cyberattacks by hackers or breaches due to employee error, malfeasance or other disruptions. Any such breach could compromise the Group's networks and the information stored there could be accessed, publicly disclosed, lost or stolen. Any such access, disclosure or other loss of information could damage the Group's reputation and result in regulatory sanctions and other liability for breach of data protection laws. Such breach may, among other things, result in significant fines under applicable data protection laws (see "*—Non-compliance with the General Data Protection Regulation (GDPR), or stricter interpretation of the existing requirements or future modifications of the data protection laws, could have a negative impact on the Group's business, financial condition, results of operations,* *cash flows and prospects.*”). Cyber attacks could also result in the loss of internal communication or communication with the Group’s customers and business partners, which may result in reduced productivity and a loss of revenues. In addition, it could cause the Group’s service to be perceived as not being safe, thereby harming the Group’s reputation and deterring current and potential customers from using the Group’s services. Cyber attacks may also prevent the Group from discharging its contractual or regulatory obligations.

In April 2022, the National Cyber and Information Security Agency (NÚKIB) announced that some of the government’s and state organisation websites, including ČD’s had been subject to so-called “DDoS” cyber attacks. These attacks led into temporary lack of access of users to the ČD website, including the inability to use ČD’s mobile application “My Train”. On multiple occasions in 2023, ČD’s website and mobile application “My Train” were subject to a series of brute-force attacks. In all of these cases, due to strong cybersecurity measures and data protection mechanisms, there were no serious consequences, nor was there any leakage of information or stealing of private data of the Group’s customers. However, similar attacks have become more prevalent in recent years, especially since the start of the war in Ukraine in 2022.

The materialisation of any of these risks could cause the Group to incur substantial additional costs, become subject to litigation, enforcement actions or regulatory investigations, and therefore could have a material adverse effect on the Group’s business, results of operations, financial condition, cash flows and prospects.

The success of the Group’s operations depends to a large extent on highly qualified personnel and the ability to attract and retain key managers or senior executives, as well as sufficiently skilled labour force.

The Group’s business requires specific knowledge of the industry and the Group’s ability to maintain its competitive position and to implement its business strategy is thus largely dependent on its ability to retain key managers, such as the members of the Board of Directors (as defined in “*Management and Employees*”) and other personnel with significant industry knowledge and experience, and on the ability to attract and retain additional qualified personnel. The loss of key managers and senior executives or any delay in replacing a departed member of management or senior executive may result in the loss of industry-specific knowledge as well as relationship with key customers, lenders and industry personnel and delay key decisions.

Due to the state of the Czech labour market and a limited availability of personnel with sufficient knowledge and expertise, such as train operators, train conductors, train mechanics and IT specialists, and increased competition in the market for such employees, the hiring of new employees or replacing existing employees may require additional time and resources. Any loss of personnel or the inability to attract additional personnel with the necessary experience, for instance as a result of labour shortages or low unemployment rates, could hinder the Group’s ability to recruit and retain qualified employees. This may lead the Group to increase its levels of compensation to remain competitive and increase its costs of recruiting and training personnel, which could have a material adverse effect on the Group’s operating costs, market position and ability to execute strategic goals, and therefore on its business, results of operations, financial condition, cash flows and prospects.

The Group depends on good relations with its workforce and any significant disruption or industrial action triggered by the labour unions or third parties could adversely affect the Group’s operations.

The majority of the Group’s employees are unionised and possess certain bargaining and other rights. These employment rights may require the Group to spend substantial time and resources on altering or amending employees’ terms of employment or making staff reductions. If the Group is unable to maintain good relationships with its workforce or to reduce its workforce without violating the terms of any applicable collective bargaining agreements, while also retaining qualified personnel required to effectively operate its business, the Group could experience a labour disturbance, which could have a material adverse effect on its ability to maintain its current market position or execute its strategic goals.

Further, the Group’s employees may cease or suspend working in the event of industrial action and newly negotiated terms may be put in place as a result of such industrial action. This could harm the Group’s operations and significantly increase its costs mainly in relation to healthcare costs and compensation. Any increase in the Group’s costs, which is not accompanied by commensurate increases in efficiency and productivity, could have a material adverse effect on the Group’s business, results of operations, financial condition, cash flows and prospects.

Furthermore, the Group is susceptible to disruptions caused by railway strikes and industrial actions organized by the labour unions and railway workers in neighbouring countries. Recent strikes have repeatedly disrupted the operation of several ČD’s long-distance and regional lines between the Czech Republic and Germany, and there is a possibility of future occurrences. The GDL trade union has publicly stated its intention to announce further strike activities following the conclusion of ongoing strikes, without any prior notice period. In the eventuality of these threats materializing, the Group may lack the authority to furnish passengers with alternative transportation options or sufficient information regarding the prevailing situation.

The Group may not be successful in securing certain subsidies.

The market in which the Group operates may from time to time receive subsidies provided under various policies at the EU or national level. The Group regularly aims to receive subsidies under various EU and national policies, such as subsidies for acquisition or modernisation of rolling stock, energy saving projects and equipment of rolling stock with the European Train Control System (the "**ETCS**").

Such subsidies could, if awarded, benefit the Group's business, results of operations and financial condition. However, there can be no assurance that the Group will be successful in receiving any subsidy. Any such subsidy, for which the Group applies, may be granted to the Group's competitors, which may result in the Group's disadvantageous competitive position. Moreover, national authorities may be unable to implement the respective measures in order to provide the subsidies as intended by the respective EU or national policies, for example due to budgeting constraints. In order to apply for subsidies, EU or national authorities may also impose conditions that are unfair, unpredictable or otherwise disadvantageous for the relevant Group's operating subsidiary. There is also no assurance that the Group will fulfil the relevant conditions to receive any subsidy. In any of the foregoing events, it is possible that the Group's competitors will be successful in such a programme and gain a competitive advantage. A failure of the Group to obtain, or success of the Group's competitors in obtaining, subsidies may negatively affect the Group's business, results of operations, financial condition, cash flows and prospects.

The Group may fail to successfully implement its business strategy.

The financial performance and success of the Group depends in large part on its ability to successfully implement its business strategy. As of the date of this Prospectus, the Group plans to primarily focus on continued optimisation within the Group, further cost reductions and maintenance of conservative financial policy, sustainability, which includes improvement of its environmental footprint by the way of renewal and modernisation of its rolling stock and possible expansion in cross-border and near-border railway transport in neighbouring countries. However, implementation of these strategic objectives may be costly, time-consuming and, if implemented incorrectly, may jeopardise the achievement of qualitative or quantitative targets. There is no guarantee that the Group will be able to successfully implement its business strategy, realise any benefit from the same or be able to improve its results of operations. Implementation of the Group's business strategy could be affected by a number of factors beyond the Group's control, such as increased competition, consumer behaviour, legal and regulatory developments, general economic conditions or an increase in operating costs. Any failure to successfully implement the Group's business strategy could have a material adverse effect on the Group's business, results of operations, financial condition, cash flows and prospects.

The Group participates and may in the future participate in joint ventures in which the Group owns less than a majority of voting rights or which the Group does not manage or otherwise control, which entails certain risks, and the Group may enter into further such arrangements in the future.

The Group has entered into, and may in the future enter into, certain joint venture arrangements in which the Group owns less than a majority of voting rights or which the Group does not manage or otherwise control, and may from time to time enter into arrangements in which minority holders will be granted protective rights. For instance, the Issuer participates in a joint venture with the Czech investment group Penta, which owns a 66 per cent. ownership interest in Masaryk Station Development, a.s. ("**MSD**"). Similarly, the Issuer owns a 38.79 per cent. ownership interest in JLV, a.s. ("**JLV**") and a 51 per cent. ownership interest in Žižkov Station Development, a.s. ("**ŽSD**") and Smíchov Station Development, a.s. ("**SSD**"). In ŽSD and SSD, the Czech investment group Sekyra Group as the minority shareholder has been granted some protective rights. In such cases, the Group depends on the approval of joint venture partners for certain matters or may also depend on the joint venture partners to operate the relevant entities. The approval of such partners may also be required for the Group to receive distributions of funds from the projects or entities or to transfer the Group's interest in projects or entities. Any occurrence of these risks could have an adverse effect on the success of the joint venture arrangement or on the Group's interest therein and, in turn, on the Group's business, results of operations, financial condition, cash flows and prospects.

The Group may not be successful in selling any or all of its non-core assets.

Because the Group owns significant non-core assets, the maintenance of which is costly to the Group, it intends to continue to streamline its asset base by selling some of these non-core assets to SŽ as well as to private investors, such as individuals, companies and municipalities. This process commenced in 2008 and has included the sale of non-core buildings (administration buildings, workshops, garages, warehouses) and non-core land plots predominantly surrounding railway stations. In the ongoing last phase, which commenced in 2015 and which is expected to unfold over the following 15 years, ČD aims to sell primarily smaller buildings and land plots. The Group cannot guarantee that it will be able to sell any of the non-core assets as and when expected or at all, or that it will be able to sell them under favourable conditions. This could have a material adverse effect on the Group's business, results of operations, financial condition, cash flows and prospects.

If the Group fails to continue to maintain an effective system of internal controls over financial reporting, the Group may not be able to report financial results accurately or prevent fraud or other unfavourable transactions.

The Group has taken reasonable steps to maintain and further develop adequate procedures, systems and controls to enable it to comply with its legal, regulatory and contractual obligations, including with regard to financial reporting, which it evaluates periodically. Any system of controls, however well designed and operated, can provide only reasonable, and not absolute, assurance that the objectives of the system are met. In addition, the design of any control system is based in part upon certain assumptions about the likelihood of future events. Because of these and other inherent limitations of control systems, there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions, regardless of how remote. The Group's integrated information systems only cover some of its subsidiaries, while the remaining subsidiaries have their own accounting platform and accounting methodologies. The Group's operating subsidiaries prepare separate financial statements under the applicable local accounting standards for statutory purposes and part of the IFRS financial statements consolidation process is manual. It involves the transformation of the statutory financial statements of the Group's subsidiaries into IFRS financial statements through accounting adjustments and a consolidation of all entities' financial statements using the Group's accounting policies. This process is complicated and time consuming and involves significant manual intervention, all of which increases the possibility of error. Any failure to maintain an adequate system of internal controls, to successfully implement any changes to such system or to be able to produce accurate financial information on a timely basis could increase the Group's operating costs and materially impair its ability to operate business, any of which could materially and adversely affect the Group's business, results of operations, financial condition, cash flows and prospects.

The Group is exposed to risks arising from attempted terrorist activities and other acts of violence.

Potential terrorist acts or similar events, war or conflict, the threat of war or conflict or the reaction of the Czech Republic to such acts or events, could significantly disrupt the Group's activities. For instance, actual or attempted terrorist acts and the public's concerns about potential attacks could adversely affect demand for the Group's services. There has been one terrorist attack in the Czech Republic, where a tree cut down by an individual fell on the railway tracks and caused the train to derail. In recent years, there have been several false reports of bomb placements on trains or at train stations. Furthermore, there have been multiple acts of terrorism on public transport systems and other terrorist attacks in Europe that whilst not directly targeting public transport, have discouraged travel. As a result of actual or attempted terrorist activities or other acts of violence, governmental authorities may mandate security procedures in addition to those currently employed by the Group, thereby increasing the Group's costs. Given the Group's size and activities, the Group is considered as a strategic asset to the Czech Republic and thus the Group could be targeted during conflicts or could be used by the Czech Republic in response to such attacks. The materialisation of any of these risks could have a material adverse impact on the Group's business, results of operations, financial condition, cash flows and prospects.

Risks related to the Group's financial profile

The Group's substantial leverage and debt service obligations could adversely affect its business and prevent it from fulfilling its obligations with respect to its indebtedness and from obtaining sufficient funding for investments in its assets and their maintenance, and the Group may not be able to successfully renew or

refinance such indebtedness as it matures, or may only be able to renew or refinance it on less favourable terms.

The Group has a substantial amount of outstanding indebtedness. As of 31 December 2023 and 2022, the Group had Debt as defined in the "*Presentation of Financial and Other Information—Non-IFRS Information"* section below) of CZK 72,760 million and CZK 68,405 million, respectively, none of which was overdue.

The level of the Group's indebtedness could have important consequences, including, but not limited to:

(i) limiting the Group's ability to obtain sufficient funding to make crucial investments into the purchase or maintenance of essential assets, primarily rolling stock. This may result in obsolescence and deterioration of such assets, which may adversely affect the quality of service provided to customers (including an increased risk of accident or injury), the ability of the Group to compete in tenders for the provision of passenger rail transport services to the State and the Czech Regions and potential breaches of certain agreements with third parties (mainly insurance contracts and contracts with the State and the Czech Regions concerning the provision of public service passenger transport), leading to increased liabilities of the Group, and may cause members of the Group to lose their licences;

(ii) making it more expensive to service indebtedness which is subject to floating interest rates or making it more expensive to any future indebtedness bearing fixed interest rates;

(iii) making it difficult for the Group to satisfy its obligations with respect to its indebtedness;

(iv) requiring the allocation of a substantial portion of the Group's cash flow from operations to the payment of principal of, and interest on, indebtedness, thereby reducing the availability of such cash flow for, and limiting the ability to obtain additional financing to fund, working capital, capital expenditures, acquisitions, joint ventures or other general corporate purposes;

(v) restricting its operations through certain covenants in the Group's debt agreements; and

(vi) decreasing the Group's credit rating, limiting the Group's ability to borrow additional funds and increasing the cost of any such borrowing.

In addition, the Group may incur substantial additional indebtedness in the future. Any additional debt incurred by the Group could have a significant negative impact on the Group's performance indicators and could result in higher interest expenses for the Group.

The Group's business is also subject to significant risks in relation to its ability to renew extend or refinance loans and other obligations as they mature. The Group is reliant upon having financial strength and access to credit and bond markets to meet its financial requirements. If the Group's financial performance does not meet its existing contractual obligations or market expectations, it may not be able to refinance existing debt issuances or facilities on terms considered favourable. If the Group is no longer able to obtain the financing it needs as and when needed, or if it is able to do so only on onerous terms, its further development and competitiveness could be severely constrained. The Group's ability to raise additional capital could be further influenced by factors such as changing market interest rates, restrictive covenants in its debt instruments or negative changes in its credit rating. At the same time, any additional debt incurred in connection with future acquisitions, construction or development could have a significant negative impact on the Group's performance indicators and could result in higher interest expenses for the Group. If the Group does not generate sufficient cash flows or if it is unable to obtain sufficient funds from future financings or at acceptable interest rates, the Group may not be able to pay its debts as they fall due or to fund other liquidity needs.

The Group's ability to access the capital markets and other forms of financing (or refinancing), and the costs connected with such activities, depends in part on the credit rating of the Issuer. As of the date of this Prospectus, the Issuer has been assigned a long-term corporate credit rating of Baa2 (outlook stable) by Moody's. A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency. A Baa2 credit rating falls within the investment-grade category and is considered to indicate a moderate credit risk. Issuers with investment-grade rating will typically have relatively easier access to financing and can attract investors who are more risk-averse, although the terms of financing may not be as favourable compared to issuers with higher credit ratings (such as those rated A or higher). The Issuer's ability to maintain its current rating is dependent on a number of factors, some of which may be beyond its control. These factors are more fully described in the various press releases and rating reports published by Moody's from time to time, and available on its website, as well as on the website of the Issuer. In the event that the Issuer's credit rating is lowered, the Group's ability to access credit and bond markets and other forms of financing (or refinancing) could be limited.

Any of the above could have a material adverse effect on the Group's business, results of operations, financial condition, cash flows and prospects, its credit rating and on the Group's ability to satisfy its debt obligations, including under the Notes.

A part of the Group's financial indebtedness is structurally senior to the financial indebtedness of the Issuer under the Notes.

As of 31 December 2023 and 2022, 25.1 per cent. and 27.8 per cent., respectively, of the Group's Net Debt (as defined in the "*Presentation of Financial and Other Information—Non-IFRS Information*" section below) was owed by the subsidiaries of the Issuer and, consequently, is structurally senior to the financial indebtedness of the Issuer under the Notes. In the event of any foreclosure, dissolution, winding-up, liquidation, reorganisation, administration or other bankruptcy or insolvency proceedings in respect of the subsidiaries of the Issuer, investors in the Notes will not have access to the assets of such subsidiaries until after all of the subsidiary's creditors have been paid and the remaining assets have been distributed to the Issuer as their direct or indirect shareholder.

The Group is exposed to credit risk.

The Group is exposed to credit risk, mainly in relation to suppliers of rolling stock and financial institutions to which the Group has mark-to-market exposure. Financial assets that expose the Group to potential credit risk include cash and cash equivalents, trade receivables and financial derivative contracts. The Group monitors its exposure to the credit risk of such third parties on a regular basis. Nonetheless, such monitoring cannot guarantee that the Group will prevent all losses or liquidity constraints incurred in relation to credit issues of third parties. In addition, in the year ended 31 December 2023, the top 20 clients of the Group's Freight Transport Business accounted for the majority of the Freight Transport Business's revenues. As such, any deterioration in the credit quality of one or more such clients or the materialisation of any of the credit issues described above could have a material adverse effect on the Group's business, results of operations, financial condition, cash flows and prospects.

The following table shows an overview of the Group's impairment losses on current trade and finance lease receivables as of 31 December 2023 and 2022:

	Before due date	**1-30**	**31-90**	**91-180**	**181-365**	**Over 365**	**Total**
	(in CZK millions, unless stated otherwise)						
As of 31 December 2023[(1)]							
Expected credit loss rate (*in per cent.*)..	3	3	0	25	90	95	**-**
Finance lease receivables - gross...	141	0	0	0	0	0	**141**
Short-term trade receivables - gross	3,726	178	35	4	21	187	**4,151**
Expected credit loss	**98**	**5**	**0**	**1**	**19**	**177**	**300**
As of 31 December 2022[(1)]							
Expected credit loss rate (*in per cent.*)..	2	1	3	33	75	100	**-**
Finance lease receivables - gross...	152	-	-	-	-	-	**152**
Current trade receivables - gross....	4,126	179	32	12	16	173	**4,538**
Expected credit loss	**106**	**1**	**1**	**4**	**12**	**173**	**297**

Notes:

(1) The carrying value of receivables represents the Group's maximum exposure to credit risk on these assets.

The Group is exposed to liquidity risks.

The Group manages its liquidity risk through planning future cash flows and provisions of short-term funding, such as through its promissory notes programme and overdraft or revolving loans. However, there is no guarantee that the Group will always have access to short-term financing or that it will not encounter obstacles in terms of securing short-term funding when experiencing liquidity issues. For example, some financial institutions may not extend short-term credit lines or promissory note facilities to the Group. The exposure to liquidity constraints could have a material adverse effect on the Group's business, results of operations, financial condition, cash flows and prospects.

The following table shows the remaining contractual maturity of the Group's financial liabilities as of 31 December 2023 and 2022:

	Up to 1 month	1-3 months	3 months – 1 year	1 – 5 years	Over 5 years	Total
			(in CZK millions)			
As of 31 December 2023[(1)]						
Non-interest bearing	3,835	2,414	378	68	134	**6,829**
Commitment to increase capital of the Group's investee	555	0	0	0	0	**555**
Derivatives	0	(8)	276	1,001	547	**1,816**
Lease liabilities	121	447	2,159	4,476	349	**7,552**
Secured loans	4	110	295	1,468	856	**2,733**
Variable interest rate instruments	419	223	1,149	4,821	1,271	**7,883**
Fixed interest rate instruments	436	399	5,326	40,812	20,699	**67,672**
Total	**5,370**	**3,585**	**9,583**	**52,646**	**23,856**	**95,040**
As of 31 December 2022[(1)]						
Non-interest bearing	3,915	2,541	524	184	38	**7,202**
Commitment to increase capital of the Group's investee	510	-	-	-	-	**510**
Derivatives	1	1	481	1,652	682	**2,817**
Lease liabilities	127	232	1,135	4,054	730	**6,278**
Secured loans	44	88	355	1,449	1,193	**3,129**
Variable interest rate instruments	871	251	1,305	5,324	3,423	**11,174**
Fixed interest rate instruments	10	185	12,180	36,625	8,614	**57,614**
Total	**5,478**	**3,298**	**15,980**	**49,288**	**14,680**	**88,724**

Notes:
(1) The figures have been drawn up based on the undiscounted cash flows from financial liabilities based on the earliest date on which the Group can be required to pay. The figures include both interest and principal cash flows. To the extent that instruments carry floating interest, the undiscounted amount is derived from interest rate curves at the end of the reporting period and may change, if interest rates differ from the determined estimates.

The following table shows the expected contractual maturity of the Group's financial assets as of 31 December 2023 and 2022:

	Up to 1 month	1-3 months	3 months – 1 year	1 – 5 years	Over 5 years	Total
			(in CZK millions)			
As of 31 December 2023[(1)]						
Non-interest bearing	5,547	1,425	561	2,174	333	**10,040**
Derivatives[(2)]	0	17	(5)	(10)	0	**2**
Finance lease receivables	8	5	38	123	438	**612**
Fixed interest rate instruments	4,711	0	0	0	0	**4,711**
Total	**10,266**	**1,447**	**594**	**2,287**	**771**	**15,365**
As of 31 December 2022[(1)]						
Non-interest bearing	4,981	2,041	473	582	341	**8,418**
Derivatives[(2)]	8	48	128	238	24	**446**
Finance lease receivables	6	3	28	126	410	**573**
Fixed interest rate instruments	6,396	-	-	-	-	**6,396**
Total	**11,391**	**2,092**	**629**	**946**	**775**	**15,833**

Notes:
(1) The figures have been drawn up based on the undiscounted cash flows of financial assets reflecting the anticipated maturity. The figures include cash flows from interest and principal.
(2) Negative net undiscounted cash flow arising on specific cross-currency interest rate derivatives due to the significant interest rate differential between the functional and the hedged currency.

The Group is exposed to interest rate risks.

The Group's operations are subject to the risk of interest rate fluctuations as it utilises external financing that bears floating or fixed interest rates, including domestic bonds, Eurobonds, bank loans, leases, and promissory notes. The length of time for which the interest rate is fixed on a financial instrument indicates to what extent it exposes the Group to interest rate risk. The Group performs stress testing using a sensitivity analysis, whereby an immediate increase or decrease in interest rates by one per cent. along the whole yield curve is applied to the interest rate positions of the portfolio.

The following table shows sensitivities of profit (loss) after tax and other comprehensive income after tax to possible changes in interest rates as of 31 December 2023 and 2022:

	As of 31 December			
	2023		2022	
	Impact on profit (loss) after tax	Impact on other comprehensive income after tax	Impact on profit (loss) after tax	Impact on other comprehensive income after tax
	(in CZK millions)			
Increase in interest rates by 100 basis points.	(49)	104	(55)	103
Decrease in interest rates by 100 basis points.	49	(109)	55	(108)

After nine months of holding rates steady, with effect from 12 June 2024, the European Central Bank decreased its three key interest rates by 25 basis points and specifically the deposit facility decreased to 3.75 per cent. The CNB board at its most recent monetary policy meeting held on 2 May 2024 lowered the two-week repo rate by 0.5 percentage point to 5.25 per cent. At the same time, it lowered the discount rate by the same amount to 4.25 per cent. and the lombard rate to 6.25 per cent. The new interest rate levels came into effect on 3 May 2024. However, there is still a risk that interest rates will increase if the inflationary pressures persist. Any substantial increase in floating interest rates or any significant changes in fixed interest rates of contracts to be entered into, or the Group's limited ability to enter into such contracts bearing or resulting in fixed interest rates, could have a material adverse effect on the Group's business, results of operations, financial condition, cash flows and prospects.

The Group is exposed to currency fluctuation risk.

The Group is exposed to the risk of fluctuations in the value of the Czech Koruna relative to the Euro and, to a lesser extent, also to other currencies. The Group's currency fluctuation risk stems mainly from ČD Cargo's operations, ČD's debt denominated in Euro and purchases of rolling stock in other currencies. The Group performs stress testing using a sensitivity analysis, whereby an immediate increase or decrease in nominal value of Czech crown by CZK 1 is applied.

The following table shows sensitivities of profit (loss) after tax and other comprehensive income after tax to possible changes in exchange rates as of 31 December 2023 and 2022 relative to the functional currency, with all other variables held constant:

	As of 31 December			
	2023		2022	
	Impact on profit (loss) after tax	Impact on other comprehensive income after tax	Impact on profit (loss) after tax	Impact on other comprehensive income after tax
	(in CZK millions)			
CZK strengthening by CZK 1 against EUR...............................	625	317	503	300
CZK weakening by CZK 1 against EUR...............................	(625)	(317)	(503)	(300)

Therefore, any substantial loss resulting from a fluctuation in the euro or any other foreign currency exchange rate could have a material adverse effect on the Group's business, results of operations, financial condition, cash flows and prospects.

The Group's hedging strategy may not prove successful or its hedge counterparties may not perform their obligations under the relevant hedging arrangements to which the Group is a party.

The Group uses interest and currency rate swaps and other types of derivatives to reduce the amount of exposure to interest and currency rate fluctuations as well as commodity price fluctuations. In line with the approved risk management strategy, the Group enters into contracts for interest rate swaps and hedges anticipated payments in a foreign currency so that the size of the open risk position does not exceed the limit defined for the period by the risk management committee and approved by the Board of Directors. As of the date of this Prospectus, the management's objective is to hedge at least 90 per cent. of long-term financing with a floating interest rate and all long-term financing in foreign currency against currency risk. However, the Group may incur losses if any of the variety of instruments and strategies used to hedge exposures are not effective or cannot be implemented. The Group's actual hedging decisions will be determined in light of the facts and circumstances existing at the time of the hedge and may differ from time to time. Also, the risk management procedures the Group has in place may not always be followed or may not work as planned. In addition, the Group is exposed to the risk that its hedging counterparties will not perform their obligations under the relevant hedging arrangements to which the Group is a party. Hedging counterparties may default on their obligations towards the Group due to lack of liquidity, operational failure, bankruptcy or other reasons. The materialisation of any of the above risks could adversely affect the Group's business, results of operations, financial condition, cash flows and prospects.

Risks related to the Czech Republic

The Group is exposed to the risk of poor performance of the Czech economy.

The majority of the Group's operations are located in the Czech Republic and the Group is therefore exposed to economic risks associated with the Czech Republic and, to a lesser extent, certain other European countries, including Germany, Austria, Poland and Slovakia. This is particularly relevant for the Group's Freight Transport Business and, due to its counter-cyclical nature, to a lesser extent also for the Group's Passenger Transport Business. The economy of the Czech Republic is vulnerable to external shocks, such as, most recently, the global economic recession caused by the COVID-19 pandemic or the ongoing war in Ukraine. In recent years, the Czech economy has been affected by a high level of inflation. Although inflation has been decreasing lately and, according to the Czech Statistical Office, the year-on-year inflation level in the Czech Republic reached 2.9 per cent. in April 2024, there is a risk that inflation will spring back and the Czech economy will not avoid a recession. The Czech economy is strongly export-oriented and any significant decline in the economic growth of any of the Czech Republic's trading partners, in particular Germany, Austria, Poland and Slovakia, could therefore have an adverse effect on the Czech Republic's balance of trade and adversely affect its economic growth.

There can be no assurance that any crises, slowdown or economic volatility, such as the ongoing war between Ukraine and Russia (see "*—The Group may be negatively affected by the ongoing war in Ukraine and other geopolitical tensions* ") or similar events, will not negatively affect investor confidence in markets relevant for the Group's businesses. The continuation of the conflict between Russia and Ukraine, including the extension of the conflict to other countries in the region, could lead to further worsening of the security situation in the Czech Republic and to increase in energy prices. This could lead to higher inflation and interest rates and have a negative impact on financial market stability. Furthermore, the disruption and volatility in the Czech financial markets caused by the Russian invasion and the potential of further tightening of financial market conditions due to the conflict could have a material adverse effect on the Group's ability to access funding, capital and liquidity on financial terms acceptable to it and result in an increase in the Group's cost of funding due to widening of credit spreads.

Based on the macroeconomic forecast of the Ministry of Finance of the Czech Republic published in April 2024, the possibility of renewed problems in supply chains, for example in connection with the situation in the Middle East, may dampen economic activity in some sectors of the economy. In addition to the negative impact on economic performance, supply-side problems would create additional inflationary pressures. These could also be triggered by an increase in the prices of energy commodities in the event of an escalation of geopolitical tensions. The ability to compensate for the shortfall in gas and oil supplies from Russia to EU with increased imports from other suppliers and to offset this with austerity measures on the demand side remains a risk. The development of inflationary expectations is also a risk for the Czech economy.

Any such external shocks or changes in economic, regulatory, administrative or other policies of the Government, as well as political or economic developments in the Czech Republic, including potential changes in the Czech Republic's credit ratings, over which the Group has no control could have a material adverse effect on the Group's business, results of operations, financial condition, cash flows and prospects.

The Group is exposed to political risks in the Czech Republic.

The most recent general elections in the Czech Republic were held in October 2021 and the government was formed by two coalitions: SPOLU coalition (ODS (*Občanská demokratická strana),* TOP 09 and KDU-ČSL (*Křesťanská a demokratická unie – Československá strana lidová*)) and the Piráti a Starostové coalition (Czech Pirate Party (*Česká pirátská strana)* and Mayors and independents (*Starostové a nezávislí*)). The next general elections in the Czech Republic are scheduled to take place in 2025. The Group can give no assurance that there will be no change in the Government or its policy prior to the expiration of its current mandate or that any future Government will continue in the current economic, fiscal, and regulatory policies and strategy in respect of the continued ownership of ČD by the State, nor can there be any assurance that any changes in such policies or strategy will not have a material adverse effect on the Group's business, results of operations, financial condition, cash flows and prospects.

Similarly, it cannot be ruled out that the public transport policies and priorities of the Czech Regions will change as a result of the Czech Regional elections which are currently scheduled for autumn 2024. The newly elected regional governments may decide to prioritise other modes of public transport (in particular the bus transport) over the railway transport or to organise competitive tenders on the operation of regional passenger railway services. Since a substantial part of the revenues of the Group's Passenger Transport Business comprises payments paid to ČD by the Czech Regions, in the event of a change in a public policy, this could influence the volumes of regional passenger rail service tendered by some of the Czech Regions.

In addition, the State is the sole shareholder of ČD and the Government exercises its shareholder rights through a Steering Committee (the "**Steering Committee**"), which comprises seven members appointed for an indefinite period by the Government: three representatives of the Ministry of Transport, and one representative of each of the following four ministries: the Ministry of Finance, the Ministry of Defence, the Ministry of Industry and Trade, and the Ministry for Regional Development. Accordingly, the Group may be negatively affected by changes to key decision-makers at, or the strategy of, any of these ministries, such as a policy change towards state support of passenger rail transport. Any such changes could have a material adverse effect on the Group's business, results of operations, financial condition, cash flows and prospects.

The Group is exposed to the risk of the poor financial condition of the State and the Czech Regions.

A significant amount of ČD's revenues is generated through payments received from budgets of the State and the Czech Regions for the provision of regional and domestic long-distance passenger transport. Any inability of the State or the Czech Regions to discharge their financial obligations when due or any austerity measures undertaken by the State or the Czech Regions, may have a material adverse effect on the Group's business, results of operations, financial condition, cash flows and prospects and may harm the Group's ability to meet its liabilities, including under the Notes.

Risks related to governmental regulations and laws

The Group is exposed to adverse changes in laws or regulations.

The Group is subject to a number of laws and regulations, in particular railway transport laws, tax laws, environmental protection laws, public procurement laws, antitrust laws, employment requirements, environmental procedures, insurance coverage and other operating issues in the Czech Republic, on the EU level and in the countries in which the Group operates, including Poland, Austria, Slovakia, Hungary, Germany, Croatia, Serbia and Slovenia. These laws are constantly subject to change. There is a risk that the transport industry will become more heavily regulated, or that local authorities with whom the Group contracts could specify levels of quality and service with which the Group must comply. The costs associated with complying with changes in interpretations of existing, or the adoption of new legislation, regulations or other laws in the jurisdictions in which the Group operates and of meeting specific levels of quality and service under contractual obligations could have a material adverse effect on the Group.

For example, passenger transport in the Czech Republic is subject to a reduced value added tax ("**VAT**") rate and fare prices for non-commercial passenger transport, including the applicable VAT, are capped by Government regulation. Moreover, the Government has introduced subsidised fare (a 50 per cent. discount on standard fare) for pupils and students up to 26 years of age and elderly over 65 on all national long-distance and regional bus and rail lines, integrated transport systems as well as urban public transport links that cross city borders. Service providers, including ČD, receive payments for the discounted fares from the state budget (see "*Description of the Issuer— Passenger Transport Business – Regional*"). As from 1 February 2019, VAT for public passenger transport fares was reduced from the original 15 per cent. to 10 per cent., and from 1 January 2024, increased from 10 per cent. to 12 per cent. The subsidised fare and lower VAT have led to a generally higher demand for public transport and its discontinuation could thus negatively affect demand for public transport services, including those provided by the Issuer.

In addition, some provisions of the tax laws in the countries in which the Group operates are ambiguous and there is often no unanimous or uniform interpretation or practice of the law by the applicable tax authorities and the courts. In certain cases, tax authorities could have a high degree of discretion, for instance in relation to transfer pricing tax legislation, and at times may exercise their powers arbitrarily and selectively enforce tax laws and regulations, which could be in a manner that is contrary to the law. The imposition of any new taxes in the countries in which the Group operates, or changing interpretations, possibly with retrospective effect, or application of tax regulations by the tax authorities, extensive time periods relating to overdue liabilities and the possible imposition of penalties and other sanctions due to unpaid tax liabilities may result in additional amounts being payable by the Group.

Materialisation of any of the above risks, including adverse changes in employment legislation, increase of the applicable VAT or the discontinuation of or the decrease in the fare discounts, could have a material adverse effect on the Group's business, results of operations, financial condition, cash flows and prospects.

The Group's operations depend on obtaining and maintaining licences and permits necessary for the operation of its business.

The Group conducts its business operations under various licences and permits that authorise it to carry out a full range of railway-related business activities, such as a transport company licence and certification. As a result, the Group's activities are dependent upon the grant, renewal or continuance in force of these licences and permits, which in certain circumstances may be valid only for a defined period, may be subject to limitations and may provide for withdrawal in certain circumstances. There can be no assurance that such licences and permits will be granted, renewed or remain in force and, if so, on what terms. Failure to obtain necessary licences or permits or any suspension or termination thereof could have a material adverse effect on the Group's business, results of operations, financial condition, cash flows and prospects.

The Group could incur significant costs for violations of applicable environmental and occupational health and safety laws and regulations.

As a transport company, the Group's operations are subject to extensive local, national and international environmental, health and safety laws and regulations, such as laws and regulations governing emissions and the transport of products that are hazardous to the environment.

As the owner and operator of numerous sites and transport vehicles, the Group may be liable for substantial costs associated with remediating soil and groundwater contaminated by hazardous materials, regardless of whether the Group knew of or was responsible for the contamination. There is a risk that the Group will not always comply with these laws and regulations and any such violation could result in fines, sanctions or the commencement of legal proceedings against the Group, resulting in reputational as well as potentially significant monetary harm to the Group. In addition, the Group cannot exclude the risk of injury to its employees or third-party contractors, particularly when fulfilling maintenance and other duties or when working with electricity or emission generating parts of the Group's infrastructure where injury may occur even when there has been compliance with all safety regulations and professional standards. Any such injury may result in costs, lower employee morale, and negative publicity for the Group.

The regulation of health, safety and environmental protection is complex and subject to frequent changes, and regulation has become more stringent over time. The Group may be required to change its environmental policy and adopt stricter procedures and measures to comply with applicable regulation and, as a result, the Group may be required to increase its capital expenditure to ensure continued compliance. All of these liabilities and additional costs may affect the Group's business, results of operations, financial condition, cash flows and prospects.

Non-compliance with the General Data Protection Regulation (GDPR), or stricter interpretation of the existing requirements or future modifications of the data protection laws, could have a negative impact on the Group's business, financial condition, results of operations, cash flows and prospects.

With effect as of 25 May 2018, the Group's operations and services need to comply with Regulation (EU) 2016/679, General Data Protection Regulation ("**GDPR**"), which generally imposes uniform rules for all market participants operating within the EU and strict sector specific rules under the e-Privacy Directive (Directive 2002/58/EC). GDPR implements a stricter data protection compliance regime and substantially increases fines for a breach of data protection regulation. Under GDPR, data protection agencies have the right to audit the Group and impose orders and fines, up to EUR 20 million, or up to 4 per cent. of the worldwide annual revenue for the previous financial year, if they find that any member of the Group has not complied with applicable laws and adequately protected customer data. In the Czech Republic the rights and obligations arising from GDPR are further specified in Act No. 110/2019 Coll., on data processing (the "**Data Processing Act**"). Any difference in interpretation of the GDPR, Data Processing Act or any other applicable data protection rules by the data protection agencies resulting in the Group's non-compliance with GDPR or any other applicable data protection laws, or any limitations imposed by stricter interpretation of the existing requirements or by future modifications of the data protection laws, could have a significant impact on the Group's business operations and its ability to market products and services to existing or potential customers. As such, the materialisation of any of the above could have a material adverse effect on the Group's business, results of operations, financial condition, cash flows and prospects.

ČD can incur limitations on procurement due to the Public Procurement Act.

As of the date of this Prospectus, ČD is subject to public procurement rules stipulated in Act No. 134/2016 Coll., on Public Procurement, as amended (the "**Public Procurement Act**") when tendering services and supplies with value in excess of the applicable thresholds set out in the Public Procurement Act. In the event of a qualified tender under the Public Procurement Act, ČD is obligated to follow the stipulated procedures, which might limit its ability to procure such tender in a timely manner. This may harm the ČD's ability to compete in tenders for both passenger and cargo services and have an adverse effect on the ČD's business, financial condition, results of operations, cash flows and prospects.

RISKS RELATED TO THE NOTES

The Notes may be redeemed prior to maturity.

In the event of an early redemption of the Notes in accordance with the Terms and Conditions, the Noteholders would be exposed to the risk of the value of the yield on the Notes being lower than anticipated due to such early redemption. Also, there can be no assurance that at the relevant time the Noteholders will be able to reinvest the redemption proceeds at an effective interest rate as high as the return that would have been received on such Notes had they not been redeemed. Potential investors should consider such reinvestment risk in light of other investments available at that time.

In addition, in the event of an early redemption of the Notes in accordance with the Terms and Conditions, the Noteholders would be exposed to the risk of having their hedging strategy disrupted and may incur costs connected with early termination of their outstanding hedging arrangements.

An active secondary market in respect of the Notes may never be established or may be illiquid.

The Notes are new securities which may not be widely distributed and for which there is currently no active trading market. Although an application has been made for the Notes to be admitted to trading on the Regulated Market, there is no assurance that such application will be accepted or that an active trading market will develop or, if developed, that it will continue. Further, the fact that the nominal amount of each Note is CZK 3,000,000 may contribute to lower liquidity of any trading market for the Notes. Therefore, investors may not be able to sell their Notes easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market. Illiquidity may have a severe adverse effect on the market value of Notes. If the Notes are traded after their initial issuance, they may trade at a discount to their initial offering price, depending upon prevailing interest rates, the market for similar securities, general economic conditions and the financial condition of the Issuer.

Return on investment in the Notes may be affected by the interest rate.

Investment in the Notes, which bear interest at a fixed rate, involves the risk that subsequent changes in market interest rates may adversely affect the value of the Notes. The holder of a Note with a fixed interest rate is exposed to the risk of a decrease in the price of such a Note as a result of changes in the market interest rates – the CNB has been continuously lowering the two-week repo rate to the current 5.25 per cent. applicable from 3 May 2024. While the nominal interest rate is fixed for the term of the existence of the Notes, the current interest rate on the capital market (the "**market interest rate**") usually changes daily. As the market interest rate changes, the price of the fixed-rate Note changes too, but it does so inversely. If the market interest rate increases, the price of the fixed-rate Note usually drops to a level where the yield of such a Note roughly equals the market interest rate. On the contrary, if the market interest rate decreases, the price of the fixed-rate Note usually rises to a level where the yield of such a Note roughly equals the market interest rate. This fact may have an adverse impact on the value and development of the investment in the Notes.

Return on investment in Notes may be affected by various fees.

The overall return on investment in the Notes may be affected by the fees charged by the agent for the sale/purchase of the Notes (such as the Joint Lead Managers) or charged by the relevant settlement system used by the investor. Any such person or institution may charge fees for the opening and keeping of an investment account, securities transfers, securities safekeeping services, and other services. The Issuer recommends that potential investors in the Notes familiarise themselves with the materials that will serve as the basis for charging fees related to the Notes.

Each retail investor who acquires the Notes from ČS may be charged, in accordance with the subscription instruction, a fee of 0.25 per cent. of the nominal amount of the Note to be acquired. It may also be charged regular fees for the keeping of an investment account, which as of the date of this Prospectus, do not exceed 0.04 per cent. per annum of the aggregate nominal amount of the Notes in such an account, but will be at least CZK 25 per calendar quarter.

Each retail investor who acquires the Notes from KB may be charged, in accordance with the current KB pricelist and subscription instruction a fee of 0.25 per cent. of the nominal amount of the Note to be acquired. The fee is calculated on the volume of the trade, excluding accrued interest, whereas the Central Depository fee may be added to these fees. Each investor who buys the Notes from KB will pay the regular fees of KB for keeping the securities account according to the current KB pricelist published on the website www.kb.cz in the section *Price lists, Price list of Business products, Individuals* (*Ceny a sazby, Sazebníky KB, Občané*). As at the date of the Prospectus, these costs will not exceed 0.02 per cent. per annum of the aggregate nominal amount of the Notes in such an account (plus value added tax, if applicable) but will be at least CZK 15 per month.

Each retail investor who acquires the Notes from UniCredit may be charged, in accordance with the subscription instruction, an upfront fee of 0.25 per cent. of the aggregate nominal amount of the Notes to be acquired, and in accordance with the current UniCredit price list available on the UniCredit's website www.unicreditbank.cz (in the section *Price lists*, *Individuals*, section 10.4 *Providing custody/administration services*), UniCredit's current fees for keeping the securities account. These fees will not exceed 0.20 per cent. of the total nominal value of the Notes registered in such an account p.a., excluding value added tax, but will be at least CZK 300, excluding value added tax.

The investor may be required to pay additional fees charged by the intermediator of the purchase or sale of the Notes, the person keeping the records of the Notes, the person who performs the clearing of the Notes transaction, or by another person, e.g. fees for opening and maintaining an investment account, for arranging the transfer of the Notes, services related to custody of the Notes, their registration.

Return on investment in the Notes may be negatively affected by the inflation rate.

Prospective investors in or sellers of the Notes should be aware that the value of the investment in real terms may diminish concurrently with inflation, reducing the currency value. As the Notes do not contain an anti-inflation clause, inflation (which was high in the Czech Republic for the past two years as compared to prior years) causes a decline in the yield of the Notes. According to the latest CNB forecast published on 2 May 2024, the year-on-year overall inflation is expected to reach 2.3 per cent. in 2024 and 2.0 per cent. in 2025. If, however, a situation occurs where this forecast is not fulfilled and the inflation rate exceeds the nominal yield on the Notes which equals 5.647 per cent., the real yield on the Notes will be negative.

The Terms and Conditions contain provisions which deviate from the Czech Bonds Act.

The Terms and Conditions contain certain provisions which deviate from the default provisions set out in the Czech Act No. 190/2004 Coll., on Bonds, as amended (the "**Czech Bonds Act**"). The aim of these provisions is to better align the terms of the Notes with the terms of the outstanding Eurobonds issued by the Issuer in the international market. Specifically, the Terms and Conditions:

(a) by way of deviation from Section 23(4) of the Czech Bonds Act, contain a provision under which the Meeting (all capitalised terms used in this risk factor are defined in the Terms and Conditions) deciding on a Reserved Amendment, i.e. any proposal:

(i) to make any amendment of Conditions 4 (*Issuer's Covenants*) and 9 (*Events of Default*), including temporary or permanent waiver, change or deviation from any obligation thereunder; or

(ii) to amend the definition of the term "Reserved Amendment",

will constitute a quorum if attended by the Persons Authorised to Attend the Meeting, who were, as of the Meeting Attendance Record Date, owners of the Notes the nominal amount of which represents more than half of the aggregate nominal amount of the issued and outstanding Notes (more than a quarter of the aggregate nominal amount of the issued and outstanding Notes in case of an adjourned Meeting) and such decision will require a simple majority of votes to pass;

(b) by way of deviation from Section 23(4) of the Czech Bonds Act, contain a provision under which the Meeting deciding on a Reserved Matter, i.e. any proposal to

(i) change any date fixed for payment of principal or interest in respect of the Notes, to reduce the amount of principal or interest payable on any date in respect of the Notes or to alter the method of calculating the amount of any payment in respect of the Notes on redemption or maturity or the date for any such payment;

(ii) to effect the exchange or substitution of the Notes for, or the conversion of the Notes into, shares, bonds or other obligations or securities of the Issuer or any other person or body corporate formed or to be formed;

(iii) to change the currency in which amounts due in respect of the Notes are payable;

(iv) to appoint or recall a common proxy;

(v) to change the quorum required at any Meeting or the majority required to pass any resolution; or

(vi) to amend the definition of the term "Reserved Matter",

will constitute a quorum if attended by the Persons Authorised to Attend the Meeting, who were, as of the Meeting Attendance Record Date, owners of the Notes the nominal amount of which represents more than three quarters of the aggregate nominal amount of the issued and outstanding Notes (more than a quarter of the aggregate nominal amount of the issued and outstanding Notes in case of an adjourned Meeting) and such decision will require at least three-quarters of the votes to pass;

(c) by way of deviation from Section 23(4) of the Czech Bonds Act, contain a provision under which the Meeting deciding on a Material Change which is neither a Reserved Amendment nor a Reserved Matter will constitute a quorum if attended by the Persons Authorised to Attend the Meeting, who were, as of the Meeting Attendance Record Date, owners of the Notes the nominal amount of which represents more than thirty per cent. of the aggregate nominal amount of the issued and outstanding Notes (provided that no quorum applies in case of an adjourned Meeting) and such decision will require a simple majority of the votes to pass; and

(d) by way of disapplication of Section 23(5) of the Czech Bonds Act, do not give a right to request repayment of the nominal amount or buyback of the Notes to a Person Authorised to Attend the Meeting who, according to the minutes of such Meeting, voted against a resolution approving a Material Change adopted by the Meeting or who did not attend such Meeting.

These deviations may adversely affect the position of the Noteholders who voted against a resolution of a Meeting approving any Material Change or who did not attend such Meeting, because such Noteholders do not have a right to request repayment of the nominal amount or buyback of the Notes and they may be unable to sell their Notes easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market. Such circumstances may adversely affect value and development of the investment in the Notes.

In addition, Section 23(9) of the Czech Bonds Act, which anticipates possible deviations from the provisions of the Czech Bonds Act relating to noteholders' meetings, became effective only on 1 January 2024 and is untested in practice. Accordingly, there is a risk that the competent courts may take a conservative view that some or all of the above deviations from the default provisions of the Czech Bonds Act are not permitted. Any uncertainty regarding the possibility to deviate from the provisions of the Czech Bonds Act may adversely affect the value of the Notes or the ability of the Noteholders to sell the Notes.

Risk of non-payment.

Like any other monetary debt, Notes are exposed to the risk of non-payment. Under certain circumstances, the Issuer may be unable to pay interest on the Notes, and the value for the Noteholders upon redemption may be lower than their initial investment; under certain circumstances, the Notes could even be worthless. The Issuer's ability to pay interest on the Notes or repay their nominal value depends, among other things, on the performance and solvency of the entities with whom it does business. If the Issuer's debtors (current or future) default on their debts, such fact might have a negative impact on its ability to meet its obligations under the Notes in a due and timely manner.

Risk of order reduction.

The prospective buyers of the Notes should be aware that the Joint Lead Managers may, at their own discretion, reduce the investor's order, and the overpayment, if any, will be without delay disbursed to the investor's account. If the order is reduced, the prospective investor will not be able to invest in the originally contemplated volume or not at all. Thus, reducing the order can adversely affect the value of the investment into the Notes.

If an investor holds Notes which are not denominated in the investor's home currency, it will be exposed to movements in exchange rates adversely affecting the value of its holding. In addition, the imposition of exchange controls in relation to any Notes could result in an investor not receiving payments on those Notes.

The Issuer will pay principal and interest on the Notes in Czech Koruna (the "**Specified Currency**"). This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit (the "**Investor's Currency**") other than the Specified Currency. These include the risk that exchange rates may significantly change (including changes due to depreciation of the Specified Currency or appreciation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls. An appreciation in the value of the Investor's Currency relative to the Specified Currency would decrease: (1) the Investor's Currency-equivalent yield on the Notes; (2) the Investor's Currency-equivalent value of the principal payable on the Notes; and (3) the Investor's Currency-equivalent market value of the Notes.

Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate or the ability of the Issuer to make payments in respect of the Notes. As a result, investors may receive less interest or principal than expected, or no interest or principal.

The Terms and Conditions contain provisions which may permit their modification without the consent of all investors.

The Terms and Conditions contain provisions for calling meetings of Noteholders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Noteholders including the Noteholders who did not attend and vote at the relevant meeting and the Noteholders who voted in a manner contrary to the majority.

Certain assets of the Issuer may be subject to immunity or the Issuer may be obliged to provide certain services and assets to the State or other persons.

The Issuer carries out passenger and freight transport business and provides passenger transport services in public interest. Since such parts of the Issuer's operations might be of importance in specific situations (including, among others, any force majeure events) or for specific purposes (including, among others, military or public interest), under the applicable laws, the Issuer's assets (or a portion thereof) used to carry out such operations may be subject to immunity from execution or other legal process, or the Issuer may be obliged to provide certain services and assets to the State or other persons, in such situations or for such purposes. This could potentially adversely affect the pool of assets available for enforcement of any obligation of the Issuer under the Notes or may have a material adverse effect on the Group's business, financial condition and results of operations.

PRESENTATION OF FINANCIAL AND OTHER INFORMATION

The Group's financial information set forth in this Prospectus, unless otherwise indicated, presents the Issuer's audited consolidated financial information derived from the audited consolidated financial statements as of and for the year ended 31 December 2023 (the "**2023 Financial Statements**") and audited consolidated financial statements as of and for the year ended 31 December 2022 (the "**2022 Financial Statements**" and together with the 2023 Financial Statements, the "**Financial Statements**") The Financial Statements have been incorporated by reference into this Prospectus. See "*Information Incorporated by Reference*".

The Financial Statements have been prepared in accordance with International Financial Reporting Standards as adopted in the EU ("**IFRS**"). The Group presents its financial statements in Czech Korunas, which is the functional and presentation currency of the Group. Deloitte Audit s.r.o., has audited the 2023 Financial Statements and PricewaterhouseCoopers Audit, s.r.o. has audited the 2022 Financial Statements, in each case in accordance with Act No. 93/2009 Coll., on auditors, as amended and Auditing Standards of the Chamber of Auditors of the Czech Republic, which are International Standards on Auditing ("**ISA**"), as amended by the related application guidelines.

Non-IFRS Information

Included in this Prospectus are certain measures which are not measures defined by IFRS, namely EBIT, EBITDA, EBITDA Margin, Leverage, Current Liquidity, Capital Expenditures, Debt, Debt/EBITDA, Net Debt, Net Debt/EBITDA, and which meet the definition of alternative performance measures (each an "**APM**") as described in the ESMA Guidelines on Alternative Performance Measures (the "**ESMA Guidelines**") published by the European Securities and Markets Authority on 5 October 2015. The ESMA Guidelines provide that an APM is understood as a financial measure of historical or future financial performance, financial position, or cash flows, other than a financial measure defined or specified in the applicable financial reporting framework. The ESMA Guidelines also note that they do not apply to APMs disclosed in accordance with applicable legislation, other than the applicable financial reporting framework, that sets out specific requirements governing the determination of such measures.

For the Group, measures that might be considered to be APMs in this Prospectus (and that are not defined or specified by IFRS or any other legislation applicable to the Group) include the following (such terms being used in this Prospectus as defined below):

"**EBIT**" is defined as operating profit/(loss) for the period from continuing operations before financial income and expenses, share in profits of associates and joint ventures and taxes.

"**EBITDA**" is defined as operating profit/(loss) for the period from continuing operations before financial income and expenses, share in profits of associates and joint ventures, taxes, depreciation and amortisation.

The Group presents EBIT and EBITDA because management uses it to assess and compare the underlying profitability of the Group after eliminating potential differences in performance caused by variations in capital structure, tax positions, and depreciation and amortisation.

The following table provides a reconciliation of the Group's EBIT and EBITDA to profit/(loss) from continuing operations for the years ended 31 December 2023 and 2022:

Key Metrics	**Passenger Transport**	**Freight Transport**	**Asset Management**	**Certifications and Testing**	**Total of reportable segments**	**Others**(1)	**Elimination**(2)	**Total**
Year ended 31 December 2023				*(in CZK millions)*				
Profit/(loss) for the period from continuing operations............	**512**	**326**	**1,973**	**284**	**3,095**	**654**	**(553)**	**3,196**
Income tax	(111)	(407)	(8)	(70)	(596)	(87)	53	(630)
Finance income(3)...	468	108	23	20	619	63	(65)	617
Finance costs	(2,729)	(592)	(12)	(6)	(3,339)	(73)	86	(3,326)
EBIT	**2,884**	**1,217**	**1,970**	**340**	**6,411**	**751**	**(627)**	**6,535**
Depreciation and amortisation...........	(6,255)	(2,665)	(243)	(61)	(9,224)	(298)	175	(9,347)

Key Metrics	Passenger Transport	Freight Transport	Asset Management	Certifications and Testing	Total of reportable segments	Others[1]	Elimination[2]	Total
Impairment[4]	(339)	76	-	-	(263)	5	-	(258)
EBITDA...............	**9,478**	**3,806**	**2,213**	**401**	**15,898**	**1,044**	**(802)**	**16,140**
Year ended 31 December 2022				*(in CZK millions)*				
Profit/(loss) for the period from continuing operations............	**(445)**	**209**	**(242)**	**239**	**(239)**	**611**	**(511)**	**(139)**
Income tax	(317)	(101)	0	(57)	(475)	(62)	2	(535)
Finance income[3]...	600	73	23	14	710	36	(60)	686
Finance costs	(1,756)	(430)	4	(1)	(2,183)	(61)	52	(2,192)
EBIT	**1,028**	**667**	**(269)**	**283**	**1,709**	**698**	**(505)**	**1,902**
Depreciation and amortisation...........	(6,021)	(2,555)	(190)	(72)	(8,838)	(346)	140	(9,044)
Impairment[4]	(180)	48	-	-	(132)	(18)	-	(150)
EBITDA...............	**7,229**	**3,174**	**(79)**	**355**	**10,679**	**1,062**	**(645)**	**11,096**

Notes:
(1) The 'Others' column includes income and expense of all subsidiaries apart from ČD Cargo and Výzkumný Ústav Železniční, a.s., as well as income and expenses of the Issuer which do not belong to Passenger transport and Asset management segments.
(2) The 'Elimination' column includes eliminations of intragroup relations.
(3) Includes also a share of profits of associates and joint ventures.
(4) 'Impairment' includes impairment losses on property, plant and equipment and investment property.

"**EBITDA Margin**" is defined as EBITDA divided by revenue.

EBITDA Margin is considered a useful indicator because it serves as a profitability ratio that measures how much in earnings a company is generating before interest, taxes, depreciation, and amortization, as a percentage of revenue.

The following table provides a reconciliation of the Group's EBITDA Margin for the years ended 31 December 2023 and 2022:

	Year ended 31 December	
	2023	**2022**
	(in CZK millions, unless otherwise indicated)	
EBITDA	16,140	11,096
Revenue	49,148	44,222
EBITDA Margin (in *per cent.*)..	**32.8**	**25.1**

"**Leverage**" is defined as total non-current liabilities and total current liabilities divided by total assets.

Leverage is considered a useful indicator for assessing the Group's solvency given its size and the industry in which it operates. It helps investors understand how the Group pays for its business.

The following table provides a reconciliation of the Group's Leverage as of 31 December 2023 and 2022:

	As of 31 December	
	2023	**2022**
	(in CZK millions, unless otherwise indicated)	
Total non-current liabilities	69,279	56,911
Total current liabilities	20,070	28,374
Total assets	126,983	120,408
Leverage (in *per cent.*)..	**70.4**	**70.8**

"**Current Liquidity**" is defined as total current assets divided by total current liabilities.

The Group presents Current Liquidity because management uses it as a measure of the Group's ability to pay short-term obligations.

The following table provides a reconciliation of the Group's Current Liquidity as 31 December 2023 and 2022:

	As of 31 December	
	2023	**2022**
	(in CZK millions, unless otherwise indicated)	
Total current assets	17,961	19,499
Total current liabilities	20,070	28,374
Current Liquidity (in *per cent.*)	**89.5**	**68.7**

"**Capital Expenditures**" is defined as payments for property, plant and equipment, investment property and intangible assets as reported in the cash flow statement.

The Group presents Capital Expenditures because management uses it as a measure of total investments into property, plant and equipment, investment properties and intangible assets, in order to increase the scope and economic benefit of its operations.

The table below shows the Group's Capital Expenditures for the years ended 31 December 2023 and 2022:

	Year ended 31 December	
	2023	**2022**
	(in CZK millions)	
Payments for Property, plant and equipment	(13,931)	(20,329)
Payments for Investment property	(93)	(3)
Payments for Intangible assets	(325)	(362)
Acquisitions of subsidiaries, net of purchased funds	0	(47)
Acquisition of joint ventures	0	(7)
Capital Expenditures	**(14,349)**	**(20,748)**

"**Debt**" is defined as the sum of interest-bearing liabilities, consisting of short-term and long-term loans, borrowings and lease liabilities).

The Group presents Debt because management uses it to assess the capital structure of the Group.

"**Debt/EBITDA**" is defined as Debt divided by EBITDA.

The Group presents Debt/EBITDA because it is considered to be a useful metric for evaluating the Group's liquidity and facilitates a comparison to the peer companies within the same industry.

"**Net Debt**" is defined as the total of interest-bearing liabilities (consisting of current and non-current loans, borrowings and lease liabilities), net of cash and cash equivalents.

The Group presents Net Debt because it is a measure of the Group's indebtedness which is not covered by the amount of available cash and cash equivalents.

"**Net Debt/EBITDA**" is defined as Net Debt divided by EBITDA.

The Group presents Net Debt/EBITDA because it is considered to be useful information on the Group's ability to repay its debt, based on the income it generates on a consistent basis as its business grows.

The following table provides a reconciliation of the Group's Debt, Debt/EBITDA, Net Debt and Net Debt/EBITDA as of and for the years ended 31 December 2023 and 2022:

	As of and for the years ended 31 December	
	2023	**2022**
	(in CZK millions)	
Short-term loans, borrowings and lease liabilities	6,911	15,061
Long-term loans, borrowings and lease liabilities	65,849	53,344
Debt	**72,760**	**68,405**
Cash and cash equivalents	(8,119)	(8,761)
Net Debt	**64,641**	**59,644**
EBITDA	16,140	11,096
Debt/EBITDA	**4.5**	**6.2**
Net Debt/EBITDA	**4.01**	**5.38**

The Group has presented these APMs (1) as they are used by its management to monitor its financial position for outstanding debt and available operating liquidity and (2) to represent similar measures that are widely used by certain investors, securities analysts and other interested parties as supplemental measures of financial position, financial performance and liquidity. The Group believes these measures enhance the investor's understanding of the Group's performance and indebtedness and current ability of the Group to fund its ongoing operations.

However, the APMs mentioned in this Prospectus are used by different companies for differing purposes and are often calculated in ways that reflect the circumstances of those companies. Investors should exercise caution in comparing EBIT, EBITDA, EBITDA Margin, Leverage, Current Liquidity, Capital Expenditures, Debt, Debt/EBITDA, Net Debt, Net Debt/EBITDA, to similar measures used by other companies.

Further, none of these APMs is a measurement of performance under IFRS, and investors should not consider EBIT, EBITDA, EBITDA Margin, Leverage, Current Liquidity, Capital Expenditures, Debt, Debt/EBITDA, Net Debt, Net Debt/EBITDA as equivalent to Profit/(Loss) for the period, Profit/(Loss) from operating activities, Profit/(Loss) before tax, Net cash flows from operating activities, investment activities or financing activities or other measures determined in accordance with IFRS. These APMs have limitations as analytical tools, and investors should not consider them in isolation. Some of these limitations include:

- that they do not reflect changes in, or cash requirements for, working capital needs;
- that they do not reflect the interest expense, or the cash requirements necessary, to service interest or principal payments on debt;
- that although depreciation and amortisation are non-monetary charges, the assets being depreciated and amortised will often need to be replaced in the future and EBIT and EBITDA do not reflect any cash requirements that would be required for such replacements;
- that some of the items eliminated in calculating EBIT and EBITDA reflect cash payments that were made, or will be made in the future; and
- the fact that other companies in the same industry may calculate EBIT and EBITDA and the other APMs mentioned in this Prospectus differently than those mentioned in this Prospectus, which limits their usefulness as comparative measures.

Use of Certain Terms

The terms EBITDA, financial indebtedness, net debt, and leverage of the Group included in this Prospectus do not represent the terms of the same or similar names as may be defined by any documentation for any financial liabilities of the Group.

Exchange Rate Information

Where the text of this Prospectus mentions EUR equivalents next to the original CZK amounts, the amounts have been converted using the CNB's exchange rate as of 31 December 2023 at CZK 24.725 = EUR 1.00.

Foreign Language Terms

This Prospectus is drawn up in English. Certain legislative references and technical terms in the English version have been cited in their original Czech language such that the correct technical meaning may be ascribed to them under applicable law.

Information Sourced from Third parties

Certain information contained in this Prospectus has been sourced from third parties including, without limitation, information published or provided by the Ministry of Transportation of the Czech Republic (the "**Ministry of Transport**"), Eurostat, the Union Internationale des Chemins de Fer ("**UIC**"), Trans-European Transport Network (TEN-T), SŽ, and the Czech Statistical Office (*Český statistický úřad*) which, in each case, are independent sources. Where information has been sourced from a third party, the source has been identified, the information has been accurately reproduced and, as far as the Issuer is aware and is able to ascertain from information published by that third party, no facts have been omitted which could render the reproduced information inaccurate or misleading. While the Issuer believes that the information sourced from third parties, which is reproduced in this Prospectus, is reliable, the Issuer has not independently verified such information and cannot guarantee its accuracy or completeness.

References and Links to Websites

Information contained on any website referred to herein, unless explicitly incorporated into this Prospectus by reference (see "*Information Incorporated by Reference*"), does not form part of this Prospectus and has not been scrutinised or approved by the CNB.

INFORMATION INCORPORATED BY REFERENCE

The following documents which have previously been published on the Issuer's website http://www.ceskedrahy.cz/ in section *For investors - Bonds*, shall be incorporated in, and form part of, this Prospectus.

Information	Document	Pages	Hyperlink
Audited consolidated financial statements of the Issuer as of and for the year ended 31 December 2023, including notes thereto	2023 Annual Report of the České dráhy (ČD) Group	74-174	https://www.ceskedrahy.cz/sites/default/files/soubory-ke-stazeni/financni-zpravy/annual-report_2023.pdf
Independent auditor's report relating to the audited consolidated financial statements of the Issuer as of and for the year ended 31 December 2023	2023 Annual Report of the České dráhy (ČD) Group	67-73	https://www.ceskedrahy.cz/sites/default/files/soubory-ke-stazeni/financni-zpravy/annual-report_2023.pdf
Audited consolidated financial statements of the Issuer as of and for the year ended 31 December 2022, including notes thereto	2022 Annual Report of the České dráhy (ČD) Group	94-202	https://www.ceskedrahy.cz/sites/default/files/soubory-ke-stazeni/financni-zpravy/annual-report_2022.pdf
Independent auditor's report relating to the audited consolidated financial statements of the Issuer as of and for the year ended 31 December 2022	2022 Annual Report of the České dráhy (ČD) Group	86-92	https://www.ceskedrahy.cz/sites/default/files/soubory-ke-stazeni/financni-zpravy/annual-report_2022.pdf

References in the independent auditor's reports to "other information" are references to other information in the respective annual reports. Such other information is not incorporated by reference in this Prospectus. References in the auditor's reports to "separate financial statements" are references to the separate financial statements of the Issuer, disclosed in the respective annual reports. Such separate financial statements of the Issuer are not incorporated by reference in this Prospectus.

Parts of the above documents that have not been incorporated into the Prospectus by reference are not material to the investor, or the information collected from these parts is directly mentioned in the chapter "*Description of the Issuer*".

RESPONSIBILITY STATEMENT

The Issuer is responsible for the completeness and accuracy of information contained in this Prospectus. To the best of the Issuer's knowledge, the information contained in this Prospectus is in accordance with the facts and the Prospectus makes no omission likely to affect its import.

The information contained in this Prospectus is accurate only as of the date of this Prospectus and any delivery of this Prospectus at any time after the date hereof does not imply that the information in this Prospectus is correct at such subsequent time.

In Prague on the date of this Prospectus.

České dráhy, a.s.

[redacted]

Name: Michal Krapinec

Title: Chairman of the board of directors

[redacted]

Name: Lukáš Svoboda

Title: Member of the board of directors

TERMS AND CONDITIONS OF THE NOTES

The notes issued by České dráhy, a.s., incorporated under the laws of the Czech Republic, with its registered office at Nábřeží L.Svobody 1222, 110 15 Prague 1, Identification Number: 709 94 226, registered in the Commercial Register maintained by the Municipal Court in Prague, File Number: B 8039 (the "**Issuer**"), in the anticipated aggregate nominal amount of up to CZK 5,001,000,000 (five billion one million Czech Koruna) with the possibility of increase up to CZK 8,001,000,000 (eight billion one million Czech Koruna), bearing fixed interest rate, due in 2029 (the "**Issue**" and the "**Notes**"), are governed by these Terms and Conditions of the Notes (the "**Conditions**") and by Czech Act No. 190/2004 Coll., on Bonds, as amended (the "**Czech Bonds Act**").

The Issue was approved by the resolution of the board of directors of the Issuer dated 28 November 2023, resolution of the supervisory board of the Issuer dated 7 December 2023 and resolution of the steering committee (*řídící výbor*), of the Issuer dated 13 December 2023.

The ISIN of the Notes allocated by the Central Depository is CZ0003562340. The title of the Notes is ČS DRÁHY 5,50/29.

Services of the fiscal and paying agent related to interest payments and Notes redemption will be provided by Česká spořitelna, a.s., with its registered office at Olbrachtova 1929/62, 140 00 Prague 4, Identification Number 452 44 782, registered in the Commercial Register maintained by the Municipal Court in Prague, File Number: B 1171 (the "**Fiscal and Paying Agent**"). The relationship between the Issuer and the Fiscal and Paying Agent in connection with the performance of payments to the Noteholders (as this term is defined below) and some other administrative services related to the Issue is governed by an agreement between the Issuer and the Fiscal and Paying Agent (the "**Fiscal and Paying Agency Agreement**"). A copy of the Fiscal and Paying Agency Agreement is available for inspection to the Noteholders during regular business hours at the Specified Office of the Fiscal and Paying Agent set out in Condition 11.1.

Services of the listing agent related to the admission of the Notes comprising the Issue to trading on the regulated market of Burza cenných papírů Praha, a.s. (the "**PSE**" and "**Regulated Market**") will be provided by Česká spořitelna, a.s. (the "**Listing Agent**"), under the terms of the Fiscal and Paying Agency Agreement.

For the purpose of the admission of the Notes to trading on the Regulated Market, the Issuer has prepared a prospectus for the Notes (the "**Prospectus**") that includes these Conditions. The Prospectus constitutes a prospectus for the purposes of Regulation (EU) 2017/1129 of the European Parliament and of the Council of 14 June 2017 on the prospectus to be published when securities are offered to the public or admitted to trading on a regulated market, and repealing Directive 2003/71/EC, as amended (the "**Prospectus Regulation**"). The Prospectus has been approved by the Czech National Bank (the "**CNB**") as the competent authority under the Prospectus Regulation in its decision ref. no. 2024/068811/CNB/650, file no. S-Sp-2024/00078/CNB/653 dated 19 June 2024, which became final and effective on 20 June 2024. The CNB only approves this Prospectus as meeting the standards of completeness, comprehensibility and consistency imposed by the Prospectus Regulation and its approval should not be considered as an endorsement of the Notes that are the subject of this Prospectus or the Issuer's profitability. By approving the Prospectus the CNB certifies that the Prospectus contains all information required by law necessary for the investor to take an investment decision. The CNB assesses neither the financial results nor the financial situation of the Issuer and by approving the Prospectus it does not guarantee the quality of the security or the Issuer's future profitability or its ability to pay the interest on, and the principal of, the Notes. Potential investors should make their own assessment as to the suitability of investing in the Notes.

To the extent that the Issuer undertakes in these Conditions to ensure that a third party will fulfil a certain obligation, this shall be understood to mean that the Issuer warrants the agreed performance by a third party within the meaning of Section 1769, second sentence, of Act No. 89/2012 Coll., the Civil Code, as amended (the "**Civil Code**"), whereas the first sentence of Section 1769 of the Civil Code shall not apply to such cases.

The CNB carries out supervision of the Issue and the Issuer to the extent of legislation regulating the admission of securities to trading on a regulated market.

Capitalised terms, unless defined otherwise, have the meaning assigned to them in Condition 16. In these Conditions, reference to any provision of law or regulation is a reference to that provision as extended, amended or re-enacted.

1 General Characteristics of the Notes

1.1 Form, Nominal Amount, Anticipated Volume of the Issue

The Notes will be issued on the Issue Date (as defined in Condition 2) as book-entered securities. The nominal amount of each Note is CZK 3,000,000 (three million Czech Koruna). The anticipated aggregate nominal amount of the Issue is up to CZK 5,001,000,000 (five billion one million Czech Koruna), with the possibility of increase up to CZK 8,001,000,000 (eight billion one million Czech Koruna). In accordance with the Czech Bonds Act, the Issuer may issue the Notes in a lower aggregate nominal amount than the anticipated aggregate nominal amount.

1.2 Separation of the Right to Interest

There will be no separation of the right to receive interest payable under the Notes through an issue of coupons as separate securities or otherwise.

1.3 Noteholders

For the purpose of these Conditions, an owner of the Note (the "**Noteholder**") is the person on whose owner's securities account (*účet vlastníka*) with the Central Depository or in follow-up records (*navazující evidenci*) linked to the Central Depository, the relevant Note is recorded.

Unless and until the contrary is proved to the Issuer and the Fiscal any Paying Agent, the Issuer and the Fiscal and Paying Agent shall treat each Noteholder for all purposes as the owner of the nominal amount of the Notes recorded on their owner's securities account with the Central Depository or in follow-up records linked to the Central Depository and the Issuer and the Fiscal and Paying Agent will make all payments to such Noteholder in accordance with these Conditions. Persons who are owners of the Notes and who are not registered for any reason in the relevant records of owners of book-entered securities will be obliged to promptly notify the Issuer and the Fiscal and Paying Agent in writing of such fact and of their acquisition of the ownership title to the Notes and prove these facts to them in the form and substance satisfactory to the Issuer and the Fiscal and Paying Agent.

1.4 Transfer of the Notes

Transferability of the Notes is not restricted.

The transfer of the Notes will be effective upon the crediting thereof to the owner's securities account with the Central Depository in accordance with the rules and regulations of the Central Depository and applicable law. In case that the Notes are recorded in the client's securities account (*účet zákazníka*) in the Central Depository, the transfer of the Notes will be effective (i) upon crediting of the transferred Note to the client's securities account in accordance with the rules and regulations of the Central Depository and applicable law and the owner of the client's securities account is obliged to promptly register such transfer in the owner's securities account as of the moment of registration thereof in the client's securities account, or (ii) in case of any transfer between the Noteholders within one client's securities account, upon the registration of such transfer in the owner's securities account in the follow-up records linked to the Central Depository.

2 Issue Date

The issue date of the Notes is 24 June 2024 (the "**Issue Date**"). The Notes may be issued (i) in a single series on the Issue Date or (ii) in tranches during the subscription period ending 12 months after the Issue Date (the "**Issue Period**"). If all the Notes are not issued during the Issue Period, the Notes may also be issued during an additional issue period determined by the Issuer and ending no later than on the Record Date for Nominal Amount Repayment (as defined below). The Issuer will notify the Noteholders, in the same manner as used for publication of these Conditions, of the determination of such additional issue period.

Without undue delay after the Issue Date and after the expiry of the Issue Period, the Issuer will notify the Noteholders, in the same manner as used for publication of these Conditions, of the aggregate nominal amount of all issued Notes comprising the Issue.

3 Status of the Notes

The Notes constitute direct, general, unconditional and, subject to Condition 4.1, unsecured and unsubordinated obligations of the Issuer which rank and will at all times rank *pari passu* among themselves and at least *pari passu* with all other present and future unsecured and unsubordinated obligations of the Issuer, save for such obligations as may be preferred by provisions of law that are both mandatory and of general application.

3.1 No Pre-emptive or Priority Rights

Neither the shareholders of the Issuer nor any other person has any right of first refusal, pre-emptive or conversion rights in relation to the Notes or any other subscription rights in relation to the Notes.

4 Issuer's Covenants

4.1 Negative Pledge

So long as any payment obligations from the Notes remain outstanding in accordance with these Conditions, the Issuer shall not, and shall procure that none of its Subsidiaries will, create or permit to subsist any Security Interest upon the whole or any part of its present or future undertaking, assets or revenues (including uncalled capital) to secure any Relevant Indebtedness or Guarantee of any Relevant Indebtedness without at the same time or prior thereto (i) securing the Notes equally and rateably therewith or (ii) providing such other arrangement (whether or not comprising a Security Interest) for the Notes as may be approved by resolution of the Meeting (as defined in Condition 13).

4.2 Limitation on Asset Sales

The Issuer shall not, and shall procure that each of its Subsidiaries does not, sell, lease, transfer or otherwise dispose of (each such action, a "**disposal**") by one or more transactions or series of transactions (whether related or not), the whole or any part of its revenues or its assets to any person, except where:

(a)

(i) for any asset with an estimated resale value of up to EUR 5,000,000 (or its equivalent in any other currency or currencies): the Issuer or its relevant Subsidiary has disposed of such asset for such consideration as the Issuer or the relevant Subsidiary deems appropriate given the nature of the assets;

(ii) for any asset with an estimated resale value of EUR 5,000,000 (or its equivalent in any other currency or currencies) or more: the consideration received by the Issuer or such Subsidiary is not less than the Fair Market Value of the assets or revenues disposed; and

(iii) immediately before or after giving effect to such disposal, no potential Event of Default shall have occurred and be continuing as a result of such disposal; or

(b) such disposal is made to the Issuer or another wholly-owned Subsidiary of the Issuer.

5 Interest

5.1 Interest Rate and Interest Payment Dates

The Notes will bear a fixed interest rate of 5.50 per cent. (the "**Interest Rate**"). The interest will be paid annually in arrears, on 24 June each year (each the "**Interest Payment Date**") in accordance with these Conditions. The first Interest Payment Date will be 24 June 2025.

For the purposes of these Conditions, "**Interest Period**" means the period from (and including) the Issue Date to (but excluding) the first Interest Payment Date, and each immediately following period from (and including) the Interest Payment Date to (but excluding) the next Interest Payment Date until the maturity date of the Notes (as specified in Condition 6.1). For the purposes of determining the Interest Periods, the Interest Payment Date will not be adjusted according to the Business Day Convention (see Condition 7.3).

The interest will accrue evenly from the first day of each Interest Period to the last day included in such Interest Period at the Interest Rate.

5.2 End of Interest Accrual

The Notes will cease to bear interest on the Maturity Date (as this term is defined in Condition 6.1) or on the Early Redemption Date (as this term is defined in Conditions 6.3, 6.4, 6.5, and 9.2), unless the payment of any due amount is unlawfully retained or refused by the Issuer although all relevant conditions and requirements for payment on the Maturity Date or the Early Redemption Date have been complied with. In such an event, interest will continue to accrue at the interest rate set out in Condition 5.1 until the earlier of (i) the date on which all amounts due and payable as of that date in accordance with these Conditions are paid to the Noteholders or (ii) the date on which the Fiscal and Paying Agent notifies the Noteholders that it has received all amounts payable in connection with the Notes, unless any additional unlawful retention or refusal of payments occurs after such notice.

5.3 Day Count Convention for Interest Calculation

The interest payable on the Notes for a period of less than one year will be calculated on the basis of an BCK Standard 30E/360 day count fraction, i.e., a year shall be deemed to consist of 360 (three hundred sixty) days divided into 12 months whereas in the event of an incomplete month, the number of days actually expired will apply.

5.4 Calculation of Interest

The amount of interest accrued on one Note over any period of one current year will be calculated as a multiple of the nominal amount of such Note and the relevant interest rate (expressed in decimal form). The amount of interest accrued on one Note over any period shorter than one current year will be calculated as a multiple of the nominal amount of such Note, the relevant interest rate (expressed in decimal form) and the relevant day-count fraction determined according to the day count convention under Condition 5.3. The total interest amount calculated according to this Condition 5.4 will be rounded to two decimal points.

6 Redemption and Purchase

6.1 Redemption at Maturity

Unless previously redeemed or purchased by the Issuer and cancelled as specified below, each Note will be redeemed by the Issuer at its outstanding nominal amount in a single payment on 24 June 2029 (the "**Maturity Date**"), subject as provided in Condition 7.

6.2 Early Redemption at the Option of the Noteholders

The Noteholders are not entitled to require early redemption of the Notes before the Maturity Date, except for early redemption pursuant to Conditions 6.3 and 9.2. In such events, the Issuer will repay the nominal amounts of the relevant Notes plus accrued and outstanding interest in accordance with these Conditions.

6.3 Early Redemption at the Option of the Noteholders following a Put Event

If either of the following events occurs (each, as applicable, a "**Put Event**"):

(a) a Change of Control; or

(b) a Restructuring Event,

and, in each case, simultaneously

(A) (if at the start of the Put Event Period the Issuer is rated by any Rating Agency with a rating within Investment Grade) a Rating Downgrade occurs below Investment Grade and the Issuer is not restored by such Rating Agency within such Put Event Period to an Investment Grade rating; or

(B) (if at the start of the Put Event Period the Issuer is rated by any Rating Agency with a rating below Investment Grade) a Rating Downgrade occurs and the Issuer is not restored by such Rating Agency within such Put Event Period to a rating of a level equivalent to its rating at the start of the Put Event Period; or

(C) (if at the start of the Put Event Period the Issuer is not rated by any Rating Agency) within 21 days thereafter a rating in respect of the Issuer has not been obtained which is at least as high as a rating equivalent to the lower of: (i) Investment Grade; or (ii) a rating that is three notches below the rating assigned to the Czech Republic at such time,

then any Noteholder will have the option (the "**Put Option**") to require the Issuer to redeem or, at the Issuer's option, to purchase or procure the purchase of the Notes held by such Noteholder on the date which is 30 (thirty) Business Days following the end of the Put Option Period (the "**Early Redemption Date**"), at its outstanding nominal amount together with (or, where purchased, together with an amount equal to) interest accrued up to but excluding the Early Redemption Date.

To exercise the Put Option, any Noteholder must deliver at the Specified Office of the Fiscal and Paying Agent on any Business Day falling within the Put Option Period, a duly signed and completed notice of exercise in the form obtainable from the Specified Office of the Fiscal and Paying Agent (a "**Put Option Notice**") in which the Noteholder must specify a bank account to which payment is to be made by the Issuer under this paragraph on the Early Redemption Date. A Put Option Notice, once given, is irrevocable without the consent of the Issuer.

Within three Business Days of the Issuer becoming aware that a Put Event has occurred, the Issuer shall give notice to the Noteholders in accordance with Condition 14 (a "**Put Event Notice**") specifying the nature of the relevant Put Event, the circumstances giving rise to it and the procedure for Noteholders to exercise the Put Option.

If the rating designations employed by the Rating Agency are changed from that which is described in the definition of "Investment Grade" in Condition 16, or if a rating is assigned by another Rating Agency, the Issuer shall determine, with the agreement of the relevant Rating Agency, the rating designations which are most equivalent to the prior rating designations and this Condition 6.3 shall be construed accordingly.

6.4 **Early Redemption at the Option of the Issuer**

The Notes may be redeemed at the option of the Issuer in whole, but not in part, on any date, from and including, 24 December 2028 to, but excluding, the Maturity Date (the "**Early Redemption Date**") at a price equal to 100 per cent. of their principal amount on the Issuer's giving not less than 30 nor more than 60 days' notice to the Noteholders (which notice shall be irrevocable and shall oblige the Issuer to redeem the Notes on the Early Redemption Date at such price plus accrued interest to such date).

6.5 **Clean-up Call**

If, at any time the outstanding aggregate principal amount of the Notes is 20 per cent. or less of the aggregate principal amount of the Notes issued and outstanding, the Issuer may, on giving not less than 30 nor more than 60 days' notice to the Noteholders (which notice shall specify the date for redemption and shall be irrevocable), redeem or purchase (or procure the purchase of), at its option, all but not some only of the remaining outstanding Notes on any date (the "**Early Redemption Date**") at their nominal amount, together with interest accrued to (but excluding) the date fixed for such redemption or purchase.

6.6 **Purchases**

The Issuer may purchase the Notes at any time on the market or otherwise at any price.

6.7 **Cancellation of the Notes**

The Notes purchased by the Issuer will not be cancelled, unless decided otherwise by the Issuer. If the Issuer does not decide on the cancellation of the Notes purchased by it, it will be entitled to dispose of such Notes at its sole discretion.

6.8 **Applicability of the Payment Terms**

The provisions of Condition 7 also apply to the redemption and purchase of the Notes under this Condition 6.

7 **Payment Terms**

7.1 **Currency of Payments**

The Issuer undertakes to pay interest on and repay the nominal amount of the Notes solely in the Czech Koruna, or in any other lawful currency of the Czech Republic that might replace the Czech Koruna. Interest will be paid to the Noteholders and the nominal amount of the Notes will be repaid subject to and in accordance with these Conditions and the tax, foreign exchange and other applicable laws of the Czech Republic in effect at the time of the relevant payment.

In the event that the Czech Koruna in which the Notes are denominated and in which the payments relating to the Notes should be made in compliance with these Conditions ceases to exist and is replaced by Euro, (i) the denomination of such Notes will be changed to Euro in conformity with the applicable laws, and (ii) all monetary liabilities arising from such Notes will automatically and without any further notice to the Noteholders be payable in Euro, with the official rate (i.e. the fixed conversion ratio) being in accordance with the applicable law being used as the exchange rate between the Czech Koruna (CZK) and Euro (EUR). Such replacement of the Czech Koruna (i) will not, in any respect, affect the existence or enforceability of the Issuer's liabilities under the Notes, and (ii) for the avoidance of doubt, will not be deemed to constitute any change to these Conditions or a default or an event of default or an enforcement event under these Conditions.

7.2 **Payment Date**

The payment of interest on and the repayment of the nominal amount of the Notes will be made by the Issuer through the Fiscal and Paying Agent on the dates specified in these Conditions (each such date further referred to, according to its meaning, as the "**Interest Payment Date**" or the "**Maturity Date**" or the "**Early Redemption Date**" or the "**Payment Date**").

7.3 **Business Day Convention**

If any Payment Date falls on a day that is not a Business Day, such Payment Date will instead fall on the next following Business Day, and the Issuer will not be obliged to pay any interest or any other additional charges by reason of such delay in payment resulting from the application of any Business Day convention (the "**Business Day Convention**").

7.4 **Determination of the Right to Receive Payments Related to the Notes**

The authorised persons to whom the Issuer will pay interest or other amounts on the Notes will be persons on whose owner's securities account kept with the Central Depository, or in the register maintained by a person keeping follow-up records linked to the Central Depository, the Notes are recorded at the close of the relevant Record Date for Interest Payment (the "**Authorised Persons**").

"Record Date for Interest Payment" is a day falling 30 (thirty) calendar days prior to the relevant Interest Payment Date; however, for the purposes of determining the Record Date for Interest Payment, the Interest Payment Date will not be adjusted according to the Business Day Convention.

For the purposes of determining the recipient of interest, neither the Issuer nor the Fiscal and Paying Agent will take into account any transfer of any Notes registered in the Central Depository or in the register maintained by a person keeping follow-up records linked to the Central Depository after the Record Date for Interest Payment.

The authorised persons to whom the Issuer will repay the nominal amount of the Notes shall be persons on whose owner's securities account with the Central Depository, or in the register maintained by a person keeping follow-up records linked the central registry for securities, the Notes are recorded at the close of the relevant Record Date for Nominal Amount Repayment (also the "**Authorised Persons**").

"**Record Date for Nominal Amount Repayment**" is a day falling 30 (thirty) calendar days prior to the relevant Maturity Date or the Early Redemption Date; however, for the purposes of determining the Record Date for Nominal Amount Repayment, such Payment Date will not be adjusted according to the Business Day Convention.

For the purposes of determining the recipient of the nominal amount of the Notes, neither the Issuer nor the Fiscal and Paying Agent will take into account any transfer of any Notes registered in the Central Depository or in the register maintained by a person keeping follow-up records linked to the Central Depository after the Record Date for Nominal Amount Repayment.

If, according to the entry in the owner's securities account kept with the Central Depository, or in the register maintained by a person keeping follow-up records linked to the Central Depository, the Notes with respect to which the payments of interest or other amounts shall be performed by the Fiscal and Paying Agent, are pledged, then the pledgee recorded in the extract from the register of the Issue shall be considered an Authorised Person in respect of the Notes, unless (i) it is evident that a person authorised to receive the payments of interest or other amounts attached to the pledged Notes is the respective Noteholder and (ii) it is proven to the Fiscal and Paying Agent in other satisfactory manner that the respective Noteholder has the right to receive the payments of interest or other amounts attached to the pledged Notes by virtue of an agreement between such Noteholder and the pledgee.

7.5 **Payments**

The Fiscal and Paying Agent will make payments to the Authorised Persons by means of wire transfer to their accounts kept with a bank in the Czech Republic. The Authorised Person's account details shall be communicated together with an instruction by the Authorised Person to the Fiscal and Paying Agent at the address of the Fiscal and Paying Agent's Specified Office in a verifiable manner no less than five (5) Business Days prior to the Payment Date. Such instruction shall be in the form of a written statement in the Czech or English language with notarised signatures, and contain sufficient details of such bank account to allow the Fiscal and Paying Agent to make the payment, and, in the case of the Authorised Person being a legal entity, the Fiscal and Paying Agent may, at its own discretion, require such instruction to be accompanied by an original or an officially certified copy of an extract from the commercial register or other respective register in respect of the Authorised Person not older than three months from the Payment Date (such instruction, together with the excerpt from the Commercial Register (if applicable), and the other required appendices, if any, the "**Instruction**").

The Instruction must be in form and substance reasonably satisfactory to the Fiscal and Paying Agent, and the Fiscal and Paying Agent may require reasonably satisfactory evidence that the signatory of such Instruction had the authority to sign such Instruction on behalf of the Authorised Person. Such evidence shall also be delivered to the Fiscal and Paying Agent no less than five (5) Business Days prior to the Payment Date. In this respect, the Fiscal and Paying Agent may require that (a) a power of attorney be delivered in the event that the Authorised Person is acting through an agent or (b) the instruction from the Authorised Person be subsequently confirmed.

Notwithstanding the foregoing, neither the Fiscal and Paying Agent nor the Issuer must examine the correctness, completeness or authenticity of any such Instruction in any manner whatsoever and neither of them will be liable for any damage incurred in connection with any delay in the delivery of such Instruction by the Authorised Person or with the delivery of an incorrect or otherwise defective Instruction. The Instruction will be deemed properly made if it contains all the items required by this Condition, is delivered to the Fiscal and Paying Agent in accordance with this Condition and complies with the requirements of this Condition in all other respects. Upon the Issuer's request, the Fiscal and Paying Agent shall provide the Issuer with other information as set out in the Fiscal and Paying Agency Agreement, if any.

Any Authorised Person who claims tax relief in accordance with any applicable double taxation treaty to which the Czech Republic is a party shall deliver to the Fiscal and Paying Agent a certificate of such Authorised Person's tax domicile and such other documents as the Fiscal and Paying Agent and the applicable tax authorities may request, together with the Instruction as an integral part thereof. Notwithstanding such rights, neither the Fiscal and Paying Agent nor the Issuer shall verify the authenticity or completeness of such Instructions, or be liable for any damage incurred in connection with any delay in the delivery of such Instruction by any Authorised Person, or with the delivery of an incorrect or otherwise defective Instruction.

If the above documents (especially the proof of tax domicile) are not delivered to the Fiscal and Paying Agent in the time period stipulated for the delivery of the Instruction, the Fiscal and Paying Agent will act as if the documents have not been delivered at all. The Authorised Person may, unless it applies for the refund with the relevant tax authority on its own, subsequently deliver such documents proving entitlement to a tax benefit and request the Issuer through the Fiscal and Paying Agent to refund the withholding tax or its part. In such a case, the Issuer has the right to require the Authorised Person to pay a fee calculated as the sum of (in each case plus value added tax, if any) (a) a fixed amount of EUR 1,000 and (b) any administrative fees, penalties, interest or similar costs that the Issuer may incur in connection with such refund application, additional administrative costs and correspondence and communication with relevant tax authorities. In this case, the Issuer will pay the amount corresponding to the refunded withholding tax to the Authorised Person only after (i) such Authorised Person pays the relevant compensation amount under this paragraph to the Issuer and (ii) the Issuer has already received amount corresponding to the refunded withholding tax from the relevant tax authority. The Issuer is not required to take any other steps, make any other applications or enforce any claim or assist with an enforcement of any claim in connection with the refund of the withholding tax or its part.

The Issuer's obligation to pay any amount due in connection with the Notes will be deemed discharged in a due and timely manner if the relevant amount has been remitted to the Authorised Person in compliance with a proper Instruction pursuant to this Condition 7.5 and if such amount is credited to the account of the Authorised Person's bank with the clearing centre of the Czech National Bank not later than on the relevant due date if the payment is made in the Czech Koruna or in a currency that replaces the Czech Koruna (provided that settlement in such currency is made through the clearing centre of the Czech National Bank).

Neither the Issuer nor the Fiscal and Paying Agent shall be liable for any delay in the payment of any amount due caused by the Authorised Person, e.g. by its failure to deliver a proper Instruction in a timely manner. If any Authorised Person fails to deliver to the Fiscal and Paying Agent in time a proper Instruction under this Condition 7.5, it will have no right to receive either from the Fiscal and Paying Agent or the Issuer any interest or any other payment on account of such delay if (i) the relevant amount has been remitted to the Authorised Person in accordance with a proper Instruction pursuant to this Condition 7.5 and (ii) such amount has been debited from the Fiscal and Paying Agent's account not later than ten (10) Business Days following the day on which the Fiscal and Paying Agent received the proper Instruction.

Neither the Issuer nor the Fiscal and Paying Agent will be liable for any damage incurred by (i) the failure to deliver in time the proper Instruction or any other documents or information required to be delivered under this Condition 7.5, or (ii) such Instruction or any related document or information being incorrect, incomplete or untrue, or (iii) circumstances beyond the control of the Issuer or the Fiscal and Paying Agent. No Authorised Person will be entitled in any such event to receive any additional payment, other compensation or interest for any such delay in the relevant payment.

7.6 Change in the Payment Method

The Issuer and the Fiscal and Paying Agent are jointly entitled to elect to change the payment procedure. However, such change may not negatively affect the position and interests of the Noteholders. The Noteholders will be notified of such change in the same manner as set out in Condition 14. If such change would affect the position and interests of the Noteholders, the Issuer will be obliged to promptly convene the Meeting (as defined in Condition 13) and request the Noteholders to provide their opinion on the Issuer's proposal for any amendment to these Conditions that requires the Noteholders' consent under applicable laws as set out in Condition 13.

8 Taxation

All payments of principal and interest in respect of the Notes by or on behalf of the Issuer will be made free and clear of, and without withholding or deduction for, any taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by the Czech Republic or any authority therein or thereof having power to tax, unless such withholding or deduction is required by law. If any such deduction or withholding is so required, the Issuer shall not be obligated to pay to the Noteholders any additional amounts in respect of any such withholding or deduction.

9 Early Redemption of the Notes upon the Occurrence of Events of Default

9.1 Events of Default

If any of the following events occurs and is continuing (each an "**Event of Default**"):

9.1.1 *Non-payment*

the Issuer fails to pay any amount of principal in respect of the Notes on the relevant Payment Date (unless its failure to pay is caused by an administrative or technical error and the payment is made within three (3) Business Days) or fails to pay any amount of interest in respect of the Notes within 30 (thirty) calendar days of the relevant Payment Date;

9.1.2 *Breach of Other Obligations*

the Issuer breaches or fails to meet any of its material obligations (other than those set out in paragraph 9.1.1 above) in connection with the Notes under these Conditions, and such breach or failure is not remedied within 30 (thirty) calendar days of the date on which the Issuer was informed of this fact in writing by any Noteholder by a letter delivered to the Issuer or to the Fiscal and Paying Agent to the address of the Specified Office;

9.1.3 *Cross-acceleration of Issuer or Subsidiary*

(i) any Indebtedness of the Issuer or any of its Subsidiaries is not paid when due or (as the case may be) within any originally applicable grace period;

(ii) any such Indebtedness becomes due and payable prior to its stated maturity otherwise than at the option of the Issuer or (as the case may be) the relevant Subsidiary or (provided that no event of default, howsoever described, has occurred) any Person entitled to such Indebtedness; or

(iii) the Issuer or any of its Subsidiaries fails to pay when due any amount payable by it under any Guarantee of any Indebtedness,

provided that the amount of Indebtedness referred to in sub-paragraph (i) or sub-paragraph (ii) above or the amount payable under any Guarantee referred to in sub-paragraph (iii) above individually or in the aggregate exceeds EUR 15,000,000 (or its equivalent in any other currency or currencies);

9.1.4 *Unsatisfied Judgment*

one or more non-appealable judgment(s) or order(s) for the payment of an amount, individually or in the aggregate, exceeding EUR 15,000,000 (or its equivalent in any other currency or currencies) is rendered against the Issuer or any of its Subsidiaries and continue(s) unsatisfied and unstayed for a period of 30 calendar days after the date(s) thereof or, if later, the date therein specified for payment;

9.1.5 *Security Enforced*

a secured party (i) takes possession, or a receiver, manager or other similar officer is appointed, of the whole or any substantial part of the undertaking, assets and revenues of the Issuer or any of its Material Subsidiaries or (ii) otherwise enforces any Security Interest over the whole or any substantial part of the undertaking, assets and revenues of the Issuer or any of its Material Subsidiaries;

9.1.6 *Insolvency, etc.*

(i) the Issuer or any of its Material Subsidiaries becomes over-indebted (*předlužen*) or is unable to pay its debts as they fall due (*platebně neschopný*); (ii) any corporate action, legal proceedings or other procedure or step is taken in relation to: (1) the general suspension of payments or a moratorium of the Indebtedness of the Issuer or any of its Material Subsidiaries; (2) bankruptcy (*úpadek*) or discharge (*oddlužení*) of the Issuer or any of its Material Subsidiaries; or (3) a reorganisation (*reorganizace*) or a similar general arrangement with creditors of the Issuer or any of its Material Subsidiaries unless the petition to commence such proceedings or procedure is discharged, stayed or dismissed within 30 (thirty) calendar days of such commencement; (iii) an administrator, receiver, administrative receiver, compulsory manager, liquidator or other similar officer of the Issuer or any of its Material Subsidiaries or the whole or any substantial part of the undertaking, assets and revenues of the Issuer or any of its Material Subsidiaries is appointed; (iv) the Issuer or any of its Material Subsidiaries takes any action for a general readjustment or deferment of any of its obligations or makes a general assignment or an arrangement or composition with or for the benefit of its creditors or declares a moratorium in respect of any of its Indebtedness or any Guarantee of any Indebtedness given by it; or (v) the Issuer or any of its Material Subsidiaries ceases or threatens to cease to carry on all or substantially all of its business (otherwise than for the purposes of or pursuant to an amalgamation, reorganisation or restructuring whilst solvent);

9.1.7 *Winding up, etc.*

an order is made or an effective resolution is passed for the winding up, liquidation or dissolution of the Issuer or any of its Material Subsidiaries (otherwise than, in the case of a Material Subsidiary of the Issuer, for the purposes of or pursuant to an amalgamation, reorganisation or restructuring whilst the Issuer or such Material Subsidiary remains solvent);

9.1.8 *Analogous Event*

any event occurs which under the laws of the Czech Republic has an analogous effect to any of the events referred to in Conditions 9.1.4 to 9.1.7 above;

9.1.9 *Unlawfulness*

the Issuer's obligations under the Notes or the performance by the Issuer of any such obligations cease to be partially or fully legally enforceable or become in breach of applicable laws;

9.1.10 *Government Intervention*

(i) all or any substantial part of the undertaking, assets and revenues of the Issuer or any of its Subsidiaries is condemned, seized or otherwise appropriated by any Person acting under the authority of any national, regional or local government or (ii) the Issuer or any of its Subsidiaries is prevented by any such Person from exercising normal control over all or any substantial part of its undertaking, assets and revenues; or

9.1.11 *Delisting*

the Notes cease to be admitted to trading on the Regulated Market (other than by virtue of technical delisting in case of the redemption of the Notes) or any regulated market that would supersede the Regulated Market,

then any Noteholder, at its discretion, by a written notice addressed to the Issuer and delivered to the Fiscal and Paying Agent to the address of the Specified Office (the "**Early Redemption Notice**"), may request early redemption of the Notes held by such Noteholder which the Noteholder undertakes not to dispose of since that moment, plus any accrued and unpaid interest thereon pursuant to Condition 5.1, as at the Early Redemption Date (as this term is defined below), and the Issuer is obliged to redeem such Notes (together with accrued and undistributed interest thereon) in accordance with Condition 9.2.

9.2 Maturity of Accelerated Notes

Any and all amounts payable by the Issuer to any Noteholder according to Condition 9.1 will become due and payable as of the last Business Day of the month following the month in which the Noteholder delivered the relevant Early Redemption Notice for the Issuer to the Specified Office of the Fiscal and Paying Agent (the "**Early Redemption Date**"), unless the relevant event of default is remedied by the Issuer before the delivery of the Early Redemption Notice with respect to the relevant Notes or unless the Early Redemption Notice is withdrawn in accordance with Condition 9.3.

9.3 Withdrawal of Early Redemption Notice

A Noteholder may withdraw, in writing, the Early Redemption Notice but only with respect to the Notes held by such Noteholder and only if such withdrawal is addressed to the Issuer and delivered to the Fiscal and Paying Agent at the address of the Specified Office before the relevant amounts become due and payable according to preceding Condition 9.2. However, any such withdrawal of the Early Redemption Notice will not affect any Early Redemption Notices given by the other Noteholders.

9.4 Other Conditions for Early Redemption of the Notes

The provisions of Condition 7 will apply mutatis mutandis to the early redemption of the Notes pursuant to this Condition 9.

10 Statute of Limitations

All rights connected with the Notes will become statute-barred upon the expiration of ten (10) years from the day when such rights could be exercised for the first time.

11 Fiscal and Paying Agent

11.1 Fiscal and Paying Agent and Specified Office

Česká spořitelna, a.s. will act as the Fiscal and Paying Agent. The Fiscal and Paying Agent's specified office and place of payment (the "**Specified Office**") will be at the following address:

Česká spořitelna, a.s.
Útvar 3760_05 Výpočetní a výplatní agent
Budějovická 1518/13a
140 00 Prague 4
Czech Republic

11.2 Additional and Other Fiscal and Paying Agent and Specified Office

The Issuer reserves the right to appoint, at any time, an additional or other Fiscal and Paying Agent and to designate an additional or other Specified Office, or to appoint additional payment providers.

The Issuer will give a notice of such change in the Fiscal and Paying Agent or Specified Office and of the appointment of additional payment providers to the Noteholders in the manner set out in Condition 14 and any such change will become effective upon the expiration of 15 (fifteen) calendar days following the date of such notice unless a later effective date is specified in the notice. In any event, any such change that would otherwise become effective less than 30 (thirty) calendar days before or after the Payment Date for any amount payable under the Notes will become effective on the 30th day following such Payment Date.

11.3 Relationship between the Fiscal and Paying Agent and the Noteholders

Unless provided otherwise by law or by the Fiscal and Paying Agency Agreement, the Fiscal and Paying Agent will act as an agent of the Issuer when performing its duties under the Fiscal and Paying Agency Agreement, providing no guarantee or security for the Issuer's liabilities under the Notes, and will be in no legal relationship with the Noteholders.

12 Listing Agent

12.1.1 *Listing Agent*

Česká spořitelna, a.s. will be the Listing Agent.

12.1.2 *Additional and other Listing Agent*

The Issuer reserves the right to appoint another or additional Listing Agent, provided such change does not negatively affect the Noteholders' position or interests. If a change of the Listing Agent occurs, the Issuer will notify the Noteholders of such change in the manner set out in Condition 14 and any such change will become effective upon the expiration of 15 (fifteen) calendar days following the day of such notice unless a later effective date is set out in such notice.

12.1.3 *Relationship between the Listing Agent and the Noteholders*

The Listing Agent acts as the Issuer's agent and has no legal relationship with the Noteholders.

13 Noteholders' Meeting

13.1 Authority and Convocation of the Meeting

13.1.1 *Right to Convene the Noteholders' Meeting*

The Issuer or any Noteholder(s) may convene a meeting of the Noteholders (the "**Meeting**") in accordance with these Conditions and applicable laws if so required to decide on common interests of the Noteholders. The costs of organising and convening the Meeting will be borne by the person who convened the Meeting, unless set out otherwise by law. The costs related to the attendance at the Meeting will be borne by each participant itself. If the convening person is one or more Noteholders, such person will be required, not later than on the date on which a notice of the Meeting is published (see Condition 13.1.3: (i) to deliver to the Fiscal and Paying Agent a request for procuring evidence of the number of all Notes within the Issue entitling the holder(s) to attend the Meeting convened by a Noteholder or the Noteholders, i.e. an extract from the register of the Issue (*výpis emise*) maintained by the Central Depository, and (ii) where relevant, to pay to the Fiscal and Paying Agent an advance to cover the costs associated with its services in relation to the Meeting. The due and timely delivery of the request under item (i) above and the payment of the advance for the costs referred to in item (ii) above are conditions for the valid convocation of the Meeting.

13.1.2 *Meeting Convened by the Issuer*

The Issuer is obliged to promptly convene the Meeting and request the Noteholders to provide their opinion on the Issuer's proposal for any amendment to these Conditions that requires the Noteholders' consent under applicable laws (the "**Material Change**").

The Issuer may convene the Meeting to propose a collective action if it has knowledge that any Event of Default has occurred or may occur. This is without prejudice to the Noteholders' right to request early redemption under Condition 9.1.

13.1.3 *Notice of the Meeting*

The Issuer is obliged to give notice of the Meeting in a manner set out in Condition 14 not later than 15 (fifteen) calendar days prior to the date of the Meeting. If the Meeting is convened by any Noteholder (or the Noteholders), such Noteholder(s) will deliver a notice of the Meeting (containing all statutory elements) sufficiently in advance (at least 20 (twenty) calendar days prior to the proposed date of the Meeting) to the Issuer at the address of the Specified Office. The Issuer will promptly ensure that such notice of the Meeting is published in the manner and within the time limit specified in the first sentence of this Condition 13.1.3 (however, the Issuer is responsible neither for the content of such notice nor for any delay or default in complying with any statutory time limits by a Noteholder who convened the Meeting). The notice of the Meeting must contain at least (i) the business name, identification number and registered office of the Issuer, (ii) the identification of the Notes, at least the Note title, the Issue Date and the ISIN, (iii) the venue, date and time of the Meeting, provided that the date of the Meeting must fall on a date which is a Business Day and that the time of the Meeting shall not be earlier than 11:00 CET, (iv) the agenda of the Meeting and, in the case of any proposed amendment(s) to these Conditions, the specification of the proposed amendment(s) and justification thereof, and (v) the day that is the record date for the attendance at the Meeting. The Meeting shall be authorised to decide on the proposed resolutions that have not been contained in the notice of the Meeting only in the presence of and with the consent of all Noteholders. If the reason for convocation of the Meeting is not continuing, the person, who convened the Meeting, will revoke the convocation of the Meeting in the same manner as convened.

13.2 Persons Authorised to Attend and Vote at the Meeting

13.2.1 *Persons Authorised to Attend the Meeting*

A person entitled to attend and vote at the Meeting shall only be (i) the Noteholder recorded as a Noteholder in the register of the Issue maintained by the Central Depository and in an extract from such Issue register at the close of the Meeting Attendance Record Date or (ii) a person who provides to the Issuer and the Fiscal and Paying Agent a certificate of the custodian in whose owner's securities account with the Central Depository the relevant number of the Notes was recorded as of the Meeting Attendance Record Date certifying that such person was a Noteholder as at the Meeting Attendance Record Date and that the Notes held by such person are registered in the securities account of the custodian by reason of their custodianship (the "**Person Authorised to Attend the Meeting**"). The certificate according to the preceding sentence must be in writing (with notarised signatures) and otherwise satisfactory in form and substance to the Fiscal and Paying Agent. In the case of the custodian being a legal entity, the Fiscal and Paying Agent may, at its own discretion, require such certificate to be accompanied by an original or an officially certified copy of an extract from the commercial register or other respective register in respect of the custodian not older than three months prior to the date of the relevant Meeting. No transfers of the Notes made after the Meeting Attendance Record Date will be taken into account.

"**Meeting Attendance Record Date**" is a day falling seven calendar days prior to the date of the relevant Meeting.

13.2.2 *Voting Rights*

Each Person Authorised to Attend the Meeting will have such number of votes out of the total number of votes that corresponds to the ratio between the nominal amount of the Notes held by such person on the Meeting Attendance Record Date to the total outstanding nominal amount of the Issue on the Meeting Attendance Record Date. No voting right will be attached to any Notes held by the Issuer or any of its Affiliates as of the Meeting Attendance Record Date that have not been cancelled by the Issuer within the meaning of Condition 6.7, and no such Notes will be taken into account when determining the presence of a quorum at the Meeting under Condition 13.3.1. If the Meeting decides on recalling a common proxy, the common proxy (if they are a Person Authorised to Attend the Meeting) may not exercise his/her/its voting right at such Meeting.

13.2.3 *Attendance of the Meeting by Other Persons*

The Issuer is obliged to attend the Meeting, either in person or by proxy. Other persons entitled to attend the Meeting are Noteholders, proxies of the Noteholders, proxies of the Fiscal and Paying Agent, the common proxy of the Noteholders under Condition 13.3.3 (unless he is a Person Authorised to Attend the Meeting) and any guests invited by the Issuer or the Fiscal and Paying Agent.

A power of attorney granted by a Noteholder to any proxy must be in writing with a notarised signature of the Noteholder. In the case of a Noteholder being a legal entity, the Fiscal and Paying Agent may, at its own discretion, require from an individual entitled to represent such Noteholder at the Meeting on the basis of a power of attorney or otherwise an original or an officially certified copy of an extract from the commercial register or other respective register in respect of such Noteholder not older than three months prior to the date of the relevant Meeting.

13.3 Course of the Meeting; Decision-Making

13.3.1 *Quorum*

The Meeting will constitute a quorum if attended by the Persons Authorised to Attend the Meeting, who were, as of the Meeting Attendance Record Date, owners of the Notes the nominal amount of which represents more than the Relevant Fraction of the aggregate nominal amount of the issued and outstanding Notes. If the Meeting decides on recalling a common proxy, any votes belonging to the common proxy (if he is a Person Authorised to Attend the Meeting) will not be included in the total number of votes. Before opening the Meeting, the Issuer will inform the Meeting about the number of all the Notes in respect of which the Persons Authorised to Attend the Meeting are entitled to vote at the Meeting in accordance with these Conditions. The Terms and Conditions deviate from the statutory provisions of the Czech Bonds Act with respect to the determination of the required quorum in relation to certain matters. See "*Risk Factors – Risks related to the Notes – The Terms and Conditions contain* *provisions which deviate from the Czech Bonds Act*" for a detailed description of such deviation from the statutory provisions of the Czech Bonds Act.

13.3.2 *Chairman of the Meeting*

The Meeting convened by the Issuer will be chaired by a chairman appointed by the Issuer. The Meeting convened by a Noteholder or the Noteholders will be chaired by a chairman elected by a simple majority of votes of the attending Persons Authorised to Attend the Meeting. Until the chairman is elected, the Meeting will be chaired by a person appointed by the Noteholder(s) who convened the Meeting, and the election of the chairman must be the first item on the agenda of any Meeting not convened by the Issuer.

13.3.3 *Common Proxy*

The Meeting may elect, by resolution, an individual or a legal entity to act as a common proxy. The common proxy is authorised under the law (i) to enforce, on behalf of all of the Noteholders, any rights associated with the Notes to the extent specified in a resolution adopted by the Meeting, (ii) to supervise the compliance with these Conditions by the Issuer, and (iii) to execute, on behalf of all of the Noteholders, any other acts or protect the Noteholders' interests in the manner and to the extent specified in a resolution adopted by the Meeting. The Meeting may recall the common proxy in the same way in which the common proxy was elected or replace him with a new common proxy. An agreement on appointment of the common proxy shall be publicly available on the Issuer's website specified under Condition 14.

13.3.4 *Decision-Making at the Meeting*

The Meeting will decide on any issues on its agenda in the form of resolutions. Any resolution that (i) approves a proposal on any Material Change relating to a Reserved Matter, or (ii) appoints or recalls a common proxy, will require the affirmative vote of at least three-quarters of the attending Persons Authorised to Attend the Meeting. Unless provided otherwise by law, any other resolutions (including, without limitation, any resolutions on any Material Change not relating to a Reserved Matter) will require a simple majority of votes of the attending Persons Authorised to Attend the Meeting in order to pass. The Terms and Conditions deviate from the statutory provisions of the Czech Bonds Act with respect to the determination of the majorities required to pass a resolution in relation to certain matters. See "*Risk Factors – Risks related to the Notes – The Terms and Conditions contain provisions which deviate from the Czech Bonds Act*" for a detailed description of such deviation from the statutory provisions of the Czech Bonds Act.

The Terms and Conditions deviate from the statutory provision of the Czech Bonds Act as they do not give a right to request repayment of the nominal amount or buyback of the Notes to a Person Authorised to Attend the Meeting who, according to the minutes of such Meeting, voted against a resolution approving a Material Change adopted by the Meeting or who did not attend such Meeting. See "*Risk Factors – Risks related to the Notes – The Terms and Conditions contain provisions which deviate from the Czech Bonds Act*" for a detailed description of such deviation from the statutory provisions of the Czech Bonds Act.

13.3.5 *Adjourned Meeting*

If within one hour after the scheduled opening of the Meeting a quorum is not present, then such Meeting will be automatically dissolved without further notice.

If the Meeting convened by the Issuer which is to decide on amendments to the Conditions does not have a quorum within one hour after the scheduled opening of the Meeting, the Issuer will convene, if necessary, a substitute Meeting to be held not later than six weeks after the scheduled date of the original Meeting. The holding of a substitute Meeting with the unchanged agenda will be notified to the Noteholders not later than five (5) Business Days after the scheduled date of the original Meeting.

The Issuer may convene the substitute Meeting also simultaneously with the convening of the original Meeting or at any time before the holding of the original Meeting so that it takes place at least five (5) Business Days from the date of the original Meeting. The Issuer is obliged to notify the Noteholders that the original Meeting was unable to reach a quorum in a manner set out in Condition 14 no later than on the day following the date of the original Meeting.

13.4 **Minutes of the Meeting**

Minutes of the business discussed and resolved at the Meeting will be taken by the person who convened the Meeting or by a person authorised by such person within 30 (thirty) calendar days after the date of the Meeting.

The minutes will contain the conclusions of the Meeting, including, without limitation, any resolutions adopted by such Meeting. If the Meeting is convened by a Noteholder or the Noteholders, the minutes of such Meeting must also be delivered to the Issuer at the Specified Office address not later than 30 (thirty) calendar days after the date of the Meeting. The Issuer is obliged to keep the minutes of the Meeting until the rights under the Notes expire under the statute of limitations. The minutes of the Meeting will be available for inspection by the Noteholders at the registered office of the Issuer during regular office hours. The Issuer is obliged, in person or through its authorised person, to publish information on all resolutions adopted at the Meeting in the manner set out in Condition 14 not later than 30 (thirty) calendar days after the date of the Meeting. If the Meeting discussed a resolution on a Material Change under Condition 13.1.2, a notarial deed must be made about the attendance at the Meeting and about the resolutions of the Meeting, stating the names of the Persons Authorised to Attend the Meeting that voted for a resolution and the number of the Bonds these persons held as at the Meeting Attendance Record Date.

13.5 **Decision-Making outside of the Meeting**

13.5.1 ***Notification of the Decision Proposal***

Decisions may be adopted outside of the Meeting (per rollam) in accordance with these Conditions. In such case, the person authorised to convene the Meeting shall notify all Noteholders of the decision proposal in the manner set out in Condition 14. The decision proposal shall include at least (i) the business name, identification number and registered office of the Issuer, (ii) the identification of the Notes, at least the Note title, the Issue Date and the ISIN, (iii) the wording of the proposed decision and justification thereof, (iv) the period for delivery of the Noteholder's statement, which shall be at least 15 (fifteen) calendar days from the date of the notification of the decision proposal, (v) the day that is the record date for the participation in the decision-making outside of the Meeting, (vi) any documents required for the adoption of the decision and (vii) other information and data at the discretion of the notifying person.

13.5.2 ***Persons Authorised to Participate in the Decisions-Making outside of the Meeting***

A person entitled to participate in the decision-making outside of the Meeting shall only be (i) the Noteholder recorded as a Noteholder in the register of the Issue maintained by the Central Depository and in an extract from such Issue register at the close of the day falling seven (7) calendar days prior to the date of the notice of the decision proposal pursuant to Condition 13.5.1 (the "**Per Rollam Record Date**") or (ii) a person who provides to the Issuer and the Fiscal and Paying Agent a certificate of the custodian in whose owner's securities account with the Central Depository the relevant number of the Notes was recorded as of the Per Rollam Record Date certifying that such person was a Noteholder as at the Per Rollam Record Date and that the Notes held by such person are registered in the securities account of the custodian by reason of their custodianship. The certificate according to the preceding sentence must be in writing (with notarised or officially certified signatures) and otherwise in form and substance satisfactory to the Fiscal and Paying Agent. In the case of the custodian being a legal entity, the Fiscal and Paying Agent may, at its own discretion, require such certificate to be accompanied by an original or an officially certified copy of an extract from the commercial register or other respective register in respect of the custodian not older than three (3) months prior to the date of the notice of the decision proposal pursuant to Condition 13.5.1. No transfers of the Notes made after the Per Rollam Record Date will be taken into account.

13.5.3 ***Adoption of the Decision***

A decision shall be adopted on the earlier of: (i) the date on which the last Noteholder's statement on the proposal is delivered, or (ii) the expiry of the last day of the period for delivery of the Noteholders' statement specified in the notice of the decision proposal pursuant to Condition 13.5.1, in both cases if the number of votes required for the adoption of the decision has been reached. In the case of a proposal on matters constituting a Material Change, a notarised signature or a vote made by means of a data box (*datová schránka*) is required in order for the vote to be validly counted.

13.5.4 ***Other Provisions***

The provisions of Conditions 13.1 to 13.4 will apply mutatis mutandis to decision-making outside of the Meeting. The date of the Meeting will be deemed to be the last day of the period for delivery of the Noteholders' statement specified in the notice of the decision proposal pursuant to Condition 13.5.1. Section 80gd(2) of Act No. 35/1992 Coll., the Notarial Code, as amended (the "**Notarial Code**") will apply mutatis mutandis to the content of the notarial deed, except that instead of the information identifying the notarial deed of the decision proposal, the content of the decision proposal shall be included and the statement referred to in Section 80gd(2)(j) of the Notarial Code shall not be included.

14 Notices

Any notice to the Noteholders will be valid and effective if published in the English language on the Issuer's website: http://www.ceskedrahy.cz/ by selecting the following sections: *For investors - Bonds*. If mandatory provisions of applicable laws or these Conditions determine any other method for publishing any of the notices given hereunder, such notice will be deemed to be validly published upon its publication in the manner prescribed by the relevant legislation. The date of such a notice shall be the date on which it was first published on the above Issuer's website.

Any notice to the Issuer will be valid and effective upon its delivery by registered post (or in a similar way) or courier. For a purpose of a due notification, any such notice shall contain the ISIN of the Notes.

15 Governing Law and Submission to Jurisdiction

15.1 Governing law

Any rights and obligations under the Notes will be governed by, and interpreted and construed in accordance with, the laws of the Czech Republic.

15.2 Submission to Jurisdiction

The Czech courts have exclusive jurisdiction to settle any dispute arising out of or in connection with the Notes and the Conditions, including any dispute as to their existence, validity, interpretation, performance, breach or termination or the consequences of their nullity and any dispute relating to any non-contractual obligations arising out of or in connection with the Notes or the Conditions (a "**Dispute**") and, accordingly, each of the Issuer and any Noteholders in relation to any Dispute submits to the exclusive jurisdiction of the Czech courts.

15.3 Language Versions

These Conditions may be translated into other languages. In the event of any inconsistencies between the various language versions, the English language version shall prevail.

16 Definitions

In these Conditions:

"**Affiliate**" means, in relation to any Person, a Subsidiary of that Person or a Parent of that Person or any other Subsidiary of that Parent;

"**Audited Statements**" means the Issuer's audited annual financial statements (consolidated, if applicable) prepared in accordance with the International Financial Reporting Standards as adopted by the EU ("**IFRS**");

"**Business Day**" means any day (other than a Saturday, Sunday or a public holiday) on which banks in the Czech Republic are open for business, and on which foreign exchange transactions and interbank payments in the Czech Koruna, or in any other lawful currency of the Czech Republic that might replace the Czech Koruna, are settled;

"**Change of Control**" shall be deemed to have occurred if the government of the Czech Republic ceases to own, directly or indirectly (through any governmental agency or political subdivision thereof or otherwise), 75 per cent. or more of the issued ordinary share capital of the Issuer or otherwise ceases to have Control of the Issuer;

"**Central Depository**" means Centrální depozitář cenných papírů, a.s., a company with its registered office in Prague 1, Rybná 14, Postal Code: 110 05, Identification No. 250 81 489, registered with the Commercial Register maintained by the Municipal Court in Prague, Section B, Insert No. 4308, or any of its successors;

"**Control**" means the power to direct the management and policies or affairs of an entity, directly or indirectly, and whether through the ownership of voting capital, by contract or otherwise;

"**Czech Koruna**" and "**CZK**" means the Czech Koruna, the currency of the Czech Republic;

"**EUR**", "**Euro**" and "**€**" means the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty on the Functioning of the European Union, as amended;

"**Fair Market Value**" means with respect to any property or asset, the fair market value of such property or asset at the time of the event requiring such determination (i) with respect to any asset or property up to EUR 15,000,000, (or its equivalent in any other currency or currencies) as determined in good faith by the Issuer;

(ii) with respect to any asset or property in excess of EUR 15,000,000 but less than EUR 25,000,000 (or their equivalent in any other currency or currencies), as confirmed by a board resolution of the Issuer or the relevant Subsidiary; or (iii) with respect to any asset or property of EUR 25,000,000 (or its equivalent in any other currency or currencies) or above, as determined by an independent appraiser (which shall be an investment banking firm, an accountancy firm, an appraiser or external audit firm, in each case which is reputable and in good standing, selected by the Issuer, provided it is not an affiliate of the Issuer or any Subsidiary);

"**Guarantee**" means, in relation to any Indebtedness of any Person, any obligation of another Person to pay such Indebtedness including (without limitation):

(a) any obligation to purchase such Indebtedness;

(b) any obligation to lend money, to purchase or subscribe shares or other securities or to purchase assets or services in order to provide funds for the payment of such Indebtedness;

(c) any indemnity against the consequences of a default in the payment of such Indebtedness; and

(d) any other agreement to be responsible for repayment of such Indebtedness;

"**Indebtedness**" means any indebtedness (other than a trade payable arising in the ordinary course of business) of any Person for money borrowed or raised including (without limitation) any indebtedness for or in respect of:

(a) amounts raised by acceptance under any acceptance credit facility;

(b) amounts raised under any note purchase facility;

(c) the amount of any liability in respect of leases or hire purchase contracts which would, in accordance with applicable law and generally accepted accounting principles, be treated as finance or capital leases, including, without limitation, sale and lease back transactions;

(d) the amount of any liability in respect of any purchase price for assets or services the payment of which is deferred for a period in excess of 60 days; and

(e) amounts raised under any other transaction (including, without limitation, any forward sale or purchase agreement) having the commercial effect of a borrowing;

"**Investment Grade**" means BBB-/Baa3, or their respective equivalents for the time being, or better;

"**Material Subsidiary**" means, at any time, any Subsidiary of the Issuer, whose total assets attributable to the Issuer represent more than 10 per cent. (based on net book value under IFRS or in accordance with the Czech Generally Accepted Accounting Principles, in case such Subsidiary does not report under IFRS) of the total assets or revenues of the Issuer and the Subsidiaries, all as determined by reference to the most recent audited financial statements (or, as the case may be, audited consolidated financial statements) of such Subsidiary and the most recent consolidated Audited Statements, provided that a certificate of the Auditors (as defined in the Agency Agreement) of the Issuer that, in their opinion, any Subsidiary of the Issuer is or is not or was or was not at any particular time a Material Subsidiary shall, in the absence of a manifest error, be conclusive and binding on all parties;

"**Parent**" means, in relation to a Person, any other Person in respect of which it is a Subsidiary;

"**Person**" means any individual, company, corporation, firm, partnership, joint venture, association, organisation, state or agency of a state or other entity, whether or not having separate legal personality;

"**Potential Put Event Announcement**" means any formal public announcement or statement by the Issuer or a formal resolution of the government of the Czech Republic, relating to any specific or potential Change of Control or Restructuring Event to occur within 90 calendar days of the date of such announcement or statement;

"**Put Event Period**" means the period: (i) commencing on the date that is the earlier of (A) the date of the first public announcement of the relevant Change of Control or Restructuring Event and (B) the date of the earliest Potential Put Event Announcement, if any; and (ii) ending on the date which is 90 calendar days after such date specified in (i) above;

"**Put Option Period**" means the period of 45 calendar days following the date on which a Put Event Notice is given;

"**Rating Agency**" means any of the following: (i) Standard & Poor's Rating Services, a division of The McGraw-Hill Companies, Inc.; (ii) Moody's Investor Services, Inc.; (iii) Fitch Rating Limited; or (iv) any other rating agency of equivalent international standing specified from time to time by the Issuer, and, in each case, their respective successors or affiliates;

"**Rating Downgrade**" shall be deemed to have occurred if, within the Put Event Period, the rating assigned to the Issuer by any Rating Agency is: (i) withdrawn; or (ii) lowered by one or more notches, provided that a Rating Downgrade otherwise arising by virtue of a particular change in rating shall be deemed not to have occurred in respect of a particular Change of Control or Restructuring Event, as relevant, unless the Rating Agency making the reduction in rating publicly announces or confirms in writing to the Issuer that the lowering or withdrawal of the rating or the failure to assign an investment grade rating was the result, in whole or in part, of the applicable Change of Control or Restructuring Event, as relevant;

"**Relevant Fraction**" means:

(a) for voting on any Material Change relating to a Reserved Matter, three quarters;

(b) for voting on any Material Change relating to a Reserved Amendment, one half;

(c) for all business other than voting on any Material Change relating to a Reserved Matter or any Material Change relating to a Reserved Amendment, thirty per cent.;

provided, *however*, *that*, in the case of a substitute Meeting which has been convened in accordance with Condition 13.3.5:

(i) for voting on any Material Change relating to a Reserved Matter or on any Material Change relating to a Reserved Amendment, one quarter; and

(ii) for all business other than voting on any Material Change relating to a Reserved Matter or on Material Change relating to a Reserved Amendment, the fraction of the aggregate nominal amount of the issued and outstanding Notes owned by the Persons Authorised to Attend the Meeting actually attending the substitute Meeting.

"**Relevant Indebtedness**" means any Indebtedness which is in the form of, or represented by, any bond, note, debenture, debenture stock, loan stock, certificate or other instrument which is capable of being listed, quoted or traded on any stock exchange or over-the-counter or other securities market;

"**Relevant Passenger Assets**" means those assets relating to the operation of passenger rail services in the Czech Republic (including, for the avoidance of doubt, all regional, long-haul, high-speed and commercial passenger services), and including, *among others*, all engines, train sets, rolling stock, rail track, real estate and communication systems, which are necessary for the provision of such passenger rail services;

"**Reserved Amendment**" means any proposal:

(a) to make any amendments to Conditions 4 and 9 (including temporary or permanent waiver, change or deviation from any obligation thereunder); or

(b) to amend this definition.

"**Reserved Matter**" means any proposal:

(a) to change any date fixed for payment of principal or interest in respect of the Notes, to reduce the amount of principal or interest payable on any date in respect of the Notes or to alter the method of calculating the amount of any payment in respect of the Notes on redemption or maturity or the date for any such payment;

(b) to effect the exchange or substitution of the Notes for, or the conversion of the Notes into, shares, bonds or other obligations or securities of the Issuer or any other person or body corporate formed or to be formed;

(c) to change the currency in which amounts due in respect of the Notes are payable;

(d) to appoint or recall a common proxy;

(e) to change the quorum required at any Meeting or the majority required to pass any resolution; or

(f) to amend this definition.

"**Restructuring Event**" means any restructuring of the business of the Issuer and its Subsidiaries following the consummation of which there is a change in the legal or beneficial Control, or ownership of more than 50 per cent. of the Relevant Passenger Assets of the Issuer and its Subsidiaries or its related cashflows, as determined by reference to the book value of such assets in the most recently published Audited Statements, whether or not the Issuer or a Subsidiary of the Issuer continues to Control the operation of such Relevant Passenger Assets;

"**Security Interest**" means any mortgage, charge, pledge, lien or other security interest including, without limitation, anything analogous to any of the foregoing under the laws of any jurisdiction; and

"**Subsidiary**" means, in relation to any Person (the "**first Person**") at any particular time, any other Person (the "**second Person**"):

(a) whose affairs and policies the first Person controls or has the power to control, whether by ownership of share capital, contract, the power to appoint or remove members of the governing body of the second Person or otherwise; or

(b) whose financial statements are, in accordance with applicable law and generally accepted accounting principles, consolidated with those of the first Person.

USE AND ESTIMATED NET AMOUNT OF PROCEEDS

The net proceeds from the issue of the Notes (i.e. after deduction of commissions, fees and estimated expenses) are expected to be approximately CZK 4,950,191,350 in the event that the Notes are issued in the anticipated aggregate nominal amount of CZK 5,001,000,000, and approximately CZK 7,928,479,350 in the event that the Notes are issued in the maximum aggregate nominal amount of CZK 8,001,000,000. The Issuer will use such net proceeds to repay certain financial indebtedness of the Group, to finance capital expenditures and for general corporate purposes.

SELECTED HISTORICAL FINANCIAL AND OPERATING INFORMATION

The following tables present selected historical consolidated financial information of the Group as of and for the years ended 31 December 2023 and 2022 which has been derived from the Financial Statements incorporated by reference into this Prospectus. The information below should be read in conjunction with the information contained in "Presentation of Financial and Other Information" and the Financial Statements incorporated by reference into this Prospectus.

Consolidated statement of profit or loss

	Year ended 31 December	
	2023	**2022**
CONTINUING OPERATIONS	*(CZK million)*	
Revenues	49,148	44,222
Other operating income	3,833	2,027
Cost of services, raw materials and energy	(18,591)	(17,949)
Staff cost	(17,203)	(16,156)
Depreciation, amortisation and impairment	(9,605)	(9,194)
Other operating expenses	(1,051)	(996)
Impairment losses and gains (net of reversal) on financial assets	4	(52)
Profit from operating activities	**6,535**	**1,902**
Finance costs	(3,326)	(2,192)
Finance income	606	670
Share of the profit of associates and joint ventures	11	16
Profit before tax	**3,826**	**396**
Income tax	(630)	(535)
Profit/(Loss) for the period from continuing operations	**3,196**	**(139)**
Profit/(Loss) for the period	**3,196**	**(139)**
Attributable to the owners of the company	3,195	(138)
Attributable to the non-controlling interests	1	(1)

Consolidated statement of comprehensive income

	Year ended 31 December	
	2023	**2022**
	(CZK million)	
Profit (Loss) for the period	**3,196**	**(139)**
Actuarial remeasurements of employee defined benefit obligations	0	48
Revaluation of investments in equity instruments at fair value through other comprehensive income	23	(73)
Related income tax	(6)	14
Other comprehensive income/(loss) for the period (items that are not subsequently reclassified to profit or loss)	**17**	**(11)**
Foreign exchange gains less losses from translation of foreign operations	82	(37)
Change in cash flow hedging reserve	(1,064)	(1,445)
Change in cost of hedging reserve	84	(7)
Related income tax	185	275
Other comprehensive income/(loss) for the period (items that may be reclassified to profit or loss in subsequent periods)	**(713)**	**(1,214)**
Other comprehensive income /(loss) for the period after tax	**(696)**	**(1,225)**
Total comprehensive income/(loss) for the period	**2,500**	**(1,364)**
Attributable to the owners of the company	2,499	(1,363)
Attributable to the non-controlling interests	1	(1)

Consolidated statement of financial position

	As of 31 December 2023	2022
	(CZK million)	
Property, plant and equipment	97,726	91,236
Investment property	941	938
Goodwill	141	141
Intangible assets	1,128	1,103
Right-of-use assets	6,852	5,760
Investments in joint ventures and associates	206	203
Deferred tax asset	8	14
Trade receivables	1,416	545
Other financial assets	568	933
Other assets	36	36
Total non-current assets	**109,022**	**100,909**
Inventories	3,078	2,824
Trade receivables	3,853	4,243
Prepaid income tax	31	25
Other financial assets	1,262	936
Other assets	1,618	2,710
Cash and cash equivalents	8,119	8,761
Total current assets	**17,961**	**19,499**
TOTAL ASSETS	**126,983**	**120,408**
Share capital	20,000	20,000
Other capital reserves	17,240	17,885
Retained earnings/(Accumulated losses)	339	(2,812)
Equity attributable to the owners of the company	**37,579**	**35,073**
Non-controlling interests	55	50
Total equity	**37,634**	**35,123**
Loans, borrowings and lease liabilities	65,849	53,344
Deferred tax liability	1,891	1,759
Provisions	290	590
Other financial liabilities	1,186	1,116
Other liabilities	63	102
Total non-current liabilities	**69,279**	**56,911**
Trade payables	6,406	6,765
Loans, borrowings and lease liabilities	6,911	15,061
Current income tax payable	134	65
Provisions	1,657	2,233
Other financial liabilities	718	777
Other liabilities and contract liabilities	4,244	3,473
Total current liabilities	**20,070**	**28,374**
TOTAL LIABILITIES AND EQUITY	**126,983**	**120,408**

Selected unaudited key indicators

The following table show the APMs as of the dates and for the periods indicated.

	As of and for the year ended 31 December	
	2023	2022
	(CZK million, unless indicated otherwise)	
EBIT[(1)]	6,535	1,902
EBITDA[(2)]	16,140	11,096
Leverage (in *per cent.*)[(3)]	70.4	70.8
Current Liquidity (in *per cent.*)[(4)]	89.5	68.7
Capital Expenditures[(5)]	(14,349)	(20,748)
Debt[(6)]	72,760	68,405
Debt/EBITDA[(7)]	4.5	6.2
Net Debt[(8)]	64,641	59,644
Net Debt/EBITDA[(9)]	4.01	5.38
EBITDA Margin (in *per cent.*)[(10)]	32.8	25.1
Average full-time equivalent employees	21,823	21,875

Notes:
(1) Defined as profit/(loss) for the period from continuing operations before interest and taxes.
(2) Defined as profit/(loss) for the period from continuing operations before interest, taxes, depreciation and amortisation.
(3) Defined as total non-current liabilities and total current liabilities divided by total assets.
(4) Defined as total current assets divided by total current liabilities.
(5) Defined as payments for property, plant and equipment, investment properties and intangible assets.
(6) Defined as the total of interest-bearing liabilities (consisting of current and non-current loans, borrowings and lease liabilities).
(7) Defined as Debt divided by EBITDA.
(8) Defined as the total of interest-bearing liabilities (consisting of current and non-current loans, borrowings and lease liabilities), net of cash and cash equivalents.
(9) Defined as Net Debt divided by EBITDA.
(10) Defined as EBITDA divided by revenue.

Operating information

	Year ended 31 December	
	2023	2022
Passenger Transportation Business		
Number of passengers (*millions*)	164.4	157.1
Passenger transport performance (*million person-kilometres*)[(1)]	8,068	7,710
Cargo transport performance (*million train-kilometres*)[(2)]	116.8	116.0
Average traffic distance (*kilometres*)	49.1	49.1
Occupancy ratio (in *per cent.*)	30.2	29.4
Freight Transportation Business		
Traffic volume (*millions tonnes*)	59.4	64.2
Traffic performance (*million tariff tonne-kilometres*)[(3)]	10,909	11,985
Average traffic distance (*kilometres*)	183.7	186.7

Notes:
(1) In terms of the transport of one rail passenger by rail over a distance of one kilometre.
(2) In terms of kilometres travelled by trains.
(3) In terms of the transport of one tonne of freight by rail over a distance of one kilometre.

DESCRIPTION OF THE ISSUER

Overview

The Group is a major rail transport carrier in the Czech Republic, with ČD providing regional passenger transport pursuant to long-term contracts entered into with the Czech Regions, long-distance passenger rail transport pursuant to long-term contracts entered into with the State and commercial passenger transport purely on economic grounds and without any payments from the State or the Czech Regions. In the year ended 31 December 2023, the Group had a market share of 83.02 of all domestic passenger rail transport in the Czech Republic in terms of gross tonne-kilometres and 54.62 per cent. of all freight railway transport in the Czech Republic in terms of gross tonne-kilometres, according to data from SŽ.[2] For the year ended 31 December 2023, the Group's revenues and EBITDA were CZK 49.1 billion and CZK 16.1 billion, respectively, as compared to revenues and EBITDA of CZK 44.2 billion and CZK 11.1 billion, respectively, for the year ended 31 December 2022. The Group is also one of the largest employers in the Czech Republic, with 21,823 average full-time employees for the year ended 31 December 2023.

The Group primarily conducts its operations on the State-owned railway network. According to data compiled by SŽ as of 31 December 2023, the railway network in the Czech Republic had a total length of lines of 9,349 km, out of which 3,258 km was electrified.[3] According to UIC statistics for the year 2023, it was the ninth largest railway network in the EU in terms of the length of operated lines.[4] The Group provides a transport link between Eastern and Western Europe and, according to UIC's statistics for the year 2023, is the ninth largest railway transport operator in the EU in terms of the number of passengers carried.[5] The Group provides freight transport through its wholly-owned subsidiary ČD Cargo, which, according to UIC's statistics for the year 2023, is the fourth largest railway transporter in the EU in terms of tonnes of freight carried.

General Information about ČD

České dráhy, a.s. is a joint stock company (*akciová společnost*) incorporated and operating under Czech law. Its registered office is at Nábřeží L. Svobody 1222, 110 15 Prague 1, Czech Republic, and its telephone number is +420 972 111 111. The identification number of ČD is 709 94 226 and it is registered in the Commercial Register maintained by the Municipal Court in Prague under Section B, Insert 8039. ČD's LEI is 31570010000000034336. The registered share capital of ČD is CZK 20 billion divided into 20 shares with a nominal value of CZK 1 billion each. All shares have been issued and are fully paid up. As of the date of this Prospectus, the Issuer has been assigned a long-term corporate credit rating of Baa2 (outlook stable) by Moody's. A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.

The website of the Issuer is www.ceskedrahy.cz. The information on the website does not form part of the Prospectus, unless that information is incorporated by reference into the Prospectus. See "*Information incorporated by reference*".

The founder and sole shareholder of ČD is the State, which exercises its shareholder rights through the Steering Committee. ČD was incorporated and registered in the Commercial Register on 1 January 2003 after the passing of Act No. 77/2002 Coll., on the Joint Stock Company Czech Railways, as amended (the "**Act on Czech Railways**").

No dividends have been declared or paid since ČD's incorporation. The Articles of Association of ČD do not allow for the issuance of preferred stock. ČD may benefit from dividends paid by its subsidiaries. The dividends received by ČD (on a consolidated basis) amounted to CZK 16 million in 2023 and CZK 26 million in 2022.

Relationship with the State

The Government exercises its rights as the sole shareholder of ČD through the Steering Committee. The members of the Steering Committee are appointed by the Government (see "*Management and Employees – Steering Committee*").

[2] Source: SŽ Annual Report 2023, available at https://www.spravazeleznic.cz/o-nas/publikace/vyrocni-zpravy.
[3] Source: SŽ Statistical Yearbook 2023, available at https://www.spravazeleznic.cz/o-nas/publikace/statisticke-rocenky.
[4] Source: UIC Railway Statistics Synopsis 2023, available at https://uic.org/support-activities/statistics/.
[5] Source: UIC Railway Statistics Synopsis 2023, available at https://uic.org/support-activities/statistics/.

In the years ended 31 December 2023 and 2022, the Group received payments from the Czech Regions and the State pursuant to contracts for the provision of regional and domestic long-distance passenger rail transport, respectively (see *"—Pricing, Payments and Tariff Regulation"* below for more information).

In the year ended 31 December 2023, the Group recognised investment grants in the amount of CZK 264 million, mainly consisting of grants for the implementation of the ETCS for locomotives for freight transport. In the year ended 31 December 2022, the Group recognised investment grants in the amount of CZK 1,084 million, mainly consisting of a grant of CZK 551 million from the Ministry of Transport for the renewal of the vehicle fleet in the Moravskoslezský region. Moreover, the Group received a grant of CZK 2 million from the Ministry of Transport in connection with the Covid-19 pandemic and an additional government grant as part of the antivirus programme in the amount of CZK 15 million.

Relationship with SŽ

Under the current legislation, the owner of the majority of railway routes in the Czech Republic is the State represented by the state organisation SŽ. SŽ is responsible for the operation of the Czech railway infrastructure, both national and regional, and for ensuring its operation, maintenance, modernisation, development and repair as well as preparation of railway timetables. Further, SŽ is responsible for the preparation and execution of public service contracts with railway transport providers and for controlling the use of railway infrastructure and rail operations. All railway transport providers need to have a contract with SŽ and be allocated route capacity, which is provided at a price set for each year pursuant to a decree of the Ministry of Finance and a declaration issued by SŽ pursuant to Act No. 266/1994 Coll., on Railways, as amended (the "**Railway Act**") and published in the Transport and Tariff Bulletin.

SŽ was incorporated together with ČD on 1 January 2003, as part of the restructuring of the former state organisation České dráhy. As a result of the initial restructuring, ČD took possession of the assets used for the provision of railway transport services and for the servicing of railway routes. At the same time, SŽ, representing the State as the owner of the railway infrastructure, took over the management of the railway infrastructure, i.e., railway construction and modernisation. The remaining assets relating to railway operation services, mainly consisting of railway operation buildings, were transferred from ČD to SŽ in multiple stages in 2008, 2011 and 2016.

In July 2008, ČD formally transferred the role of servicing the railway infrastructure to SŽ by transferring approximately 10,000 employees and the related assets for a purchase price of approximately CZK 12 billion. In September 2011, ČD transferred to SŽ its railway operation services, i.e., traffic control and train operations services, which included approximately 9,300 of ČD's employees, for a purchase price of CZK 389.9 million. As a result, since 1 September 2011, ČD no longer performs any railway operation services, besides the operation of several minor railways, primarily spur tracks, branch line and side tracks in railway stations, which continue to be owned and operated by the Group.

The final part of ČD's assets necessary for the functioning of railway operation was transferred to SŽ on 1 July 2016 for a purchase price of CZK 3.30 billion. The assets mainly consisted of 1,569 buildings, including the Prague Main Railway Station, related plots of land, and 316 employees. Excluded from this transfer were 87 assets, including the Prague Masaryk Station (see *"—Property— Sale of Prague Masaryk Station Property to Penta"* below for more information) and the Brno Main Station, due to third parties rights or due to the loss of their original function in relation to railway operations. Since 1 July 2016, all railway infrastructure with the above-described exception has been owned, maintained and operated by SŽ and the Group continues to focus on passenger and freight transport services.

In 2019, ČD and Penta Real Estate, a developer of the Churchill Square Project located in the area of the main railway station in Prague, concluded a framework implementation agreement allowing for the future phased sale of land. In this context, a memorandum was then signed between ČD, SŽ and Penta Real Estate in order to coordinate SŽ's upcoming construction with the activities of the other signatories.

In 2022, the most significant property sales took place in the Prague districts of Žižkov and Újezd nad Lesy (land plots), as well as in the towns of Beroun, Záboří nad Labem and Česká Třebová (commercial buildings) and Nymburk (entire property). In the same year, the Group negotiated the sale of a part of the passenger building at the Prague Masaryk Station with SŽ.

In 2023, the most significant property sales took place in the Prague districts of Satalice, Krč, Braník and Modřany (land plots), as well as the towns of Chomutov, Hradec Králové, Pardubice and Karviná. In the same year, the

Group sold properties and land plots surrounding the Prague Masaryk Station and Prague Smíchov Station and finalised the sale of a part of the passenger building at the Prague Masaryk Station with SŽ.

As of the date of this Prospectus, ČD is in talks with SŽ over a sale of up to 45 million square metres of land plots surrounding railway stations, railway platforms, railway tracks and other railway infrastructure (see *"—Property— Expected Sale of Property to SŽ"* below for more information).

Key Strengths

The Group believes that it benefits from the following key strengths:

- strong market share and a leading position in the Czech rail transport market;
- diversified operations with ČD Cargo's Freight Transport Business correlating to the industrial activity of the Czech economy, and the Group's Passenger Transport Business tending to be less dependent on the performance of the overall economy;
- long-term experience in managing regulated concessions;
- advantageous geographical position: the location of the Czech Republic in the centre of Europe facilitates pan-European transport, serving as a link between Eastern and Western Europe;
- the railway network on which the Group operates is one of the densest in Europe, enabling the Group to compete effectively with road transport;
- know-how and assets: ČD possesses important know-how for the provision of complex rail transport services as well as staff experienced in the industry enabling the Group to efficiently use the train depots, maintenance facilities and other infrastructure necessary for the operation of rail transport; and
- long-term contracts: ČD has strong recurring revenue streams from long-term contracts for the operation of passenger rail transport (see *"—Material Contracts"* for more information).

Passenger Rail Transport

ČD's provision of passenger rail transport benefits from the long-term operating contracts entered into with the State and the Czech Regions (see *"—Material Contracts"* below for more information).

In 2023, ČD dispatched 2,436,774 trains, out of which 172,208 were long-distance trains and 2,264,566 were regional trains. According to the split of transport volume provided by SŽ, ČD transported 81.76 per cent. of all train-kilometres in the Czech Republic in the year ended 31 December 2023 and, as such, had a leading position in passenger rail transport services in the Czech Republic.[6]

Freight Rail Transport

According to the split of transport volume provided by SŽ, ČD Cargo transported 54.62 per cent. of all train-kilometres in the Czech Republic in the year ended 31 December 2023 and, as such, had a leading position in freight rail transport services in the Czech Republic.[7] ČD Cargo operates in a fully competitive freight transport market and faces strong competition in all of its segments, especially export, import and transit. Nevertheless, the Group believes that ČD Cargo enjoys a leading position in the Czech freight rail transport market mainly due to the following advantages:

- it benefits from strong long-term relationships with its customers; and
- its end-markets are well-diversified, thus mitigating the risks associated with reliance on a limited number of product categories.

[6] Source: SŽ Annual Report 2023, available at https://www.spravazeleznic.cz/o-nas/publikace/vyrocni-zpravy.
[7] Source: SŽ Annual Report 2023, available at https://www.spravazeleznic.cz/o-nas/publikace/vyrocni-zpravy.

However, the Group's business is exposed to the risks that are described in more details in "*Risk factors—Risks related to the Group's business and industries generally*". The materialisation of these risks can have a negative impact on the Group's business, results of operations, financial condition, cash flows and prospectus.

Business Strategy

The Group aims to maintain its leading position in both its Passenger Transport Business and Freight Transport Business. In addition to specific steps being implemented by the passenger and freight units as outlined below, the management also continues to focus on the following strategic priorities:

- Modernisation and innovations

  The Group plans to continue with the modernisation of its rolling stock with the aim of enhancing its quality, implementing modern technologies that would enhance customer experience, reducing the average age of its vehicles by the means of unification of its vehicle fleet through acquisition of new vehicles in larger series and improving the interoperability of its locomotives. The Group also continues the adaptation of the railway freight car fleet to meet standards of the transportation market with the aim of increasing the operability of wagons in international traffic. Further, the Group plans to commence construction of standardised halls with a uniformed arrangement of workplaces, warehouses, workshops and social facilities and intends to increase investments into modernisation of its buildings for the purposes of their modernisation for suitable use within the Group's capacities or for commercial use.

- Customer orientation

  The Group intends to increase passengers' comfort, satisfaction and safety. In order to enhance the customers experience, the Group plans to expand the scope of its service offerings, improve coverage of ČD Wi-Fi to cover most services and apply new technological trends for easier calling and wireless mobile devices charging. The Group also intends to improve and accelerate the online sales channel environment to ensure that up to half of its customers is checked-in.

  The Group maintains and continuously upgrades its "My Train" application, which allows customers to purchase tickets, search for train connections and access travel information and intends to simplify the purchase of travel documents for various modes of public transport. The Group also plans to expand the scope of other public transport and mobility services (urban transport, bus, parking near the railway stations, taxi, bike or scooter sharing, etc.) in its own online sales channels, mainly in the case of "My Train" application. The main aim is to provide customers with door-to-door mobility solutions with the advantage of accessibility in their own application and also with the advantage of discounted rates for selected services.

- Conservative financial policy

  The Group has maintained a conservative financing policy, which is based on the use of diverse funding resources, such as bonds, bank loans, leases, a promissory note programme, leasing and supplier credit. The Group puts emphasis on maintaining a balance between long-term financing, short-term overdraft loans and the promissory notes programme in order to manage its operational liquidity. The Group relies on a diversified portfolio of bank institutions on both the local and international markets and it seeks additional sources of financing in order to minimise its funding costs. Under the loan facilities provided, the Group draws the necessary volumes of funding and leaves a sufficient reserve of undrawn committed credit lines. The Group's funding policy requires that sufficient liquidity is maintained to cover expenditures expected in the next 12 – 18 months and that a sufficient headroom under any financial covenants related to its indebtedness is maintained.

- Sustainability

  The Group focuses on the gradual improvement of its environmental, social and governance ("**ESG**") performance with balanced approach to achieving its environmental and social objectives in relation to the economic possibilities for the Group's development. In 2023, the Group met all material ESG reporting requirements and began the process of strengthening internal ESG competencies and preparing for the expansion of corporate sustainability reporting in 2024. The Group's 2025-30 strategy prioritises modernising its railway fleet, improving customer service, employee satisfaction, and increasing operational energy efficiency.

The Group's sustainability strategy stands on five pillars, the aim of which is to make the Group:

(i) A safe and reliable carrier, focused on providing increasing operational and railway safety and security standards, thus increasing service quality and customer satisfaction;

(ii) An environmentally responsible carrier reducing its carbon footprint, waste production and noise emissions;

(iii) A responsible employer aiming to increase satisfaction, development and engagement of the Group's employees in its business, with the aim to provide diversity and equal opportunities and enhance safety and promoting health of its employees;

(iv) A socially responsible carrier developing assistance to the railway staff members and their families, promoting barrier-free mobility and corporate philanthropy, thus increasing the Group's employees engagement; and

(v) A modern and socially responsible company adhering to corporate governance standards, which enforces rules of ethical behaviour and conduct of its employees, establishes sustainability management practices and increases its overall transparency.

In order to improve its environmental footprint, the Group continuously modernises its rolling stock. According to its current investment plan, the Group plans to invest more than CZK 102 billion (EUR 4.0 billion) in renewal and modernisation of its fleet and buildings during the period between 2024 and 2028.

- Provision of high-end working environment with a valuable social responsibility programme

The Group aims to be one of the best employers in the Czech Republic with a valuable social responsibility programme and continues to build on the accolades it has received as the second and third best employer for 2020 and 2021, respectively, in the Sodexo Employer of the Year Award, organised by the Employers' Club. In the same competition, ČD's endowment fund was ranked among the top five in the Czech Republic.

The Group intends to further focus on development and education of its employees through modern teaching methods and resources in order to support higher efficiency and customer orientation. The Group's also plans to strengthen the role, abilities and skills of the middle management through development programs and acquire perspective candidates on the labour market with a modern approach and by improvement of its HR processes.

ČD actively cooperates with the trade unions representing the majority of the Group's employees and customarily enters into a collective agreement with the major trade unions, usually for the period of one calendar year. The collective agreement for 2024 was entered into on 1 January 2024. It guarantees employees an increase in tariff wages by 2.3 per cent. and an extraordinary bonus of CZK 12,000. All previous provisions and benefits for employees remain preserved, such as the length of working hours, holidays, various forms of contributions including pension insurance and other benefits. The Group also provides its employees with various benefits in the field of education, employees care and financial support provided by the Endowment fund. (see *"Management and Employees—Employees"* for more information).

- Optimisation of the Group

The Group aims to effectively optimise its organisational structure to reflect the liberalisation of the market and to consolidate performance and services under unified control to increase the Group's management performance. The Group intends to focus on further reorganisation of its repairs and maintenance business. In particular, the Group plans to increase investments in its facilities with the aim to obtain cheaper and more effective service for its vehicles, expand its existing capacities and scope of operations and, as a result, offer its services both internally and to other carriers and owners in the Czech Republic and within Central and Eastern Europe ("**CEE**").

As part of the ongoing optimisation of the Group, the management has decided to merge ČD – Telematika a.s. ("**ČD Telematika**") and ČD – Informační Systémy, a.s. ("**ČD Informační systémy**"). The merger will become effective on 1 June 2025. The main goal of the merger is to simplify management structures, shorten delivery times and maximize the efficiency of the IT services provided. The result will be a newly defined organizational structure that will improve the coordination and provision of IT services both for companies within the Group and for external customers.

The Group also continues to streamline its asset base by selling some of its non-core assets (see *"— Property— Recent and Expected Sale of Property"* below for more information). In addition, ČD's management is also evaluating future strategy with regards to ČD's subsidiaries. In line with the overall optimisation strategy, the management may from time to time decide to dispose of companies that no longer benefit the Group's core business and its long-term strategic priorities.

- Acquisitions and expansion

  As of the date of this Prospectus, the Group is considering exploring further opportunities in cross-border and near-border railway transport in neighbouring countries, either through cooperation with international or local operators in order to expand its network of international railway connections or through strategic acquisitions. The Group intends to further support and introduce new night connections and related services and expand its portfolio with ČD's new bus transport division to enhance customers experience in case of first and last mile transport or traffic closures on the railway.

Passenger Transport Business

In the upcoming years, ČD's strategy in the Passenger Transport Business is to:

- maintain existing and acquire new passengers on key domestic regional and long-distance lines and generally improve performance in view of the increasing pressure of competing carriers, whether in rail or bus transport;
- increase the quality of travel by improving the quality of ČD's railway vehicles, adapting the portfolio of both on- and off-board complementary services to customers' needs and by creating a digital customer experience;
- continue with the acquisition and modernisation of the rolling stock;
- operate ČD's bus division in order to reduce costs related to the agreements with external suppliers in case of the substitute bus services due to closures on its lines; and
- continue to implement long-term contracts with foreign partners and focus on growth of international transport on key backbone lines.

Freight Transport Business

ČD Cargo's strategy in the Freight Transport Business is to maintain its leading position in the Czech freight rail transport market and to grow its European operations. In the upcoming years, ČD Cargo intends to concentrate on the following fields of activity:

- expansion to foreign transport markets in cooperation with subsidiaries;
- investment in modern rolling stock and interoperable locomotives;
- optimisation of internal processes with the goal of increasing the productivity, competitiveness and to achieve sustainable results of single wagon shipments of ČD Cargo on the freight rail transport market;
- promotion of a customer friendly approach and strong sales support;
- increasing usage of the combined transportation to ensure efficient and environmentally-friendly first- or last- mile of transportation as a competitive advantage; and
- increasing environmentally friendly transport by using electricity generated from renewable sources and reducing the energy intensity of ČD Cargo's operations.

Investment Plan

In connection with the ongoing liberalisation of the railway market, the Group's aim is to increase the competitiveness of the services it offers (see "*Risk Factors – Risks related to the Group's business and industries generally – Industry risks — "The Group is exposed to competition from other providers of rail transport"* for more information). In doing so, the Group continues to enhance the quality of its trains and rolling stock and to implement modern technologies that aim to improve customer comfort and experience. These include, among other things, a new infotainment system, audio-visual information system and improved Wi-Fi coverage that are available on some of ČD's refurbished trains.

Passenger Transport Business

According to the current investment plan, ČD has budgeted to invest approximately CZK 55 billion (not taking into account subsidies) by 2028, the majority of which has been allocated to the purchase of new rolling stock, such as that described below in more detail. The actual amount invested may materially differ from the budgeted amount.

Freight Transport Business

According to the current investment plan, ČD Cargo has budgeted to invest up to CZK 5 billion annually. ČD Cargo plans to invest in the acquisition of new railway vehicles, such as multi-system engines, freight carriages for the transport of a wide range of commodities and other modern technology for international freight rail transport. In addition, ČD Cargo plans to continue in the renewal and modernisation of its rolling stock, such as the 742-series diesel engines, implementation of ETCS to locomotives, components repair of its fleet, improvement of the technical equipment of its repair shops and in general working conditions. The actual amount invested may materially differ from the budgeted amount.

Other Business

As of the date of this Prospectus, ČD plans to further invest in rolling stock repair and maintenance services operated either directly by ČD, or through DPOV, a.s. ("**DPOV**").

History

The following timeline provides an overview of the evolution of the Group:

- 1 January 2003: ČD was incorporated and registered in the Commercial Register with the State as its sole shareholder.

- December 2007: ČD Cargo was formed as an independent joint-stock company and wholly-owned subsidiary of ČD as part of the restructuring of ČD. Since then, ČD has focused on operating passenger rail transport and ČD Cargo has taken over the operation of the railway freight transport business.

- July 2008: ČD transferred the role of servicing the railway infrastructure to SŽ by transferring approximately 10,000 employees and the related assets for a purchase price of approximately CZK 12 billion.

- August 2011: ČD transferred the railway operation services to SŽ by transferring approximately 9,300 ČD employees and related assets for a purchase price of CZK 389.9 million. As a result, ČD no longer performs any railway operation services as of 1 September 2011.

- June 2015, July 2015 and April 2018: ČD increased its ownership interest in ČD Telematika from 59.31 per cent. to 66.70 per cent., 69.18 per cent. and 70.96 per cent., respectively.

- July 2016: ČD transferred to SŽ approximately 1,500 railway stations and other buildings and related assets, including 316 employees, for a purchase price of CZK 3.30 billion.

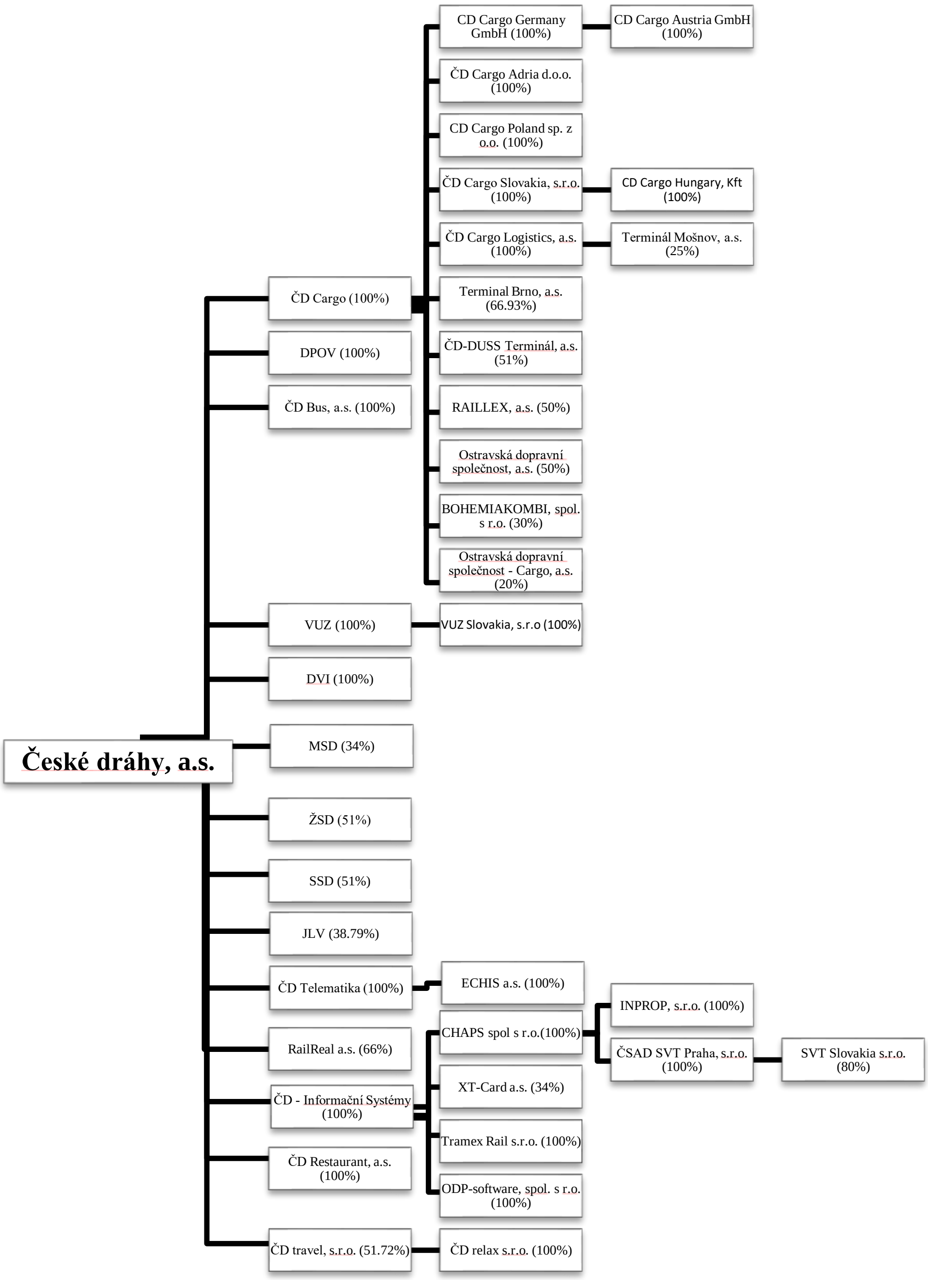
- October 2017:ČD Informační systémy, a 100 per cent. subsidiary of ČD, acquired CHAPS, spol. s r. o. ("**CHAPS**"), a key provider of ICT services, mainly related to IT systems in passenger transport.

- December 2017: ČD disposed of its 51 per cent. stake in RAILREKLAM, spol. s r. o.

- January 2019: ČD Informační systémy established its subsidiary company Smart Ticketing s.r.o.
- December 2019: ČD Informační systémy acquired 100 per cent. share in UniControls-Tramex s.r.o.
- May 2020: ČD Cargo Slovakia, s.r.o. acquired 100 per cent. share in CD Cargo Hungary, Kft.
- May 2021: ČD Cargo established its subsidiary ČD Cargo Adria d.o.o., which commenced its business activities in October 2021.
- July 2021: ČD increased its ownership interest in ČD Telematika from 71 per cent. to 100 per cent. by the virtue of the share purchase agreement concluded with PPF Group.
- November 2021: Výzkumný Ústav Železniční, a.s. ("**VUZ**") commenced its activities on the territory of Slovak Republic through its subsidiary VUZ Slovakia, s.r.o.
- April 2022: ČD acquired 100 per cent. share in the bus transport operator VYDOS BUS a.s. with the intention to provide substitute transport during planned railway closures or emergencies.
- August 2022: ČD Reality a.s. and VYDOS BUS a.s. were merged and their assets were transferred to the successor company ČD Bus a.s. ("**ČD Bus**") as from 1 September 2022.
- December 2022: ČD Cargo, a.s., through its subsidiary ČD Cargo Logistics, a.s., acquired a 25 per cent. share in Terminál Mošnov, a.s., which operates a combined transport terminal in the Mošnov industrial zone near Ostrava Airport.

Group Structure

The following chart provides a simplified structure of ČD and its significant subsidiaries as of the date of this Prospectus:



Notes: Ownership percentage is the same as the voting rights percentage.

Subsidiaries not shown in the structure above were determined by ČD not to be of material importance to the Group given the amount of their total assets, revenues and equity. No shares of any of the companies within the Group are publicly traded on any regulated market. For further details and a complete overview of the Group structure as of 31 December 2023, including the main activities of the Group's subsidiaries, please refer to Note 1.3 to the Financial Statements. There have not been any changes to the Group structure since 31 December 2023 up to the date of this Prospectus.

As of the date of this Prospectus, ČD is dependent on the following subsidiaries for the services described in the table below:

Subsidiary	Service provided
ČD Cargo	ČD Cargo provides freight transport services with main deliveries comprising of industrial and agricultural products, raw materials, fuels, goods, containers and oversized loads. It also rents freight cars, railway sidings and provides other transport services.
DPOV	DPOV is one of the leading companies in the Czech Republic providing rolling stock repair services. The principal role of DPOV in the Group is to provide periodic medium and high-grade repairs, modernisations, renovations and other various types of common maintenance of railway vehicles. Besides the Group companies, the customers of DPOV include foreign railway companies, predominantly from Germany and Poland.
VÚŽ	VÚŽ provides special testing services with the main activities being certification and compliance-assessment of products and quality systems with a special focus on products and sub-systems for the interoperability of the railway system. VÚŽ assesses conformity of defined products, including rolling stock, infrastructure, control command, signalling and energy, with European technical requirements.
ČD Telematika	ČD Telematika provides telecommunications services, including internet, data, voice and other supplementary services. It also operates the second largest telecommunication infrastructure in the Czech Republic enabling ČD Telematika to offer services in relation to data access points, central data storage and server farms. ČD Telematika's customers mainly include large businesses or major telecommunications providers. As from 1 June 2025, ČD Telematika will be merged with ČD Informační systémy.
JLV	JLV provides railway accommodation and catering services and the development of railway accommodation and catering services. Other services provided by JLV also include operation of restaurants, bars, coffee shops and food stores.
ČD Informační systémy	ČD Informační systémy provides IT services (including applications for passenger and freight rail transport and administration of railway infrastructure, SAP and other ERP (Enterprise Resource Planning) applications). It also operates central data storage and server farms. As from 1 June 2025, ČD Informační systémy will be merged with ČD Telematika.
ČD Bus	ČD Bus provides substitute bus transport services during planned railway closures or emergencies.

Business Overview

The Group operates through four principal business segments:

- **Passenger Transport Business**, which includes regional, domestic and international long-distance and commercial transport operated through ČD;
- **Freight Transport Business**, which includes the provision of comprehensive freight transport across Europe operated through ČD Cargo and its subsidiaries;
- **Asset Management Business**, which includes the management, leasing and operation of certain Group assets, primarily real estate, and is operated, among others, through ČD, SSD, ŽSD and MSD;
- **Certification and Testing Business**, which includes testing services, railway transport research and development operated through VUZ; and

- **Other Business**, which includes the provision of telecommunication services, predominantly to railway transport companies and railway infrastructure administrators, operated through ČD Telematika, rolling stock repair services operated through DPOV, railway accommodation and catering services operated through JLV and substitute bus transport services during planned railway closures or emergencies operated through ČD Bus.

The table below outlines key financial data for the Group's principal business segments for the years ended 31 December 2023 and 2022:

	Year ended 31 December	
	2023	**2022**
	(in CZK millions)	
Passenger Transport Business		
Revenues	30,183	27,045
Purchased consumables and services	(11,062)	(10,893)
Staff costs	(10,265)	(9,824)
EBITDA	9,478	7,229
Depreciation and amortisation	(6,594)	(6,201)
EBIT	2,884	1,028
Profit/(Loss) for the period	512	(445)
Freight Transport Business		
Revenues	15,729	14,667
Purchased consumables and services	(6,380)	(6,475)
Staff costs	(5,402)	(4,892)
EBITDA	3,807	3,174
Depreciation and amortisation	(2,589)	(2,507)
EBIT	1,217	667
Profit/(Loss) for the period	326	209
Asset Management Business		
Revenues	516	463
Purchased consumables and services	(622)	(540)
Staff costs	(267)	(265)
EBITDA	2,213	(79)
Depreciation and amortisation	(243)	(190)
EBIT	1,970	(269)
Profit/(Loss) for the period	1,973	(242)
Certification and Testing Business		
Revenues	838	692
Purchased consumables and services	(182)	(173)
Staff costs	(174)	(149)
EBITDA	401	355
Depreciation and amortisation	(61)	(72)
EBIT	340	283
Profit/(Loss) for the period	284	239
Other Business		
Revenues	6,541	5,663
Purchased consumables and services	(4,529)	(3,627)
Staff costs	(1,522)	(1,427)
EBITDA	1,044	1,062
Depreciation and amortisation	(293)	(364)
EBIT	751	698
Profit/(Loss) for the period	654	611
Elimination and reconciliation(1)		
Revenues	(4,659)	(4,308)
Purchased consumables and services	4,184	3,759
Staff costs	427	401
EBITDA	(802)	(645)
Depreciation and amortisation	175	140
EBIT	(627)	(505)
Profit/(Loss) for the period	(553)	(511)
Total		
Revenues	49,148	44,222
Purchased consumables and services	(18,591)	(17,949)
Staff costs	(17,203)	(16,156)
EBITDA	16,140	11,096
Depreciation and amortisation	(9,605)	(9,194)
EBIT	6,535	1,902
Profit/(Loss) for the period	3,196	(139)

Notes:
(1) The "Elimination and reconciliation" section provides an overview of eliminations of inter-group relations.

The table below outlines key operating data of the Group's Passenger Transport Business and Freight Transport Business for the years ended 31 December 2023 and 2022:

	Year ended 31 December	
	2023	**2022**
Passenger Transport Business[1]		
Number of passengers (*in millions*)	164.4	157.1
Passenger transport performance (*in mil. person-kilometres*)[2]	8,068	7,710
Cargo transport performance (*in mil. train-kilometres*)[3]	116.8	116.0
Average traffic distance (*in kilometres*)	49.1	49.1
Occupancy ratio (*in %*)	30.2	29.4
Freight Transport Business[1]		
Traffic volume (*in millions tonnes*)	59.4	64.2
Traffic performance (*in mil. tariff tonne-kilometres*)[4]	10,909	11,985
Average traffic distance (*in kilometres*)	183.7	186.7

Notes:
(1) Only data for the Group's core transport principal business segments included.
(2) In terms of the transport of one rail passenger by rail over a distance of one kilometre.
(3) In terms of kilometres travelled by trains.
(4) In terms of the transport of one tonne of freight by rail over a distance of one kilometre.

Passenger Transport Business

The Group provides passenger transport services through ČD. The Passenger Transport Business consists of the following three divisions:

- **regional passenger transport**, which comprises transport of passengers over short distances on daily regional train routes and the main purpose of which is to serve local communities at regulated prices affordable for the passengers;

- **long-distance passenger transport**, which comprises (i) domestic long-distance transport that includes all long-distance train routes in the Czech Republic except for the Prague – Ostrava route (due to its non-regulated nature, this service is included in "—*Commercial Passenger Transport*" below), and (ii) international long-distance transport that offers services to various countries in Europe, including a daily service from the Czech Republic to Germany, Poland, Slovakia, Hungary and Austria (described in more detail below); and

- **commercial passenger transport**, which includes mainly the operation on the non-regulated Prague – Ostrava line.

Each of these activities varies in revenues and profitability and is therefore described separately in more detail below.

In the years ended 31 December 2023 and 2022, the Group's Passenger Transport Business generated total revenues of CZK 30,183 million and CZK 27,045 million and EBITDA of CZK 9,478 million and CZK 7,229 million which represented 61.4 per cent. and 61.2 per cent. of its total revenues (in each case before eliminations), respectively.

With the exception of commercial passenger transport, the Group's Passenger Transport Business would be unprofitable without payments from the Czech Regions and the State. To keep prices at a level affordable to passengers, the tariffs are set at below economically reasonable levels that do not cover the cost of the service to the Group. Revenues are generated from tickets sales and from payments received from the Czech Regions and the State for the provision of public services. In 2023 and 2022, payments from the State budget totalled CZK 4,991 million and CZK 4,534 million respectively, and payments from budgets of the Czech Regions amounted to CZK 13,524 million and CZK 12,305 million, respectively. In aggregate, the payments from the State and the Czech Regions represented 62.0 per cent. and 62.9 per cent. of the Group's revenues from its Passenger Transport Business for the year ended 31 December 2023 and 2022 (before eliminations), respectively. In the year ended 31 December 2023 and 2022, revenues from passenger transport fares generated CZK 11,141 million and CZK 9,758 million, respectively, which represented 37.3 per cent. and 36.5 per cent., respectively, of the Group's revenues from its Passenger Transport Business (before eliminations).

Regional Passenger Transport

In 2023, ČD's performance in the regional passenger transport was approximately 3,070 million passenger-kilometres. This translated into approximately 38 per cent. of total passenger-kilometres services provided by ČD in 2023 and generated approximately 30 per cent. of total revenues of the Group's Passenger Transport Business (excluding any payments received from the State and Czech Regions and revenues from operations of ČD's coaches abroad) in 2023. Based on the contracts as of the date of this Prospectus, ČD's total expected transport performance in the regional passenger transport for 2024 is 81.7 million train-kilometres, which is an increase by 0.4 million train-kilometres compared to 81.3 million train-kilometres performed in 2023. According to ČD's estimate, this translates into 86.8 per cent. of all train-kilometres performed in the regional passenger transport in the Czech Republic in 2023. Due to the high density of the network and low occupancy rates, regional passenger transport is largely dependent on the payments received from the Czech Regions.

Regional passenger transport is provided by ČD on the basis of long-term contracts concluded with the Czech Regions. These contracts specify the remuneration to be provided for the public service obligation carried out by ČD. From 2020 onwards, the Czech Regions have entered into new contracts governing passenger transport (see *"–Pricing, Payments and Tariff Regulation–Passenger Transport Business–Regional – Overview"* and *"–Material Contracts"* for more information). The majority of the new contracts concluded with the Czech Regions were implemented under the so-called market consultation and subsequent direct award.

As of the date of this Prospectus, ČD is the incumbent operator on the passenger rail transport market. Other providers of regional passenger transport with public service obligation include:

- a privately-owned company GW Train Regio, which operates routes in the Karlovarský and Královehradecký regions, including the Karlovy Vary – Mariánské Lázně route and the Sokolov – Kraslice route. In the Moravskoslezský region, it operates the Vrbno – Milotice route, in the Plzeňský region it operates lines P11 a P23. In the Jihočeský region, it operates the České Budějovice – Volary route. In the Ústecký region, it operates lines U52 and T8;

- Arriva, which operates the Praha Hostivař – Roztoky u Prahy, Železný Brod – Tanvald, Turnov – Liberec routes and several routes in the Zlínský region, including the Valašské Meziříčí – Rožnov pod Radhoštěm route and the Uherské Hradiště – Veselí nad Moravou route;

- a privately owned company KŽC Doprava, which operates lines S34 and booster trains of line S43 and several seasonal lines;

- a privately owned company Railway Capital, which operates the following routes in the Ústecký region and the Moravskoslezský region: Most – Moldava v Krušných horách, Kadaň – Prunéřov – Podbořany, Opava – Svobodné Heřmanice, Moravské Budějovice – Jemnice and Kroměříž – Kojetín – Tovačov.

- a privately owned company RegioJet, which operates the Ústí nad Labem Střekov – Děčín, Ústí nad Labem – Štětí, Ústí nad Labem – Bílina, Most – Žatec and partially Most – Bílina and Teplice – Litvínov routes; and

- a privately owned company Leo Express, which operates the Ústí nad Orlicí – Mlýnský Dvůr/Hanušovice and the Dolní Lipka – Hanušovice route.

ČD can strengthen its business mainly by modernising its rolling stock and by increasing the quality of its services. To that end, ČD continues to adapt the portfolio of its on- and off-board complementary services and to enhance a digital customer experience with the aim of creating a complex transport product. Over the past several years, ČD has focused on the successful implementation of e-applications, e-shop platform and on the introduction of dynamic tariffs and revenue management principles.

Long-Distance Passenger Transport (domestic and international)

In 2023, ČD's performance in the long-distance transport was approximately 4,238 million passenger-kilometres. This translated into 53 per cent. of total passenger-kilometres services provided by ČD in 2023 and generated approximately 60 per cent. of total revenues of the Group's Passenger Transport Business (excluding any payments provided by the Czech Regions and the State and revenues from operations of ČD's coaches abroad) in 2023. Based on the contracts as of the date of this Prospectus, ČD's total expected transport performance in the long-distance passenger transport for 2024 is 32.0 million train-kilometres, which is an increase by 0.3 million train-kilometres compared to 31.6 million train-kilometres performed in 2023. According to ČD's estimate, this translates into 81 per cent. of all train-kilometres performed in the long-distance passenger transport in the Czech Republic in 2023. Long-distance transport is provided on the basis of contracts concluded with the State, acting through the Ministry of Transport, according to which ČD provides national and international routes on the basis of a public service obligation according to the period of validity of the contracts. The contracts with the longest term expire in December 2034.

Revenues are generated from tickets sales and from payments received from the State as a remuneration for the provision of the public services (see also "*Pricing, Payments and Tariff Regulation – Passenger Transport Business - Long-Distance (domestic and international)*" and "*Material Contracts – Passenger Transport Business*" below).

The below table provides an overview of the market share of individual providers of long-distance passenger rail transport in terms of train-kilometres travelled in the year ended 31 December 2023:

	Train-kilometres[(1)] travelled
	2023
Carrier	*(per cent.)*
ČD	81
RegioJet a.s.	8
GW Train Regio a.s.	1
Arriva vlaky, s.r.o.	10

Source: Issuer data
Notes:
(1) Train-kilometres represent the distance travelled by trains in kilometres.

The international cooperation is regulated by the Convention concerning International Carriage by Rail ("**COTIF**") between national passenger rail transport operators. Although proceeds from ticket sales are collected by the carrier in the country where the passenger embarks on the journey, revenues are shared between national carriers according to the distance travelled in the respective countries. Settlement of the revenues is undertaken by a clearing house once a month.

Commercial Passenger Transport

In 2023, ČD's transportation volume in the commercial passenger transport was approximately 758 million passenger-kilometres. This translated into approximately 9 per cent. of total passenger-kilometres services provided by ČD in 2023 and generated approximately 11 per cent. of total revenues of the Group's Passenger Transport Business (excluding any payments provided by the Czech Regions and the State and revenues from operations of ČD's coaches abroad) in 2023.

In the non-regulated commercial passenger transport market, the Praha – Ostrava – Košice (Slovakia) line is subject to the highest competition. ČD's two main local competitors, LEO Express and RegioJet, have significantly increased the level of service provided to customers on this line since the commencement of their operations in 2012 and 2011, respectively. In response to this market change, ČD underwent several cost-optimisation and customer-oriented reforms in 2015. After the implementation of these cost-optimisation and customer-oriented reforms, the decrease in revenues on this line was offset by a decrease in expenses resulting from these cost-optimisation reforms. In 2017 and 2018, ČD followed by commissioning the modernisation and refurbishment of the interior of the SC Pendolino coaches.

In cooperation with other international operators, ČD operates several direct overnight connections from the Czech Republic to Slovakia, Austria, Hungary, Poland and Switzerland.

Freight Transport Business

The Group provides freight transport services through ČD Cargo and its subsidiaries.

In the years ended 31 December 2023 and 2022, the Group's Freight Transport Business generated total revenues of CZK 15,729 million and CZK 14,667 million and EBITDA of CZK 3,807 million and CZK 3,174 million, which represented 32.0 per cent. and 33.2 per cent. of its total revenues (in each case before eliminations), respectively.

ČD Cargo is one of the largest providers of freight rail transport in Europe in terms of tons carried and the only provider to service the entire area of the Czech Republic.[8] ČD Cargo offers comprehensive transport of a wide range of products across Europe, from raw materials to consumer products and products with high added value (such as automotive and machinery products), as well as containers and non-standard consignments (such as military equipment or large construction components). The Group's Freight Transport Business is carried in the form of transport of whole trains and transport of individual wagon loads (i.e. single-wagon business). The Group's Freight Transport Business further offers certain ancillary services, such as renting of wagons and locomotives, forwarding services, storage and delivery of goods, operations of railway sidings, customs services, storage or maintenance and repairs of traction vehicles and wagons.

Transport of Whole Trains

In the years ended 31 December 2023 and 2022, the total volume transported by whole trains was 45.4 million tonnes and 43.2 million tonnes, respectively, which constituted approximately 73 per cent. and 71 per cent., respectively, of ČD Cargo's transport volume and approximately 70 per cent. and 63 per cent., respectively, of its transport revenues.

In 2023, the most important commodities moved by whole trains were solid fuels, metal and mining, large containers and chemicals. ČD Cargo's major competitors in this area are large domestic carriers, such as METRANS Rail s.r.o., PKP CARGO INTERNATIONAL, a.s., Rail Cargo Carrier – Czech Republic, s.r.o., ORLEN Unipetrol Doprava, s. r. o. and IDS Cargo, a.s., and former national carriers from neighbouring countries, such as PKP Cargo, Deutsche Bahn a RCA.[9] To maintain its current market position, ČD Cargo continues to invest in new, universal freight wagons and to modernise its rolling stock. Together with improved transport management, new interoperable locomotives are expected to support ČD Cargo's aim to lengthen the distance of its existing international transportations and to gain new transportation volumes abroad. Further, ČD Cargo intends to focus mainly on wagons for transportation of commodities to capture the anticipated increase in demand based on the current market trends in the transportation market, such as intermodal transport, fuel etc.

Transport of Individual Wagon Loads (i.e. Single-Wagon Business)

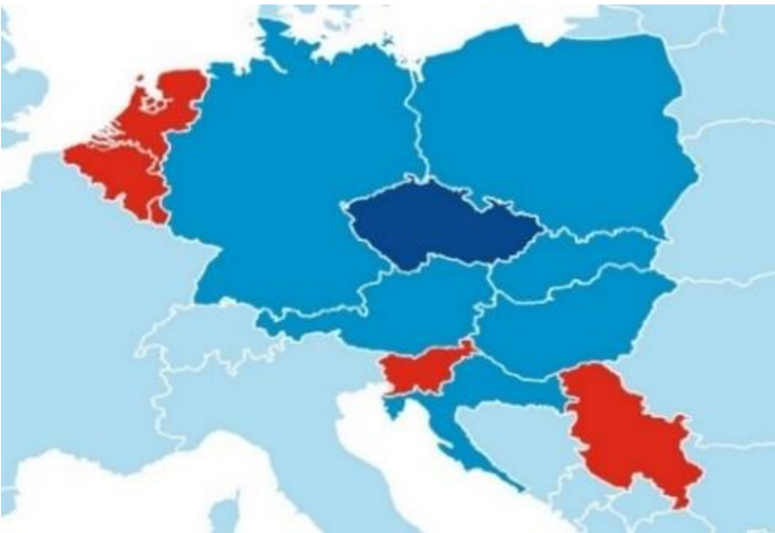
In the years ended 31 December 2023 and 2022, the total volume transported by individual-wagon loads was 16.2 million tonnes and 18.8 million tonnes, respectively, which constituted approximately 27 per cent. and 29 per cent., respectively, of ČD Cargo's transport volume and approximately 30 per cent. and 37 per cent., respectively, of its transport revenues.

In the single-wagon business, ČD Cargo faces increased competition from road freight transport, mainly with regards to the transportation of wood, scrap iron and other individual deliveries. ČD Cargo is therefore in the process of implementing a number of measures to improve the performance of its single-wagon business, such as a simplification of its ordering process and implementation of a system for efficient planning and use of its capacities.

As of the date of this Prospectus, ČD Cargo is not a beneficiary of any direct payments from the State as its services are provided solely on a commercial basis. However, ČD Cargo benefits from lower fees charged by the State for the use of railway infrastructure by single-wagon business as a way to promote environmentally sustainable means of transport.

[8] Source: UIC Railway Statistics Synopsis 2023, available at https://uic.org/support-activities/statistics/.
[9] Source: SŽ Annual Report 2023, available at https://www.spravazeleznic.cz/o-nas/publikace/vyrocni-zpravy.

The following map shows the markets where the Group's Freight Transport Business operated in the year 2023 and markets where ČD Cargo would like to focus its international expansion (in red):



One of ČD Cargo's strategic priorities is to continue in its international expansion, either directly or through its local subsidiaries:

- **Poland:** ČD Cargo is present on the Polish market via its subsidiary CD Cargo Poland.
- **Austria:** ČD Cargo obtained a license to operate in Austria in June 2017 and realised its first carriage with its own license for the ÖBB Infrastructure network in February 2018. In 2019, a new branch was established and commenced operations in Austria under the name ČD Cargo Niederlassung Wien. Services offered on the Austrian market include block train transport in Austria, transit through Austria from Hungary or Slovakia to Germany and back.
- **Slovakia and Hungary:** ČD Cargo obtained licenses for the Slovak and Hungarian networks through its equity investments in 2020. ČD Cargo uses the Slovak and Hungarian networks mostly for the transport of goods from the Czech Republic to the Balkans and Romania.
- **Germany:** ČD Cargo obtained a licence and all necessary documents required to operate in Germany in February 2020. ČD Cargo's strategy on the German markets includes expanding under the same business model as already implemented on the Austrian market.
- **Croatia:** ČD Cargo established a subsidiary in Croatia and commenced its business operations in Croatia and Serbia in 2021.
- **Romania:** ČD Cargo is exploring possibilities to expand to Romanian either by obtaining a licence or through an equity investment.
- **Serbia and Slovenia:** ČD Cargo is in the process of acquiring licence for Serbia and Slovenia. In particular, ČD Cargo intends to focus on access to the Slovenian port of Koper, which is an important transit point for transporting goods from Asia to Central Europe.
- **Belgium and the Netherlands**: ČD Cargo is exploring possibilities to obtain a licence for Belgium and the Netherlands.

The table below outlines a breakdown of ČD Cargo and its subsidiaries' revenues in the years ended 31 December 2023 and 2022:

	Year ended 31 December	
	2023	2022
	(in CZK millions)	
CD Cargo Poland	949	533
CD Cargo Austria and CD Cargo Niederlassung Wien	836	667
CD Cargo Germany and CD Cargo Niederlassung Germany	659	452
CD Cargo Slovakia	507	467
CD Cargo Hungary	248	247
ČD Cargo and other subsidiaries	12,530	12,302
Total	**15,729**	**14,668**

Source: ČD Cargo data, non-audited

The table below outlines a geographic breakdown of ČD Cargo's revenues from freight operations in the years ended 31 December 2023 and 2022:

	Year ended 31 December	
	2023	2022
	(in CZK millions)	
Czech Republic	4,728	5,153
Germany	3,111	2,411
Poland	1,720	1,507
Austria	1,105	1,113
Slovakia	1,202	1,034
Italy	252	471
Ukraine	656	395
Slovenia	391	351
Hungary	199	231
Romania	187	132
Russia	278	104
Belgium	157	98
Netherlands	102	79
Kazakhstan	11	51
Other countries	60	168
Total	**14,159**	**13,298**

Source: ČD Cargo data, non-audited

The table below sets forth the composition of freight transported by the Group's Freight Transport Business for the years ended 31 December 2023 and 2022:

	Year ended 31 December	
	2023	2022
	(in millions of tonnes)	
Solid fuels	15.7	16.8
Metal and mining	10.4	11.5
Large containers	5.8	6.2
Chemicals	4.6	4.3
Building materials	4.3	5.5
Timber and paper products	3.6	5.2
Automotive	1.2	1.2
Other	13.7	13.5
Total	**59.4**	**64.2**

Source: ČD Cargo data, non-audited

The table below sets forth the revenue breakdown by the type of freight transported by the Group's Freight Transport Business for the years ended 31 December 2023 and 2022:

	Year ended 31 December	
	2023	2022
	(in per cent.)	
Iron and engineering production	21	21
Brown coal	15	16
Chemical products and liquid fuel	14	11
Combined transport	12	10
Timber and paper products	11	17
Automotive	11	8
Building materials	8	9
Black coal and coke	3	3
Food and agricultural products	2	2
Other	3	3
Total	**100**	**100**

Source: ČD Cargo data, non-audited

The table below sets forth the split of volume of freight transported by the Group's Freight Transport Business for the years ended 31 December 2023 and 2022:

	Year ended 31 December			
	2023		2022	
	(in million tonnes)	*(%)*	*(in million tonnes)*	*(%)*
Domestic market	53.9	91	60.5	94
Outside of the Czech Republic	5.5	9	3.7	6
Total	**59.4**	**100**	**64.2**	**100**

Source: ČD Cargo data, non-audited

As of the date of this Prospectus, the major customers of the Group's Freight Transport Business include MORAVIA STEEL a.s., CARBOSPED, spol. s r.o., NH TRANS SE, Maersk Line A/S, Rail Cargo Group, ČEZ, a. s., METRANS, a.s., DB Cargo Group, BUDAMAR LOGISTICS, a.s., ČEPRO, a.s., WOOD & PAPER a.s. SPEDICA, s.r.o., CAT France SAS, Železničná spoločnosť Cargo Slovakia, a.s., Energetický a průmyslový holding, a.s., STVA S.A., BLG AutoRail GmbH and VTG AG.

Asset Management Business

The Group's Asset Management Business includes the management, leasing and operation of certain assets of the Group, mainly real estate. As of 31 December 2023, ČD owned 3,089 buildings, including the Prague Masaryk Station and the Brno Main Station, and 15,934 land plots.

In the years ended 31 December 2023 and 2022, the Group's Asset Management Business generated total revenues of CZK 516 million and CZK 463 million and EBITDA of CZK 2,213 million and CZK (79) million, which represented 1 per cent. and 1 per cent. of its total revenues (in each case before eliminations), respectively.

On 19 January 2016, ČD entered into a set of agreements with the Czech investment group Penta (the majority owner of MSD), regarding the restoration of the Prague Masaryk Station and the development of the surrounding land plots. Penta undertook to invest through the MSD up to CZK 136 million in the restoration. The initial part of the restoration included the renovation of the roofs and floors of the arrival hall, adjacent facades and toilets. The subsequent stages introduced new retail space and a food court in the arrival hall, ticket desks, waiting room and information centre in a new location thereby increasing passenger comfort and the amount of commercial space at the station.

Following a public tender in 2008, ČD as lessor and a privately owned company Brno new station development a.s. ("**BNSD**") as lessee entered into a lease agreement regarding the Brno Main Station and the adjacent land plots (the "**BNSD Lease Agreement**"). The lease agreement is to expire in 2048. Pursuant to the agreement, BNSD undertook to invest at least CZK 130 million in the renovation of the main building. In 2018, ČD cooperated with BNSD to change the zoning plan on the land plots and entered into an amendment to the BNSD Lease Agreement. The amendment aims to clarify certain obligations and undertakings of BNSD under the BNSD Lease Agreement and sets a new binding schedule for the renovation of the main building and contractual penalties for BNSD's failure to adhere to it. In 2019, the reconstruction phases, including the first platform and the main hall of the Brno's Main Station with new points of sale were completed.

In 2023, repairs and investments to improve the working environment continued both in the premises where ČD employees are based and in the premises that are leased to external entities. Capital expenditure was incurred on, among other things, roof repairs in Česká Třebová, Jaroměř, Kolín and Meziměstí and Brno-Maloměřice, the first stage of the gasification of the Česká Třebová complex, the construction of a washing machine for railway vehicles was successfully completed in Havlíčkův Brod, thermal management in Kolín, construction works on an administrative building in Brno (Kulkova street) and on a new regional headquarters building in Hradec Králové. In the premises of the Masaryk railway station in Prague, construction work continued on the reconstruction of building B and construction work began on the rehabilitation of the first floor of building F and on the reconstruction of the floor of building E.

Within the real estate management segment, ČD is involved in several development projects, most often through specially founded subsidiaries and affiliates. (see "*—Property–Recent and Expected Sale of Property*" for more information).

Certification and Testing Business

The Group's Certification and Testing Business includes activities of VUZ, the Group's subsidiary that provides professional services and complex solutions in the field of assessment, certification and testing with a special focus on rolling stock, railway systems, railway transport and other industrial sectors. It works closely with leading manufacturers, academic institutions and industry organisations within and outside the European Union. VUZ provides specialised services through authorised and accredited activities and testing in the field of railway vehicles and their components, using its own railway test circuits at the Velim Test Centre.

In the years ended 31 December 2023 and 2022, the Group's Certification and Testing Business generated total revenues of CZK 838 million and CZK 692 million and EBITDA of CZK 401 million and CZK 355 million, which represented 1.7 per cent. and 1.6 per cent. of its total revenues (in each case before eliminations), respectively.

Other Business

The Group undertakes also other activities, which include provision of information and communication services ("**ICT**") to railway transport companies and railway infrastructure administrators through ČD Telematika, rolling stock repair services operated through DPOV, certain IT services operated through ČD Informační systémy, educational services operated through Dopravní vzdělávací institut, a.s. ("**DVI**"), testing services, travel services operated through ČD Travel, s.r.o. ("**ČD Travel**"), and railway accommodation and catering services operated through JLV.

In the years ended 31 December 2023 and 2022, the Group's Other Business generated total revenues of CZK 6,541 million and CZK 5,663 million and EBITDA of CZK 1,044 million and CZK 1,062 million, which represented 13.3 per cent. and 12.8 per cent. of its total revenues (in each case before eliminations), respectively.

ČD Informační systémy

ČD Informační systémy provides the Group with comprehensive ICT services to expand its professional competencies in in the development and operation of complex information systems, such as modernisation and maintenance of information systems for passenger clearance and check-in, development and optimisation of the search engine and systems for commercial and operational activities in the railway freight sector, and to expand its competencies in the security field, including through the implementation of security and data protection elements which aim to ensure the protection of the Group's assets, personal data and equipment. An additional goal is to minimise the dependence of the Group on external suppliers.

As from 1 June 2025, ČD Informační systémy will be merged with ČD Telematika.

ČD Telematika

ČD Telematika focuses on the administration, maintenance and construction of telecommunication infrastructure. ČD Telematika owns and operates one of the largest optical infrastructure in the Czech Republic, which is a part of the critical infrastructure of the State, and provides housing services in highly secured data centres. ČD

Telematika provides its services to the Group and to clients from state administration, the railway transport segment, large corporations and local internet connectivity providers.

As from 1 June 2025, ČD Telematika will be merged with ČD Informační systémy.

DVI

DVI provides services in the field of railway education. DVI was the first in the Czech Republic to obtain the train driver training accreditation from the Ministry of Transport. It also holds the certificate of the quality management system according to the international standard ČSN EN ISO 9001. In 2018, DVI received the Recognition of Assessment Body (according to Article 7 of EU Regulation 402/2013) from the Railway Authority. DVI provides the Group's employees with a wide network of classrooms, a team of experts in the subjects fields of education, language courses and training of softs skills with the aim to continuously deepen the Group's employees' qualification.

ČD Bus

ČD Bus provides replacement transport services during planned railway closures or emergencies.

Pricing, Payments and Tariff Regulation

Passenger Transport Business – Regional

Overview

Regional passenger transport is governed by long-term contracts between individual railway carriers and the Czech Regions.

In 2009, the Government signed a Memorandum, which allocates funds from the State budget in the amount of CZK 2.65 billion per year, which will be provided to the Czech Regions in the form of payments to cover the provision of railway transport services in the Czech Regions in a given year (see *"–Business Overview – Passenger Transport Business – Regional Passenger Transport"* for more information.). The funds are allocated to the Czech Regions according to the volume of transport in the respective regions and the allocated amount is indexed annually according to the average annual consumer price index.

The payments shall be equal to the estimated eligible costs (which include, among other things, depreciation of fixed assets, such as the rolling stock used to operate the lines concerned) including a margin allowing for a reasonable profit to be provided for the provision of passenger transport. Payments are annually agreed in advance on the basis of projections and paid to ČD monthly on a *pro rata* basis (thus not limiting ČD in terms of liquidity). At the end of the year, the difference between the estimated costs and the actual values is settled. The pre-agreed payments may be adjusted in the event of higher energy costs by the energy price index, or in the event of an increase in the railway infrastructure charge above the inflation rate, or in the event of changes in the tax system. These costs are indexed annually according to the consumer price index and in most contracts payments for energy and wages are increased according to special price growth indices.

In its Resolution No. 191 dated 9 March 2016, the Government approved the participation of the State in the financing of regional passenger rail transport in the years 2020 to 2034. Subsequently, the Government concluded an agreement with the Czech Regions and the Association of Regions of the Czech Republic on the stable financing of regional transport in the years indicated. Based on this agreement, the Government allocated CZK 2.859 billion, which shall be increased year-on-year in line with general inflation.

In its Resolution No. 206 dated 27 March 2018, the Government approved the introduction of a subsidised fare tariff on trains and buses for the seniors, children, pupils and students. Based on this resolution, pupils and students up to 26 years of age and seniors over 65 were provided with a 75 per cent. discount on the standard fare. The subsidised fares covered all national long-distance and regional bus and rail lines, integrated transport systems and public transport links that cross city limits. On trains, the subsidy applied only in second-class cars (economy class). Service providers, including ČD, received payments for the discounted fares from the state budget up to the amount of the commercial ticket price (the "**Subsidised Fare Tariff**"). Since 1 April 2022, the Subsidised Fare Tariff has been reduced from a 75 per cent. discount to a 50 per cent. discount on standard fare. As from 1 February 2019, VAT for public passenger transport fares was reduced from the original 15 per cent. to 10 per cent., and from 1 January 2024, increased from 10 per cent. to 12 per cent.

Liberalisation of the regulated regional passenger transport in the Czech Republic

Due to the fact that most of the previous long-term contracts governing regional passenger transport expired on 14 December 2019, the Czech Regions concluded new contracts effective as of 15 December 2019. In accordance with applicable EU legislation (see "*The Regulatory Framework — Railway transport laws in the EU*" for more information), some Czech Regions selected new passenger transport providers in a public tender, whereas some have awarded the relevant contract directly to a selected operator. As of the date of this Prospectus, ČD is a party to several agreements with the Czech Regions, the vast majority of which were implemented under the so-called market consultation and subsequent direct assignment.

Based on the agreements with the Czech Regions which are valid as of the date of this Prospectus, ČD anticipates that its total regional transport performance in 2024 will be 81.7 train-kilometres. This would represent an increase by approximately 1.6 per cent. compared to ČD's total regional transport performance in 2023 (see *"Risk Factors – Risks related to the Group's business and industries generally – Industry risks —"The Group is exposed to competition from other providers of rail transport."* for more information).

ČD's main competitors for the long-term contracts with the Czech Regions are the privately held companies currently operating in the Czech Republic, especially RegioJet, GW Train and LEO Express, as well as significant passenger rail operators from neighbouring countries, such as Arriva, a subsidiary of DB (see *"Risk Factors – Risks related to the Group's business and industries generally – Industry risks —"The Group is exposed to competition from other providers of rail transport."* and *"— Business Overview — Regional Passenger Transport"* for more information).[10]

Passenger Transport Business - Long-Distance (domestic and international)

Overview

Long-distance passenger transport is provided pursuant to an agreement with the State that has similar terms and conditions as the contracts governing regional passenger transport (see *"—Business Overview – Passenger Transport Business – Regional Passenger Transport"* for more information).

The payments provided by the State shall be equal to the estimated amount of eligible costs (which include, among other things, depreciation of long-term assets, such as the rolling stock used for operation of the relevant lines) less sales, including fair profit and can be adjusted in case of higher energy costs of more than ten per cent., higher profit of more than five per cent., changes in transport volume or changes in taxation. Unless mutually agreed upon, changes to volumes of transport for the purposes of calculations do not deviate by more than five per cent. from the actual volumes for the previous year.

Liberalisation of the regulated long-distance passenger transport in the Czech Republic

From 2020 onwards, the Ministry of Transport has to conclude new contracts with railway transport operators on a competitive basis. Since private operators had showed interest in taking part in long-distance passenger transport even before regular tenders were launched after 2020, the Ministry of Transport announced in 2018 a modified form of "tendering" based on direct award principles. ČD's main competitors in these public tenders may include Czech low-cost passenger rail operators, as well as significant passenger rail operators from neighbouring countries (see *"—Business Overview — Passenger Transport Business — Regional Passenger Transport"* for more information).

The below table provides an overview of the individual long-distance lines operated by ČD as of the date of this Prospectus and their expiry dates:

Route	Year of expiration
Ex1: Ostrava – Polish state border / Slovak state border	2029
Ex2: Praha – Olomouc – Vsetín – Slovakia	2028
Ex3: Praha – Pardubice – Brno – Austrian state border / Slovak state border	2034
Ex4: Austrian state border / Slovak state border – Břeclav – Otrokovice – Ostrava – Polish state border;	2029
Ex5: Praha – Ústí nad Labem – German state border	2034
Ex6: Praha – Plzeň – Cheb / German state border	2026
Ex7: Praha – České Budějovice – Český Krumlov / Austrian state border	2025
R9: Praha – Havlíčkův Brod – Brno/Jihlava	2024
R10: Praha – Hradec Králové – Trutnov	2028

[10] Source: SŽ Annual Report 2023, available at https://www.spravazeleznic.cz/o-nas/publikace/vyrocni-zpravy.

R11A (R31): České Budějovice – Plzeň	2025
R11B (R11): Brno – Jihlava – České Budějovice	2026
R12: Brno – Olomouc – Šumperk	2027
R13: Brno – Břeclav – Olomouc	2025
R15: Praha – Ústí nad Labem – Karlovy Vary – Cheb	2034
R16: Praha – Plzeň – Klatovy	2026
R17: Praha – Tábor – Veselí nad Lužnicí – České Budějovice / České Velenice	2025
R18: Praha – Olomouc – Staré Město – Luhačovice	2028
R19: Praha – Pardubice – Česká Třebová – Brno	2029
R20: Praha – Roudnice nad Labem – Ústí nad Labem – Děčín	2029
R27: Ostrava – Opava – Krnov – Olomouc	2027
R33: Cheb – German state border	2032

The above long-distance lines combined represent 32,529,594 out of the total 40,189,039 train-kilometres, i.e. 81 per cent. of the total transport volume expected for the period 2024 onwards. Contracts for 19 per cent. of the expected transport volume have been assigned to other railway transport operators, such as Arriva, RegioJet and GW Train.

As of the date of this Prospectus, the operation of the R9: Praha – Havlíčkův Brod – Brno/Jihlava line following the expiration of the current contract in December 2024 is expected to be awarded as a short-term direct assignment, while a tender for the operation of the Ex6: Praha – Plzeň – Cheb / German state border line and the R16: Praha – Plzeň – Klatovy line following the expiration of the current contract in December 2026 and a tender for the operation of the Ex7: Praha – České Budějovice – Český Krumlov / Austrian state border line, the R11A (R31): České Budějovice – Plzeň line, the R11B (R11): Brno – Jihlava – České Budějovice line and the R17: Praha – Tábor – Veselí nad Lužnicí – České Budějovice / České Velenice line following the expiration of the current contract in 2025 (and 2026 in the case of the R11 line) are in progress.

Passenger Transport Business - Commercial

Commercial passenger transport is provided by ČD as well as other carriers operating on the Czech market. ČD and other carriers base their decision to conduct business on commercial routes purely on economic grounds and set prices according to the desired profitability. Revenues are generated from ticket sales. Neither State payments nor payments received from the Czech Regions are provided.

Freight Transport Business

ČD Cargo's revenues are 99 per cent. attributable to individual contracts where pricing is set in each individual case and is based purely on commercial grounds. Although ČD Cargo's tariffs can be taken into consideration, the prices charged by competitors, costs of service or a long-term potential relationship benefit for ČD Cargo are recognised as the main factors driving the prices of ČD Cargo's services. In certain cases set forth in the internal policies, the Commercial Council consisting of a Director of Economics, a Director of Operations and a Director of Commerce must approve the terms and conditions of a price proposal.

The remaining ČD Cargo customers are charged in accordance with ČD Cargo's standard tariffs, which also set out the standard terms and conditions. Domestic freight, which is not stipulated by individual contracts, is governed by the Tariff for Transport of Complete Wagon Loads ("**TVZ**"). International union tariffs are agreed with the respective foreign freight operators.

Domestic and International Freights

ČD Cargo provides freight transport to destinations both within and outside the Czech Republic. Domestic freight transport is undertaken by ČD Cargo whereas international freight is provided by ČD Cargo or its subsidiaries in cooperation with foreign freight operators. ČD Cargo enters into such cooperation if it does not fulfil the prerequisite conditions for operating in the respective country or if such cooperation is more beneficial for ČD Cargo due to, for example, the low utilisation of inbound vehicles returning from abroad or other factors affecting profitability.

Alternatively, ČD Cargo can provide freight transport to final destination, subject to obtaining licences for operating rail transport in the respective country. As of the date of this Prospectus, ČD Cargo or its subsidiaries are licensed to provide freight transport in Poland, Slovakia, Hungary, Austria, Germany, Croatia, and Serbia.

The Railway Network

According to UIC, the Czech railway network is currently among the densest railway networks in the EU in terms of surface area of the country per kilometre of railway route, exceeding that of both Germany and France.[11] According to data compiled by SŽ as of 31 December 2023, the Czech railway network consisted of 9,349 kilometres of railway routes, of which 3,258 kilometres were electrified, and the related infrastructure included 1,065 railway stations and 7,580 railway crossings.[12] SŽ operates the national and regional railway network in the Czech Republic and is responsible for its operation, modernisation and development. A total of 118 transport providers operated on the Czech railway network in 2023, according to data provided by SŽ.[13]

The Group originally also operated and serviced the national railway network, but it gradually transferred these activities to SŽ (see *"—Relationship with SŽ"* above). The Group now only operates the railway tracks that it owns. These include primarily minor railway spur tracks, branch lines and side tracks at railway stations. The railway system is currently connected to the railway network of four neighbouring countries (Germany, Austria, Poland and Slovakia) via 36 international railway junctions.

As of the date of this Prospectus, there are no new railway tracks under construction in the Czech Republic. However, SŽ is investing in the modernisation of the existing railway system and plans to build various high-speed railway lines connecting the largest cities in the Czech Republic and ensuring a quality connection to the rail network in the Central Europe. The whole Czech railway system uses the same gauge (1,435 millimetres), except for 79 kilometres of tracks operated by a privately-owned company Jindřichohradecké místní dráhy, a.s. Four different systems are being used to power the electrified railway routes.

Pursuant to the Railway Act and the Network Statement on National and Regional Rail issued by SŽ, SŽ allows carriers to access and use the railway network, subject to the fulfilment of certain conditions. SŽ allocates the route capacity for a regulated price, which is set pursuant to the decree of the Ministry of Finance for a particular year and a declaration issued by SŽ pursuant to the Railway Act and published in the Transport and Tariff Bulletin.

The Group's Passenger Transport Business and Freight Transport Business operate on the majority of the existing railway routes in the Czech Republic.

Property

Overview of ČD's Property

As of 31 December 2023, ČD owned 3,089 buildings, including the Prague Masaryk Station and the Brno Main Station, multiple rolling stock depot buildings, and, among others, blocks of flats, stores, buildings for employees, garages and hostels.

Recent and Expected Sale of Property

Because the Group owns significant non-core assets, the maintenance of which requires substantial amounts, it intends to continue to streamline its asset base by selling some of these non-core assets to SŽ as well as to private investors.

Sale of the Prague Masaryk Station Property to Penta

On 19 January 2016, ČD entered into a set of agreements with the Czech investment group Penta (the majority owner of MSD), regarding the restoration of the Prague Masaryk Station and the development of the surrounding land plots. Pursuant to these agreements, Penta acquired 10,300 square metres of land at Na Florenci Street in the centre of Prague, where it has started construction of a shopping and office centre. In addition, the agreements allow for future development of other land plots surrounding the Prague Masaryk Station that are to be leased by ČD to MSD in part until 2036 and in part until 2056. In 2016, Penta acquired a land plot at Na Florenci Street, followed by the acquisition of a land plot at Hybernská Street in 2018, and the acquisition of the remaining land plots surrounding the Prague Masaryk Station in 2023.

The total purchase price under the agreement was CZK 600 million (subject to adjustments based on the size of commercial space in the new development), of which CZK 235 million in respect of the land plot at Na Florenci

[11] Source: UIC Railway Statistics Synopsis 2023, available at https://uic.org/support-activities/statistics/.
[12] Source: SŽ Statistical Yearbook 2023, available at https://www.spravazeleznic.cz/o-nas/publikace/statisticke-rocenky.
[13] Source: SŽ Annual Report 2023, available at https://www.spravazeleznic.cz/o-nas/publikace/vyrocni-zpravy.

Street was due by the end of June 2016. CZK 103 million in respect of the land plot at Hybernská Street was due by the end of January 2018. The purchase price for the remaining land plots surrounding the Prague Masaryk Station was CZK 244 million (subject to further adjustments). The agreement was the result of negotiations between the shareholders of MSD, i.e. ČD and Penta, and of Penta exercising its pre-emptive purchase right to the property based on an agreement entered into between ČD and Penta in 2004. The railway station building itself is to remain in the ownership of ČD and may be transferred to SŽ in the future.

Sale of Žižkov Freight Station and Smíchov Railway Station to Sekyra Group

In 2019, ČD initiated negotiations with the Prague Municipality and the Ministry of Culture of the Czech Republic about the form of sale of a listed building and related lands at Žižkov Freight Station. In the same year, ČD entered into a memorandum of mutual cooperation for the conversion of the Prague – Žižkov Freight Station with representatives of Prague 3 and Sekyra Group (as defined below), subject to which was coordination of plans for the future redevelopment of the whole area, including the creation of a residential development, a school or new headquarters for the Czech National Film Archive. As of the date of this Prospectus the negotiations are still ongoing.

Furthermore, in 2019, ČD entered into a framework project agreement with a Czech development companies Sekyra Group and SSD (together as "**Sekyra Group**"), based on ČD's board of directors' resolution on a tender for establishment of a joint venture for preparation, implementation and development of Prague – Smíchov Railway Station, regarding the development project in the Smíchov railway station area. Pursuant to this agreement, Sekyra Group undertook to acquire the respective land plots from ČD in phased stages. In 2023, Sekyra Group acquired the remaining land plots to complete the entire development of the "Smíchov City" project. The total purchase price under the agreement was CZK 1,625 million.

Sale of land plots in the area of the railway station in Prague to Penta

In 2019, ČD and Penta Real Estate, a developer of the Churchill Square Project, located in the area of the main railway station in Prague, concluded a framework implementation agreement allowing for the future phased sale of land. In this context, a memorandum was then signed between ČD, SŽ and Penta Real Estate in order to coordinate SŽ's upcoming construction with the activities of the other signatories.

Expected Sale of Property to Private Investors

ČD continues to be in the process of selling its other non-core assets to private investors. This process commenced in 2008 and has included the sale of non-core buildings (administration buildings, workshops, garages, warehouses) and non-core land plots predominantly surrounding railway stations. In the ongoing last phase commenced in 2015, which is expected to unfold over the next 15 years, ČD primarily aims to sell smaller buildings and land plots to individuals, companies and municipalities.

As of the date of this Prospectus, ČD is negotiating further sales of its non-core assets. The Group cannot guarantee that any of the sales will take place in 2024, at all or for the estimated market value (see "*Risk factors – Risks related to the Group's business and industries generally – Business risks – The Group may not be successful in selling any or all of its non-core assets"* for more information).

The sale process has been hindered by the varying quality and attractiveness of the assets and by the various factors affecting the real estate market.

Expected Sale of Property to SŽ

ČD is in talks with SŽ over the sale of up to 40 million square metres of land plots in about 1,000 locations surrounding railway stations, railway platforms and railway tracks. This transaction would continue the transfer of railway infrastructure and the related assets from ČD to SŽ in several subsequent stages concluded in 2008, 2011 and 2016. In the course of 2020, methodologies were prepared for the expert valuation of the subject of the transaction and its possible interest. In 2021, the underlying agreements of the proposed transaction had been, at the request of the Ministry of Transport, forwarded to the European Commission via the Czech Office for the Protection of Competition, with a request for a consultation on the final price contingent whether it shall be considered as an unlawful state aid and the pre-notification procedure had been initiated. In the same year, ČD claimed for compensation from SŽ for the use of land in its ownership under the tracks and related infrastructure managed by SŽ. ČD determined the compensation for 2017-2021 at the amount of CZK 2,834 million based on the expert's opinion. However, the Group cannot guarantee that this sale will take place in the anticipated timeframe or at all. (see "*Risk factors – Risks related to the Group's business and industries generally – Business risks – The Group may not be successful in selling any or all of its non-core assets*" for more information).

Rolling Stock

Passenger Transport Business

As of 31 December 2023, ČD owned 2,180 traction vehicles (includes each piece of a trainset) with the average age of the traction vehicles being 29.6 years since the date of production and 19.18 years since the date of the last modernisation.

ČD's key suppliers of rolling stock (both new and modernised) include ŠKODA VAGONKA a.s., Pars nova a.s., PESA Bydgoszcz SA, Siemens, ŠKODA TRANSPORTATION, ŽOS Trnava a.s., Krnovské opravny a strojírny s.r.o., DPOV and ŽOS Vrútky a.s.

The below table provides an overview of the traction vehicles owned by the Group and their age as of 31 December 2023:

	Number of traction vehicles for passenger transport				
		Inventory count by age			
Traction vehicles	**Total**	**0-10 years**	**11-20 years**	**21-30 years**	**older**
Diesel train units(1)	247	0	12	0	235
Electric locomotives	230	47	21	1	209
Electric train units(1)	228	87	84	20	37
Diesel locomotives	199	14	0	14	171
Diesel railcars	428	1	63	74	290
Control units(1)	91	12	0	11	68
Total traction vehicles	**1,423**	**161**	**180**	**120**	**1,010**

Note:
(1) Unit is reported as a single piece.

As of 31 December 2023, ČD owned 416 passenger train units with the average age of 29.3 years since the date of production and 14.7 years since the date of the last modernisation.

The below table provides an overview of the passenger train units owned by the Group and their age as of 31 December 2023:

	Number of passenger train units				
		Inventory count by age			
Passenger train units	**Total**	**0-10 years**	**11-20 years**	**21-30 years**	**Older**
Sleeping and restaurant coaches	77	0	12	10	55
First class coaches	110	0	11	9	90
Mix class coaches	61	0	0	0	61
Second class coaches	1,175	16	15	26	1,118
Baggage coaches	122	0	0	0	122
Trailer coaches	256	0	0	32	224
Non-traction train set	17	17	0	0	0
Total passenger units	**1,818**	**33**	**38**	**77**	**1,670**

Freight Transport Business

As of 31 December 2023, ČD Cargo's fleet consisted of 848 traction vehicles. The average age of ČD Cargo's fleet was 34 years (38 years for electric locomotives and 30 years for diesel locomotives). In the year ended 31 December 2023, ČD Cargo's cost of maintenance of the rolling stock was CZK 260 million

The below table provides an overview age of the traction vehicles owned by ČD Cargo as of 31 December 2023:

	Number of traction vehicles for freight transport				
		Inventory count by age			
Traction vehicles	**Total**	**0-10 years**	**11-20 years**	**21-30 years**	**older**
Electric locomotives	464	37	38	51	338
Diesel locomotives	384	67	39	17	261
Total traction vehicles	848	104	77	68	599

As of 31 December 2023, ČD Cargo owned 20,897 freight train units. The average age of ČD Cargo's freight train units was 33 years.

The below table provides and overview of the age of the towed freight train units owned by ČD Cargo as of 31 December 2023:

	Number of cargo train units				
	Inventory count by age				
Cargo train units	**Total**	**0-10 years**	**11-20 years**	**21-30 years**	**Older**
Cargo train units	20,897	3,041	741	722	16,393

Financial Indebtedness of the Group

This section provides an overview of the financial indebtedness of the Group, which is comprised of bonds issues, other debt instruments, bank debt and a promissory note programme (representing principal amount and disregarding, among other things, unamortised fees, discounts and accrued interest).

As of 31 December 2023, the Net Debt of the Group was CZK 64,641 million, of which CZK 48,427 million, or 74.9 per cent. (including the Issuer's obligation from cash pooling), was the Net Debt of the Issuer. As of 31 December 2023, 25.1 per cent. of the Net Debt of the Group was owed by the subsidiaries of the Issuer and, consequently, is structurally senior to the financial indebtedness of the Issuer under the Notes (see "*Risk Factors – Risks related to the Group's financial profile — A part of the Group's financial indebtedness is structurally senior to the financial indebtedness of the Issuer under the Notes.*" for more information).

In January 2024, the Group completed the drawing of the EUR 20 million (CZK 506 million) investment loan from Raiffeisenbank a.s.

Overview

The following table provides a basic overview of outstanding bonds and other debt instruments (other than promissory notes) issued by the Group as of 31 December 2023:

Group Member	**Publicly traded**	**Nominal value**	**Maturity**	**Coupon**
		(in millions)		*(in per cent.)*
Issuer	No	EUR 30	5 November 2024	2.875
Issuer	No	EUR 150	5 November 2029	3.50
Issuer	No	EUR 77.5	3 June 2035	3.00
Issuer	Yes	EUR 500	23 May 2026	1.50
Issuer	Yes	EUR 500	12 October 2027	5.625
ČD Cargo(1)	Yes	CZK 1,000	20 July 2025	2.55
ČD Cargo(1)	No	CZK 1,000	17 July 2026	2.17
ČD Cargo(1)	No	EUR 40	20 April 2029	1.26
ČD Cargo(1)	No	CZK 770	18 November 2026	2.09
ČD Cargo(1)	No	CZK 1,000	31 July 2027	1.65
Total		**CZK 35,851(2)**		

Notes:

(1) The bonds are structurally senior to the indebtedness of the Issuer under the Notes.

(2) Converted using the CZK/EUR exchange rate as of 31 December 2023 at CZK 24.725 = EUR 1.00.

The following table provides a basic overview of the Group's promissory notes programme and revolving loan facilities as of 31 December 2023:

Group Member	**Counterparty**	**Type**	**Committed amount**	**Unused amount**
			(in CZK millions)	
Issuer	ČSOB	Promissory Note Programme	2,000	2,000
Issuer	Komerční banka	Promissory Note Programme	500	500
Issuer	Česká spořitelna	Promissory Note Programme	2,000	2,000
ČD Cargo(1)	ČSOB	Promissory Note Programme	500	500
ČD Cargo(1)	Komerční banka	Promissory Note Programme	1,500	1,500
Issuer	ING	Committed revolving credit facility	1,500	1,500
Issuer	Citibank	Committed revolving credit facility	750	750
Total			**8,750**	**8,750**

Notes:

(1) The indebtedness under the promissory note programme is structurally senior to the indebtedness of the Issuer under the Notes.

The following table provides a basic overview of the Group's principal overdraft loan facilities as of 31 December 2023:

Group Member	Counterparty	Type	Committed amount	Unused amount
			(in CZK millions)	
Issuer	Komerční banka	Overdraft	1,500	1,500
Issuer	ČSOB	Overdraft	700	700
Issuer	VUB	Overdraft	500	500
ČD Cargo(1)	ČSOB	Overdraft	400	400
ČD Cargo Logistics(1)	ČSOB	Overdraft	10	10
ČD Cargo(1)	VUB	Overdraft	700	487
ČD Cargo(1)	Citibank	Overdraft	200	88
ČD Cargo(1)	ING Bank	Overdraft	200	167
ČD Cargo(1)	Raiffeisenbank	Overdraft	300	243
ČD Cargo Poland (1)	PKO	Overdraft	11	11
ČD Cargo Poland(1)	Millennium Bank	Overdraft	185	185
ČD Cargo Slovakia(1)	Tatrabanka	Overdraft	25	25
ČD Cargo Slovakia(1)	SLPL	Overdraft	12	12
ČD Cargo Hungary(1)	Raiffeisenbank	Overdraft	6	6
Total			**4,749**	**4,334**

Notes:
(1) The indebtedness under the loan is structurally senior to the indebtedness of the Issuer under the Notes.

The following table provides a basic overview of the Group's principal investment loan facilities as of 31 December 2023:

Group Member	Counterparty	Type	Committed amount	Unused amount
			(in CZK millions)	
Issuer	Raiffeisenbank	Investment loan	2,600	0
Issuer	UniCredit Bank	Investment loan	4,000	0
Issuer	VUB	Investment loan	1,900	0
Issuer	Eurofima	Investment loan	15,799	4,426
Issuer	European Investment Bank	Investment loan	904	527
ČD Cargo(1)	Raiffeisenbank	Investment loan	3,485	525
ČD Cargo(1)	UniCredit Bank	Investment loan	2,000	0
ČD Cargo(1)	VUB	Investment loan	742	0
ČD Cargo(1)	ING Bank	Investment loan	2,489	0
ČD Cargo(1)	European Investment Bank	Investment loan	3,214	1,660
ČD Cargo Slovakia(1)	Tatrabanka	Investment loan	42	0
ČD Cargo Hungary(1)	MBH	Investment loan	65	0
Total			**37,240**	**7,138**

Notes:
(1) The indebtedness under the loan is structurally senior to the indebtedness of the Issuer under the Notes.

The terms of certain of the Group's financial indebtedness contain change of control and other restrictive provisions that, among other things, limit the ability of the Issuer, and in certain matters also its subsidiaries, to consolidate, merge or engage in certain other similar transactions; create security or quasi-security on assets; transfer, lease or sell assets; pay any dividend, charge, fee or other distribution; be a creditor in respect of financial indebtedness; and incur financial indebtedness, guarantees or indemnities. These undertakings are subject to a number of important limitations and exceptions.

In addition, the terms of certain of the Group's financial indebtedness contain customary events of default, such as, non-payment, breach of other obligations, misrepresentation, cross default, insolvency, and material adverse change.

Material Contracts

Certain contracts with a value exceeding the applicable thresholds set out in the Public Procurement Act are subject to procedures described in the Public Procurement Act and ČD must comply with these procedures before awarding such contracts. It is usually necessary to hold a public tender to which any entity fulfilling the qualification criteria may apply and submit its bid. Such tenders are, for instance, held to select suppliers of new rolling stock, electricity or diesel or providers of maintenance services. In exceptional cases, it is possible to award a contract directly to an entity selected by ČD. This can be done, for instance, in cases when a damaged rolling stock can be repaired only by its producer, because other entities are not capable of doing so (see "*Risk factors –*

Risks related to governmental regulations and laws – The Group can incur limitations on procurement due to the Public Procurement Act" and "*Regulatory Framework – Public Procurement Laws"* for more information).

When awarding a contract for the provision of passenger transport in the public interest, the Czech Regions and the Ministry of Transport, respectively, must proceed in accordance with Act. No. 194/2010 Coll., on public services in passenger transport and on the amendment of other laws, as amended (the "**Public Services Transport Act**"). Under the Public Services Transport Act, the Czech Regions and the Ministry of Transport are authorised to award a passenger transport contract directly to a provider selected without holding a public tender. However, as a result of the gradual liberalisation of the railway market driven mostly by applicable EU regulation, from December 2023, all public railway transport contracts are subject to the principle requiring mandatory tendering. (see "*The Regulatory Framework – Railway transport laws in the EU" and "Risk factors – Risks Related to the Group's Business and Industries Generally – Industry risks – The Group is exposed to competition from other providers of rail transport"* for more information).

Passenger Transport Business

The Group considers the following agreements as the most material for its passenger rail transport activities:

- Regional passenger services – As of the date of this Prospectus, ČD is a party to several long-term contracts for the provision of regional passenger transport under the public service obligation with certain Czech Regions effective as from 15 December 2019, such as a ten-year contract with the city of Prague and a ten-year contract with the Středočeský region. Since 2019, ČD concluded several agreements for the operation of select regional lines with the Plzeňský region, Olomoucký region, Královéhradecký region, Ústecký region, Liberecký region, Jihočeský region, Moravskoslezský region and Jihomoravský region.

- Long-distance passenger transport – As of the date this Prospectus, ČD operates a total of 21 long-distance transport lines on the basis of seven public service contracts, the contracts with the longest term being until 2034.

- Agreement on the operation of railway transportation services on the state-owned and regional railways, entered into between ČD and SŽ on 18 December 2018 for an indefinite period. The agreement governs the capacity allotment, usage of railway infrastructure and other services, such as rail schedules.

- Electricity supply agreement – On 3 December 2018, ČD and SŽ entered into a contract for the provision of traction electricity by SŽ to ČD. Following an amendment signed on 6 February 2023, the contract has been extended for an indefinite period with a 12-month termination notice period. The contract specifies the conditions of traction electricity delivery.

- Sourcing of diesel – ČD is a party to a contract for the supply of diesel fuel with Čepro, a.s, entered into on 1 July 2023. This contract was awarded following a public tender which ČD carried out in accordance with the Public Procurement Act. At the same time, ČD is a party as the lessor to an agreement, entered into on the same day, for the rent of diesel fuel storage facilities to 30 June 2026. Both contracts expire on 30 June 2026.

- Supply of rolling stock – ČD is a party to a number of contracts concerning the supply of new or modernised train units and train coaches to ČD, which were awarded by ČD in multiple tenders. The most material of these contracts have been entered into with Škoda Transportation, PESA Bydgoszcz, SA and Siemens s.r.o. as suppliers.

- Heavy maintenance and rolling stock repair services – ČD is a party to a contract with DPOV, a wholly-owned subsidiary of ČD, dated 22 December 2016, as amended, pursuant to which DPOV provides ČD with rolling stock repair services. In addition, ČD is also a party to contracts with CZ LOKO, a.s., Krnovské opravny a strojírny s.r.o., Českomoravská železniční opravna s.r.o., Železničné opravovne a strojárne Zvolen, a.s. and ŽOS Vrútky a.s., pursuant to which the suppliers provide ČD with heavy maintenance and rolling stock repair services. Other new external contractors have been selected following a public tender, which ČD carried out in accordance with the Public Procurement Act.

Freight Transport Business

The Group considers the following agreements as the most material agreements for its freight rail transport activities:

- Agreement on the operation of railway transportation services on the state-owned and regional railways – this agreement between ČD Cargo and SŽ was entered into in 2022 for an indefinite period.

- Electricity supply agreement – ČD Cargo and SŽ entered into a contract for the provision of traction electricity by SŽ to ČD Cargo for the year 2024. The contract specifies the conditions of traction electricity delivery. The agreement will terminate in case and at the same time as the Capacity Allocation Agreement.

- Diesel engine oil supply agreement – this agreement between ČD Cargo and ČD was entered into in 2018 for an indefinite period. The agreement stipulates the conditions of diesel engine oil supplies. Each party has a right to terminate the agreement with a three-month termination period.

- Framework agreement on the supply of material – this agreement between ČD Cargo and ČD was entered into in 2018 for an indefinite period. The framework agreement stipulates the conditions of supply of replacement parts.

Related Party Transactions

ČD conducts related party transactions with other Group companies, and other entities owned by the State. Other than contracts concluded with the State and the Czech Regions (described in more detail in sections "*Liberalisation of the regulated regional passenger transport in the Czech Republic*" and "*—Liberalisation of the regulated long-distance passenger transport in the Czech Republic"* above), contracts with SŽ and ČEZ Group are the most significant. The Group follows arm's length principles for all related party transactions. See Note 31 to the Financial Statements.

Disputes

In the ordinary course of its business, the Group is from time to time involved in litigation and arbitration activities regarding, among other things, damages, contractual relationships and real estate ownership. The Financial Statements include provisions created in relation to certain proceedings in the amount of CZK 1,029 million. As of the date of this Prospectus, the Group was involved in three material actions as defendant. An action is considered material when the amount in dispute exceeds CZK 50 million. The most relevant pending or potential material disputes and actions against the Group or related to the Group's business activities are described below:

Alleged unlawful state aid claim

In April 2015, RegioJet filed a legal action demanding that ČD return state aid of approximately CZK 7 billion and default interest due to the alleged breach of the standstill clause (Article 108(3) of the Treaty on the Functioning of the EU) and unfair competition. The alleged unlawful state aid was in the form of allegedly excessive purchase price of CZK 12 billion for the assets required for the maintenance of the railway, which were transferred from ČD to SŽ in 2008 (see *"–Relationship with SŽ"* for more information). Student Agency k.s., RegioJet's parent company, later joined the legal action as a second claimant. On 6 February 2019 the court of first instance dismissed RegioJet's and Student Agency's claim in its entirety. In 2019, RegioJet and Student Agency have appealed to the appellate court against the decision of the court of first instance. The appeal was dismissed by the appellate court and the judgment in favour of ČD became final on 30 November 2020. Within the statutory limit for filing an extraordinary appeal, RegioJet filed an appeal to the Supreme Administrative Court. The Supreme Administrative Court reversed the previous decision and ordered the matter to be reheard. The reversal of the judgments was due to the application of incorrect legislation by the lower courts.

Claims for damages by LEO Express

On 10 July 2014, LEO Express commenced proceedings against ČD for damages in the amount of CZK 419 million plus accessories. LEO Express claimed that it incurred these damages due to ČD's alleged predatory pricing practices. On 10 December 2015, the Municipal Court in Prague dismissed LEO Express's claim for lack of evidence. LEO Express partially withdrew its legal action while filing an appeal against the Municipal Court in Prague's dismissal of the application to the extent of which there had been no withdrawal. In December 2016, LEO Express filed a new legal action against ČD for the amount of approximately CZK 434 million plus accessories for similar reasons. The second legal action mostly overlaps with the part of the legal action that had been withdrawn by LEO Express after its failure in the court of first instance. In March 2018, the High Court in Prague accepted the appeal from LEO Express for procedural reasons, set aside the first instance decision and returned the case to the Municipal Court in Prague. As of the date of this Prospectus in the first action, LEO Express seeks, after partial withdrawal, payment of approximately CZK 34 million and payment of approximately CZK 434 million in the second action. In 2022, the Municipal Court accepted the plaintiff's motion to replace the current plaintiff LEO Express Global a.s. with LEO Mobility s.r.o. (in the claim for payment of CZK 34 million) and with Mr. L. Novotný (in the claim for payment of CZK 434 million). ČD filed an appeal against this decision when LEO Mobility s.r.o. finally entered the proceedings for CZK 34 million, while it has not yet been decided on procedural succession with final effect in the proceedings for 434 million. On 23 June 2023, a judicial settlement was concluded in the proceedings for CZK 34 million based on which all claims of LEO Mobility s.r.o. were denied and LEO Mobility s.r.o. was ordered to pay the costs of proceedings amounting to CZK 2 million to ČD. As such, the dispute is concluded with final effect. The court has so far not decided on the standing to bring the action in the dispute for CZK 434 million. Until this issue is resolved, the court cannot rule on the matter itself.

Alleged cartel agreement between ČD, ZSSK and OBB for the sale of disposed railway vehicles

In June 2016, the European Commission carried out a local inspection at the headquarters of ČD. The inspection was part of the European Commission's investigation into whether ČD, ZSSK and ÖBB concluded a cartel agreement with regards to the sale and purchase of railway vehicles for the purpose of restricting the entrance of new train operators to the market. ČD filed a complaint against the local inspection with the Court of Justice of the EU, which had been dismissed. ČD denies that it had entered into the alleged cartel agreement. In July 2021, official proceedings have been initiated by the European Commission against ČD. In June 2022, ČD and ÖBB received a statement of objections from the European Commission regarding the alleged cartel agreement for the sale of disposed rolling stock. The statement of objections is a formal step in the ongoing proceedings, which does not prejudge the final conclusions and decisions of the European Commission on this case. ČD prepared and sent a reply to this statement of objections and subsequently presented its arguments at an oral hearing. During 2023, the European Commission sent additional questions to ČD. As of the date of this Prospectus, the European Commission had not finally resolved in this matter. Based on the amount of revenues to which the potential infringement relates, the estimated duration of the potential infringement and the opinion of external advisors on the estimated percentage applied to the relevant revenues, a provision of CZK 1,000 million was recorded, which corresponds to the estimated costs to settle the fine for the alleged infringement and related expenses.

Licences and Insurance

Licences

Pursuant to the Railway Act, a valid national licence must be obtained for the provision of railway transport. To obtain this licence, certain prerequisite conditions must be met including, among others, professional capability, integrity and the operability of rail cars for conducting the railway business.

Passenger Transport Business

As of the date of this Prospectus, ČD holds all required licences for the provision of passenger transport in the Czech Republic, including a licence and a certification of the transport company (pursuant to the Railway Act) that is awarded based on compliance of the operation and safety management systems with the Ministry of Transport regulation no. 376/2006 Coll. The licence has been awarded for an indefinite period of time and the certification is valid for five years.

ČD also holds a European licence that, subject to compliance with other conditions set by the legislation of the respective member state of the EU, allows for the provision of passenger rail transport within the EU. The licence was granted by the Railway Office of the Czech Republic on 1 November 2003 for an indefinite term. The licence is to be amended upon any change of circumstances under which the licence was granted and which are stated in that licence. The licence can be revoked, among others, by the decision of the Railway Office of the Czech Republic.

Freight Transport Business

As of the date of this Prospectus, ČD Cargo holds all required licences for the provision of freight transport in the Czech Republic, including a licence and a certification of the transport company (pursuant to the Railway Act) that is awarded depending on compliance of the operation and safety management systems with the Ministry of

Transport regulation no. 376/2006 Coll. The licence has been awarded for an indefinite period of time as is the current certification.

To be eligible to provide freight transport outside of the Czech Republic, ČD Cargo needs to be awarded all licences and certifications as requested by the respective countries. These may include, among other things, the requirement that ČD Cargo's drivers have passed all prerequisite exams. As of the date of this Prospectus, ČD Cargo can provide freight transport, based either on its own license or through its subsidiaries, in Poland, Germany, Slovakia, Austria, Hungary, Croatia and Serbia. ČD Cargo is planning to expand into further countries.

Insurance

The Group maintains a comprehensive set of insurance policies to cover those risks that it believes to be common in the area of its key activities.

As of the date of this Prospectus, the Group does not maintain insurance in relation to damages to train units due to lower benefits of such insurance (insurance premiums demanded by insurance companies are relatively high). ČD believes that this is a common business practise among other European rail transport operators.

ČD maintains the following insurance cover:

- third party liability insurance for long-distance and regional transport (environmental damage insurance included) for claims up to CZK 300 million for an individual incident, and an aggregate total of CZK 600 million in one year (this insurance carries an excess of CZK 3 million per event);
- third party liability insurance for its fleet of cars for claims up to CZK 70 million for each incident (there is no excess);
- car insurance coverage (CASCO insurance) for its fleet of cars with an age of up to three years. The total amount that may be claimed varies depending on the value of the car (there is an excess of 2 per cent. of the value of the claim, with a minimum excess of CZK 2,000);
- directors' and officers' liability insurance (D&O) up to a total amount of CZK 2 billion;
- statutory insurance for damage during occupational accident or disease; and
- minor insurance policies, such as property insurance with respect to booking offices and stores.

ČD Cargo maintains the following insurance cover:

- third party liability insurance arising from rail vehicle operations on national and regional routes and a third party liability insurance of a holder of railway vehicles in Europe (except for Germany) (up to a liability cap of CZK 250 million);
- third party liability insurance of a holder of railway vehicles in Germany (up to a liability cap of EUR 2x20 million annually);
- third party liability insurance arising from the operation of railway transport in Austria;
- third party liability insurance arising from the operation of railway transport in Germany;
- directors' and officers' liability insurance (D&O) up to a total amount of CZK 1 billion;
- third party liability insurance arising from provider/ lessor/ lessee traction vehicles or personnel in Europe (up to liability cap of CZK 100 million);
- car insurance coverage of selected engine vehicles for the Czech Republic and selected European states; and
- other insurance coverage, such as property insurance and other operational activities.

The Group has not made any material insurance claims under any of these policies.

Environmental Protection

Passenger Transport Business

ČD's Department of Quality Assurance and Environmental Protection under the Rolling Stock Division is responsible for supervising and monitoring ČD's implementation of legislative amendments and compliance with all relevant legislation. For this purpose, the Group established the Register of Legal and Other Requirements, which is updated regularly, so that ČD's organisational units and members of the Group are informed about any relevant changes in the area of environmental protection without undue delay so that internal regulations can be updated and relevant training provided as soon as practicable. ČD's internal policies aim to ensure compliance with applicable environmental legislation and the Group's executive management is updated regularly on any relevant legislative changes or new legislation coming into effect.

In order to comply with environmental regulations, the Group focuses, among others, on the following areas and activities:

- Waste management: disposal of hazardous and other waste so that it can be used or disposed of; establishing a register of waste types and waste management; monitoring waste production and checking the appropriate classification of individual waste types into categories; reduction of hazardous waste; checking the obligatory system of taking back selected used products; checking waste collection and sorting.

- Water management: monitoring the quality of drinking and sewage water; updating emergency plans for establishments in which hazardous substances are handled; and updating the simplified emergency plans for all railway stations.

- Air protection: checking the technical state and operation of the combustion stationary source; measuring air pollution; measuring the efficiency of energy use; and checking and cleaning the combustion gas circuit.

- Nature and landscape protection: maintenance of greenery, with an emphasis on the safety of operations and the travelling public, and the removal of weeds, where a mechanical process is preferred to the use of chemicals.

- Chemical substances and agents: training and supervising the management of chemicals and chemical substances.

- Spillages of harmful substances: remediation of the consequences of spillage of hazardous harmful substances into the environment is carried out in accordance with the requirements of the relevant statement administration authority.

- Rehabilitation of soil and underground water: rehabilitation of soil and underground water and elimination of the consequences of extraordinary emergency leakage of hazardous substances into the environment.

ČD holds an annual environmental audit that is aimed at monitoring individual environmental issues at ČD. Results of the audit are presented to local state administration authorities.

ČD holds management system certificates under ČSN EN ISO 9001:2015, ČSN EN ISO 45001:2018 and ČSN EN ISO 50001:2011. As of the date of this Prospectus, the certification authority has certified that ČD's management system is in accordance with the requirements of the above ISO management system standards. Annual re-certification and oversight audits evaluate whether the system is being maintained and continually improved.

Freight Transport Business

In 2008, ČD and ČD Cargo entered into a cooperation agreement with respect to certain environmental matters regarding the repairs of the rolling stock units by ČD Cargo. The issues outlined in the agreement include, among other things, reduction of waste production, enhancing of building insulation, prevention of diesel leakages in the soil and mitigation of risks associated with ecological disasters. In 2022, ČD Cargo obtained ECM certification for the maintenance of freight wagons.

ČD Cargo holds an environment management system certificate indicating compliance with the code of conduct relating to environmental policy within the Czech Republic. As a result of a re-certification audit, ČD Cargo received certification under ČSN EN ISO 9001:2015, ČSN EN ISO 45001:2018, ČSN EN ISO 14001:2015 and ČSN EN ISO 50001:2011.

International Cooperation

ČD is a member of various international organisations and plays an active role in the development of international cooperation, predominantly with respect to international organisations within the rail transport sector and international projects, mainly in order to enhance the Group's position in the market. The Group's key partnerships are those with the Community of European Railway and Infrastructure Companies ("**CER**"), the UIC, The Organisation for Cooperation of Railways ("**OSJD**") and SHIFT²RAIL. SHIFT²RAIL is a European rail technology initiative supporting research and innovation of new technologies. ČD acts on behalf of the whole Group during strategic international meetings; the relevant stances for individual areas are discussed regularly with all Group entities. In 2021, the Board of Directors decided that ČD shall become a founding member of Europe's Rail partnership. The new partnership builds on the previous SHIFT²RAIL joint venture.

MANAGEMENT AND EMPLOYEES

ČD is governed by the Steering Committee, the Board of Directors and the Supervisory Board. The Steering Committee is a special body through which the Government exercises its rights as the sole shareholder of ČD. The Board of Directors represents ČD in all matters and is charged with its day-to-day business management (together with the General Directorate), while the Supervisory Board is an independent body responsible for the supervision of ČD's activities and of the Board of Directors in its management of the ČD and which resolves on matters defined in the Articles of Association. Under the Czech Corporations Act, the Supervisory Board may not make management decisions. However, certain matters defined below are subject to the approval of the Supervisory Board. ČD has established a special supervisory body, the Audit Committee. Further, the Supervisory Board established the Real Estate Disposal Committee, the Remuneration Committee and the Rolling Stock Committee.

ČD complies with the corporate governance requirements of the Act on Czech Railways and the Czech Corporations Act.

The Steering Committee

The Government exercises its rights as the sole shareholder of ČD through the Steering Committee. It meets every quarter and resolves on essential corporate governance and business management issues of ČD. The business address of each member of the Steering Committee is at Nábřeží L.Svobody 1222, 110 15 Prague 1, Czech Republic.

Pursuant to the Act on Czech Railways, the Steering Committee has seven members: three representatives of the Ministry of Transport and one representative of each of the Ministry of Finance, the Ministry of Defence, the Ministry of Industry and Trade and the Ministry for Regional Development. Members of the Steering Committee are appointed for an indefinite period until the Government revokes their position.

Set out below are members of the Steering Committee of ČD as of the date of this Prospectus and their positions with the relevant Ministries:

Name	**Position**	**Position within the Relevant Ministry**
Mgr. Jakub Kopřiva	Chairman	Senior Director of the Legislative and Legal Section of the Ministry of Transport
Mgr. Václav Bernard	Vice-Chairman	Deputy Member of the Government, Ministry of Transport
Ing. Luděk Sosna, Ph.D.	Member	Director of the Department of strategy of the Ministry of Transport
Ing. Eduard Muřický	Member	Deputy Chief Director of the Economic Section of the Ministry of Industry and Trade
Ing. Petr Pavelek, Ph.D.	Member	Deputy Chief Director of the Public Budgets Section and Director of the National Debt and Financial Assets Management Department of the Ministry of Finance
Ing. Richard Vítek	Member	Director of the Department of the chapter administration of the economic section of the Ministry of Defence
Mgr. Leo Steiner	Member	Senior Director of the European and National Programmes Section of the Ministry of Regional Development

The Board of Directors

The Board of Directors is ČD's statutory body. It represents ČD in all matters and is charged with its day-to-day business management and all matters other than those that are within the responsibility of the Supervisory Board, the Audit Committee or the Steering Committee pursuant to the Articles of Association or the applicable laws.

The Board of Directors is fully independent with respect to the business management of ČD, unless the Act on Czech Railways, the Czech Corporations Act or other laws or regulations provide otherwise.

Pursuant to the Articles of Association, the Board of Directors has five members: the Chairman, who is the Chief Executive Officer of ČD and also the head of the General Directorate, a vice-chairman and three members. All members are appointed by the Supervisory Board for a term of five years. Re-election is permitted and the members might be revoked by the Supervisory Board before the end of their term.

The Board of Directors generally meets once every two weeks, and no less than once every month. The business address of each member of the Board of Directors of ČD is at Nábřeží L.Svobody 1222, 110 15 Prague 1, Czech Republic.

The positions of the Chairman of the Board of Directors and the Chief Executive Officer are combined. Members of the Board of Directors are obliged to serve with necessary loyalty as well as necessary knowledge and care and to bear full responsibility for such tasks, as required by the Czech Corporations Act.

Set out below are members of the Board of Directors of ČD as of the date of this Prospectus:

Name	**Background**
Mgr. Michal Krapinec *Chairman and Chief Executive Officer*	A graduate of the Faculty of Law of Charles University in Prague, majoring in law and legal science. He started his career in advocacy and has been working for the ČD Group since 2012. At ČD Cargo, he held the position of secretary of ČD's management and subsequently took over the department of property management, where he was in charge of foreign expansion. He later served as a member of the Board of Directors of ČD Cargo Logistics, a.s. and a member of the Supervisory Board of ČD - Informační systémy. Subsequently at ČD, he led the department of strategy and property management and the project office department. In June 2020, he was elected a member of the Board of Directors of ČD Telematika, and in September of the same year he became the Chairman of the Board of Directors of ČD Telematika. In April 2022, he was elected to lead ČD as the Chairman of the Board of Directors and Chief Executive Officer.
Mgr. Michal Kraus, MSc. *Vice-Chairman of the Board of Directors*	Michal Kraus received pedagogical, legal and economic education. In the early 1990s, he worked for Czech Radio. After 1993, he joined Škoda in Pilsen, where he held several positions, e.g. the Head of the Office of the General Director and the Human Resources Director. In 2000, when the company was already operating on the market as Škoda Holding, he became a member of the Board of Directors. In 2002, he started working for Czech Airlines in the position of Human Resources Vice President. From February 2004 to June 2019 he held the position of CEO of the Pilsen City Transport Companies. Since 2015, he has led the Association of Transport Companies of the Czech Republic, and since 2014 he has also held the position of the Chairman of the Board of Directors of PMDP. He has been a member of the ČD's Board of Directors and held the position of the Deputy General Manager for Operations since 14 October 2019. Since 1 July 2023, he has been responsible for the service section.
Mgr. Blanka Havelková *Member*	A graduate of the Faculty of Arts of Charles University in Prague, majoring in Pedagogy, specialising in social pedagogy, personal and social development, and pedagogical-psychological counselling. During her studies, she worked for the Research Institute of Pedagogy in Prague, where she was in charge of European social funds and personal social development of children at school. In 2008, she joined the personnel department of ČD, where she focused on employee training, and later worked as the head of training in the mentioned department. In 2016, she became the Chairwoman of the Board of Directors at DVI, a subsidiary of ČD. At DVI, she focused on developing and expanding a portfolio of services, including projects supporting the care of the Group's employees and their children. In February 2022, she was elected to the Board of Directors of ČD as the Deputy CEO for Human Resources.
Ing. Jiří Ješeta	After graduating from the Secondary Industrial School of Transport in Strakonice in 1994, he started working for ČD as a dispatcher and continued his studies at Jan

Name	Background
Member	Perner Transport Faculty of the University of Pardubice in the field of Technology and Traffic Management. In 2001, he joined the Control Department of ČD's General Directorate. He gradually held several managerial positions in the General Directorate of ČD, for example, he was the Director of the Office of the Deputy General Director for Trade and Marketing, the Director of the Passenger Transport Department or the Director of the Regional Transport Department. He was appointed as the Deputy General Manager of ČD for Trade and as a member of the Board of Directors of ČD in May 2020. Since 1 July 2023, he has been responsible for the passenger transport section.
Ing. Mgr. Lukáš Svoboda *Member*	A graduate of the Faculty of Management at the University of Economics in Prague and the Faculty of Law at Palacký University in Olomouc. He worked in the audit department of PricewaterhouseCoopers, then in the Mergers and Acquisitions department of the same company. In 2013-2014 he worked as a finance manager for Informační linky. From 2014 to 2018, he worked as the director of the controlling division, later as the director of the finance department of Česká pošta. From 2014 to 2020, he was a member of the Board of Directors of Poštovní tiskárna cenin in Prague. From 2019, he worked for ČD - Telematika as a CFO and was also responsible for purchasing, logistics and asset management. In April 2022, he was elected to the Board of Directors of ČD as Deputy CEO for Economics and Purchasing.

The Supervisory Board

The Supervisory Board is an independent body of ČD with the power, among other things, to: (i) elect the members of the Board of Directors, (ii) supervise the Board of Directors in its management of ČD and its business activities; (iii) inquire into ČD's financial matters and review ČD's financial statements; (iv) grant prior consent to certain key decisions of the Board of Directors, including disposals of certain assets; (v) review the report on ČD's business activity and its assets and submit its opinion to the Steering Committee regarding the same; and (vi) approve the annual business plan, including the business strategy, and budgets of railway transport operations of ČD. The business address of each member of the Supervisory Board is at Nábřeží L.Svobody 1222, 110 15 Prague 1, Czech Republic.

Pursuant to the Articles of Association, the Supervisory Board has six members. Four members are elected by the Steering Committee and two members by the employees of ČD, all for a term of five years with possible re-election.

The Supervisory Board generally meets once a month, however no less than once every three months.

The following table sets forth the members of the Supervisory Board as of the date of this Prospectus and their positions with the relevant institutions:

Name and position with the relevant institutions	Position within the Supervisory Board and appointment date
Ing. Miroslav Zámečník	Chairman of the Supervisory Board since 15 February 2022. Member of the Supervisory Board since 11 February 2022.
Ing. Lenka Hamplová	Vice-Chairman of the Supervisory Board since 1 January 2022. Member of the Supervisory Board since 6 May 2021.
Ing. Petr Šlegr	Member of the Supervisory Board since 11 February 2022.
Mgr. Michal Vozobule	Member of the Supervisory Board since 1 January 2023.
Věra Nečasová	Member of the Supervisory Board since 1 January 2024.
Štěpán Lev	Member of the Supervisory Board since 1 January 2024.

The Audit Committee

The Audit Committee is a special supervisory body. The Audit Committee's decision-making procedure is stipulated by the ČD's Articles of Association and Act No. 93/2009 Coll., on auditors, as amended. Its most significant activities include:

- monitoring of the procedure of preparing the financial statements and the consolidated financial statements;
- monitoring of the efficiency of internal controls and of ČD's risk management system and internal audit system ensuring its functional independence;
- monitoring of the process of the compulsory audit of the financial statements and the consolidated financial statements;
- assessment of the auditors' and audit company's independence; and
- recommending external auditors to the Supervisory Board.

The members of the Audit Committee are appointed for a five-year term and recalled by the Steering Committee. The Audit Committee consists of three members. The Audit Committee meetings are held as and when needed, however at least four times a year. The business address of the Audit Committee is at the registered office of ČD.

The following table sets forth the members of the Audit Committee as of the date of this Prospectus:

Name	Position within the Audit Committee
PhDr. Tomáš Vyhnánek	Chairman
Ing. Otakar Hora, CSc.	Vice-Chairman
Ing. Lenka Hamplová	Member

Principal Activities Outside of the Group

The following table provides an overview of principal activities significant to the Group, performed by members of ČD's bodies outside of the Group (beyond the positions outlined above):

Members of the Board of Directors:	
Mgr. Michal Krapinec	-
Mgr. Michal Kraus, MSc.	-
Mgr. Blanka Havelková	-
Ing. Jiří Ješeta	-
Ing. Mgr. Lukáš Svoboda	-
Supervisory Board Members:	
Ing. Miroslav Zámečník	Member of the supervisory board of Budějovický Budvar, národní podnik. Member of the supervisory board of BVCE a.s.; Česká exportní banka, a.s.; WEDOMWILL a.s. and Nadační fond CCBC.
Ing. Lenka Hamplová	Member of the supervisory board of Ředitelství silnic a dálnic s.p.
Ing. Petr Šlegr	Sole shareholder and director in PRO CEDOP s.r.o. Director in Centrum pro efektivní dopravu, z.s. Shareholder and director in PRO CEDOP RAIL s.r.o.
Mgr. Michal Vozobule	-

Věra Nečasová	-
Štěpán Lev	-

Steering Committee Members:

Mgr. Jakub Kopřiva	-
Mgr. Václav Bernard	-
Ing. Luděk Sosna, Ph.D.	-
Ing. Eduard Muřický	-
Ing. Petr Pavelek, Ph.D.	Member of the board of directors of European Investment Bank Member of the supervisory board of Vojenská zdravotní pojišťovna České republiky
Ing. Richard Vítek	-
Mgr. Leo Steiner	-

Audit Committee Members:

PhDr. Tomáš Vyhnánek	Deputy Minister of Finance
Ing. Otakar Hora, CSc.	Sole shareholder and director in ABAconcept s.r.o. Shareholder and member of the board of directors of ABArent s. r. o.
Ing. Lenka Hamplová	Member of the supervisory board of Ředitelství silnic a dálnic s.p.

Conflicts of Interest

According to representations made by each member of the Steering Committee, the Supervisory Board, the Board of Directors and the Audit Committee, there are no conflicts of interest or potential conflicts of interest between any duties owed to the Group and their private interests or other duties.

Employees

The Group is one of the ten largest employers in the Czech Republic. In 2023, the average number of pro-rated to full-time employees at ČD was 13,379.62; at ČD Cargo it was 6,344 and at the entire Group it was 21,738.59. Historically the Group has enjoyed good labour relations and it is committed to maintaining these relationships. The Group believes it also incurs lower costs associated with labour than many of its European peers.

The Group has benefited from streamlining its operations without triggering any major industrial actions. There has been no strike of the Group's employees since 2011 when the trade unions protested against the austerity measures implemented by the Czech Government. In 2020 and 2021, ČD continued its transformation process to a modern and effectively operating business. Accordingly, human resources work focused on optimising the structure as well as a socially-considerate reduction in the number of employees while maintaining the employment rate necessary for the effective operation of the Group and the increase in the quality of services provided. The management of the Group expects this optimisation of the number of employees to continue in 2024.

The Group also provides its employees with various benefits in the field of education, employee care and financial support provided by the endowment fund.

In the field of education, the Group, in cooperation with the DVI, which is the Group's subsidiary, provides train drivers with training on railway simulators and trains operational employees of integrated transportation systems of individual regions. DVI holds accreditations for the training of key professions in the field of railway transportation and the performance of psychological examinations. It has a wide network of classrooms, a team of experts in the subject fields of education, provides languages courses and training in the field of soft skills and thus is the Group's important partner for the continuous deepening of its employees' qualification. In the field of employee care, the Group aims to meet the reconditioning needs of its employees in key operating positions and offers healing and relaxation stays, as part of employee care, by the subsidiaries ČD Travel and ČD Relax s.r.o.

In 2020, the Group endowment fund *Nadační fond Skupiny ČD – ŽELEZNICE SRDCEM* (the "**ČD Endowment Fund**") was established. Its role is to support the Group's employees who have suffered an accident while performing their profession or who, through no fault of their own, have found themselves or their families in difficult life situations. Further, the fund aims to make life easier, at least partially, for former employees whose lives in the course of the railway profession have been irreversibly changed. It supports education and activities of children of railway workers in a difficult life situation associated with injury or serious illness. Since its establishment, the fund has supported dozens of colleagues and their families in an aggregate amount of CZK 13.8 million. During 2023, the ČD Endowment Fund managed to collect from its donors CZK 6.3 million and made endowment contributions to support the Group's employees and their families in the amount of CZK 5.8 million. As of 31 December 2023, the balance on the ČD Endowment Fund's account corresponded to CZK 27.3 million.

Other than management and professional personnel, the majority of the Group's employees is represented by local trade unions. The Group's employees are covered by one collective agreement, which is usually entered into for one calendar year.

The table below shows the annual average pro-rated full-time equivalent number of employees for the years 2023 and 2022:

Annual average number of employees (pro-rated to full-time employees)	**2023**	**2022**
The Group	21,738.59	21,808.82
ČD	13,379.62	13,524.67
ČD Cargo	6,628	6,558

Passenger Transport Business

Pursuant to the collective agreements for 2024 and 2023, ČD employees whose employment relationships have been terminated due to (i) the employee's redundancy as a result of ČD's decision to change the goals of ČD or to reduce the number of employees in order to increase work efficiency; (ii) full or partial closure or relocation of ČD; or (iii) being certified as incapable of performing his/her work for a prolonged period as a consequence of a medical condition, are under certain circumstances (taking into account factors such as the length of employment at ČD) entitled to severance pay amounting to up to ten months' average salary (with certain limitations in the calculation of the average salary) in addition to the severance pay set out in the Labour Code (262/2006 Coll.), as amended (the "**Labour Code**").

The average annual headcount of employees at ČD decreased by 111, or 0.82 per cent., to 13,388 for the year ended 31 December 2023 as compared to 13,499 employees for the year ended 31 December 2022, primarily due to the human resources optimisation process within the Group.

According to ČD's separate financial statements, staff costs for the years ended 31 December 2023 and 2022 amounted to CZK 10,532 million and CZK 10,089 million, respectively, and included severance payments to employees, benefits resulting from the collective agreement in force and other employee benefits. As of 31 December 2023 and 2022, severance payments made by the Group pursuant to the collective agreement for the year ended 31 December 2023 and 2022, which go beyond the requirements of the Labour Code, totalled CZK 60.5 million and CZK 43.2 million, respectively.

The average monthly salary of full-time equivalent ČD employees increased by CZK 2,630, or 6.08 per cent., to CZK 45,896 in 2023 as compared to CZK 43,266 in 2022.

Freight Transport Business

The average headcount pro-rated to full-time employees at ČD Cargo increased by 70 or 1 per cent., to 6,628 for the year ended 31 December 2023 as compared to 6,558 employees for the year ended 31 December 2022.

Staff costs of the Freight Transport Business for the years ended 31 December 2023 and 2022 were CZK 5,402 million and CZK 4,892 million, respectively.

The average monthly salary of ČD Cargo employees increased by CZK 4,000 or 9 per cent., to CZK 48,000 in 2023 as compared to CZK 44,000 in 2022.

Pension Plans

ČD and ČD Cargo are not required to, and do not provide any pension plan for their employees. However, they contribute towards the pension insurance of their employees. Except for liabilities towards employees arising from the timing difference between expensing and paying for wages and salaries, the Group is not exposed to any other material liabilities towards its current employees or former employees.

According to the collective agreements for 2022 and 2023, ČD provides its employees with life and pension insurance in the expected amount of CZK 166.8 million and CZK 162.9 million, respectively.

INDUSTRY OVERVIEW

The industry can be divided between two sectors: passenger transport services, which serve the purpose of transporting individuals across the country, around a particular region or over agglomerations, and commercial freight services, which enable the transport of cargo over distance at a relatively low cost compared to other modes of transport. The passenger transport sector is partially liberalised (see "*Description of the Issuer – Pricing, Compensation and Tariff Regulation – Passenger Transport Business – Regional – Liberalisation of the regulated regional passenger transport in the Czech Republic*" and "*Description of the Issuer – Pricing, Compensation and Tariff Regulation – Passenger Transport Business - Long-Distance (domestic and international) – Liberalisation of the regulated long-distance passenger transport in the Czech Republic*" for more details). Any enterprise (meeting the statutory requirements) can enter the railway freight competition. The Group's main competitors on the passenger market are the Czech Republic-based companies RegioJet, Arriva, GW Train Regio and LEO Express, and PKP CARGO INTERNATIONAL, METRANS Rail and UNIPETROL DOPRAVA on the freight market. For the level of competition represented by the distribution of market shares see "*—Domestic Passenger Market"* and "*—Domestic Freight Market*".

Depending on the sector, the industry faces competition from other modes of transport, such as road vehicles and air transport.

Infrastructure

The infrastructure, i.e. the tracks and overhead lines and related equipment, is owned by the Czech Republic through the state organisation SŽ. SŽ charges fees to the railway operators (e.g. the Group and its competitors) for the use of the infrastructure and ensures its maintenance and development with the help of the State Fund of Transport Infrastructure (*Státní fond dopravní infrastruktury* (*SFDI*)).

Investments in railway infrastructure increased by approximately 15 per cent. year-on-year (2022 compared to 2021), which continued to represent a continuous trend in increases in investment in railway infrastructure (i.e., an increase of approximately 25 per cent. between 2021 and 2020, and an increase of approximately 50 per cent. between 2020 and 2019), according to the Transport Yearbook 2022 published by the Ministry of Transport (the "**Transport Yearbook 2022**").[14] The Czech Republic and the EU are currently enacting policies that focus on shifting the majority of long and mid-distance freight and mid-distance passenger transport from the road to the railway, which will require further investments by the State in the railway infrastructure on the one hand and further investments into rolling stock by the operators on the other. The Czech Republic will therefore require the creation of separate infrastructures for freight and passenger trains by 2050 (passenger and freight trains currently share one common infrastructure which creates bottlenecks and hurdles, resulting in network capacity issues), according to the Trans-European Transport Network (TEN-T), a European Commission policy directed towards the implementation and development of a Europe-wide network of roads, railway lines, inland waterways, maritime shipping routes, ports, airports and rail-road terminals.

The Czech Republic's railway infrastructure is extensive relative to the size of the country. The density of the railway network in the Czech Republic is high, exceeding that of Poland, Romania, the Netherlands, France, Hungary, Luxembourg and Slovakia. This high density of the rail network allows railway carriers to operate competitively against other modes of transport.

The below table provides a comparison of the total length and the density of the railway network of the Czech Republic and the railway network of selected EU countries as of June 2023:

Country	**Railway length** (*km*)	**Railway density**[(1)] (*km per 1,000km²*)
Czech Republic	9,355	118.6
Germany	33,468	93.6
Hungary	7,580	81.5
Slovakia	3,626	74.0
Poland	18,655	59.6
France	27,603	50.2
Bulgaria	4,031	36.3

Source: UIC Railway Statistics Synopsis 2023, available at https://uic.org/support-activities/statistics/.
Notes:
(1) Density is calculated by dividing the total track length in a country in kilometres by the country's area in thousands of square kilometres.

[14] Source: Ministry of Transport Yearbook 2022, available at https://www.sydos.cz/cs/rocenky.htm.

The below table provides an overview of the eight largest railroad businesses in the EU according to train-kilometres serviced in the years ended 31 December 2022 and 2021:

		Train–kilometres	
		2022	2021
Country	**Carrier**	(*millions train-kilometres*)	
Germany	DB AG	761.8	723.3
France	SNCF	406.0	317.9
Italy	FS SpA	253.7	215.3
Spain	RENFE	163.8	134.6
Czech Republic.	ČD	139.8	135.9
Netherlands	NS	118.0	114.9
Austria	ÖBB	138.0	126.9
Hungary	MAV	87.1	82.7

Source: UIC Railway Statistics Synopsis 2023 and 2022, available at https://uic.org/support-activities/statistics/, ČD Annual Report 2023, available at https://www.ceskedrahy.cz/en/investors/financial-reports.

The below table provides an overview of the number of carriers in the Czech Republic in the years ended 31 December 2017 to 2023:

Year	**2023**	**2022**	**2021**	**2020**	**2019**	**2018**	**2017**
No. of carriers	118	120	126	122	107	103	99

Source: SŽ Annual Report 2023, available at https://www.spravazeleznic.cz/o-nas/publikace/vyrocni-zpravy.

The number of carriers utilising the railway infrastructure in the Czech Republic has increased from 99 in 2017 to 118 in 2023.

Passenger Transport

Modes of Passenger Transport

The below table provides an overview of the performance of the different modes of passenger transport in the Czech Republic in terms of number of passengers in the years ended 31 December 2022, 2021 and 2020 as compared to 2010:

	Year			
	2022	**2021**	**2020**	**2010**
	(in millions of passengers)			
Rail transport	174.8	135.3	129.5	164.8
Bus transport	334.8	251.6	233.7	381.2
Air transport	4.1	2.1	1.1	7.5
Inland waterway transport(1)	0.4	0.6	0.6	0.9
Urban public transport(2)	1,838.2	1,471.2	1,559.1	2,260.3
Passenger car transport(3)	2,822.2	2,732.2	2,195.3	1,970.0

Source: Ministry of Transport Yearbook 2022, available at https://www.sydos.cz/cs/rocenky.htm.
Notes:
(1) Mainly holiday and weekend passenger transport
(2) Urban public transport refers to public transport in intra-city transport
(3) Expert estimate

The number of passengers transported on railways in the Czech Republic increased by 6 per cent. from 164.8 million in the year ended 31 December 2010 to 174.8 million in the year ended 31 December 2022. The number of passengers transported by bus transport in the Czech Republic decreased by 12.2 per cent. from 381.2 million to 334.8 million over the same period. Air travel in the Czech Republic also decreased by 54.6 per cent. from 7.5 million to 4.1 million over the same period, despite decreasing air travel fares and in spite of market penetration by low cost carriers. The volume of passenger car transport increased between the years ended 31 December 2010 and 2022, but as the numbers are statistical estimates only, no trend can be extrapolated from the numerical difference. The overall trends of the different kinds of transport are otherwise very similar, although they suggest a positive shift in customer preference for passenger car transport since 2010.

The below table provides an overview of the performance of different modes of passenger transport in the Czech Republic in terms of millions of passenger kilometres in 2022, 2021 and 2020 as compared to 2010:

	Year			
	2022	2021	2020	2010
	(in millions of passenger-kilometres)[1]			
Rail transport	9,516.8	6,820.2	6,665.1	6,590.7
Bus transport	9,226.6	5,402.6	5,444.0	10,815.6
Air transport	8,916.9	4,246.2	1,864.9	10,902.0
Inland waterway transport[2]	11.3	14.3	11.0	12.8
Urban public transport[3]	8,987.7	7,305.6	7,679.0	15,617.4
Passenger car transport[4]	91,245.0	88,335.6	86,062.6	63,570.0

Source: Ministry of Transport Yearbook 2022, available at https://www.sydos.cz/cs/rocenky.htm.
Notes:
(1) A passenger-kilometre refers to the transport of one rail passenger by rail over a distance of one kilometre
(2) Mainly holiday and weekend passenger transport
(3) Urban public transport refers to public transport in intra-city transport
(4) Expert estimate

Passenger Rail Transport Usage

The below table provides an overview of the volume of passenger rail transport in select EU countries in terms of passenger-kilometres per inhabitant and number of passengers carried per inhabitant in the year ended 31 December 2022:

Carrier	Country	Passenger-kilometres per Inhabitant	Number of Passengers Carried per Inhabitant
ČD	Czech Republic	734.3	14.9
SNCF	France	1,489.1	16.7
DB	Germany	919.1	20.9
MAV	Hungary	577.3	11.6
ZSSK	Slovakia	597.6	12.4
PKP	Poland	367.6	1.5
BDZ	Bulgaria	232.4	3.3

Source: UIC Railway Statistics Synopsis 2023, available at https://uic.org/support-activities/statistics/.

Domestic Passenger Market

The below table provides an overview of the market share of individual providers of passenger rail transport in terms of gross tonne-kilometres and train-kilometres travelled in the years ended 31 December 2023 and 2022:

	Gross tonne-kilometres[1]		Train-kilometres[2] travelled	
Carrier	2023	2022	2023	2022
	(per cent.)			
ČD	83.02	83.76	81.76	82.65
RegioJet a.s.	11.20	10.93	5.74	5.54
ARRIVA vlaky, s.r.o.	2.37	2.30	5.24	5.16
Die Landerhan CZ s.r.o.	0.72	0.41	2.17	1.42
GW Train Regio a.s.	0.62	0.62	1.92	1.91
Leo Express, s.r.o.	1.22	1.21	1.46	1.42
Other carriers	0.85	1.18	1.71	3.32

Source: SŽ Annual Report 2023 and 2022, available at https://www.spravazeleznic.cz/o-nas/publikace/vyrocni-zpravy.
Notes:
(1) Gross tonne-kilometre is a product of gross weight of railway vehicles integrated in the train and distance travelled in kilometres.
(2) Train-kilometres represent the distance travelled by trains in kilometres.

According to SŽ, ČD provided 81.76 per cent. of all passenger rail transport in the Czech Republic in terms of train-kilometres, or 83.02 per cent. of all passenger rail transport in the Czech Republic in terms of gross tonne-kilometres in the year ended 31 December 2023. Despite the liberalisation of the passenger transport sector, ČD remains the leading provider of the passenger rail transport service in the Czech Republic.[15]

[15] Source: SŽ Annual Report 2023, available at https://www.spravazeleznic.cz/o-nas/publikace/vyrocni-zpravy.

Freight Transport

Due to its geographical position, the Czech Republic serves as one of the key transport corridors in CEE for freight transport between Eastern and Western Europe. This fact translates into a unique position of ČD Cargo, which, according to the UIC, ranked the sixth largest freight carrier in Europe in terms of tons carried in 2022.[16] According to SŽ, in 2023, ČD Cargo was the leading domestic transporter with a market share of 56.62 per cent. and 54.62 per cent. of the freight market in the Czech Republic in terms of train-kilometres and gross tonne-kilometres, respectively.[17]

Modes of Freight Transport

To a certain extent, road and rail transport compete with each other. Road transport is preferred over rail transport for the transport of higher value-added goods (e.g. manufactured products) because of the flexibility offered by road infrastructure, which enables door-to-door delivery of goods. High volume and heavy weight commodities (such as coal, metals and mining materials) are more suited for being transported by railway. Waterways do not represent a viable alternative to railroad transport in the Czech Republic, while air is typically used for more important or urgent goods deliveries due to its higher cost.

The two tables below provide an overview of the performance of the different modes of freight transport in terms of tons of goods transported and millions of tons-kilometres in the Czech Republic in the years ended 31 December 2022, 2021 and 2020 as compared to 2010:

	2022	**2021**	**2020**	**2010**
	(in thousands of tons of goods)			
Rail transport	90,797	99,550	90,902	82,900
Road transport	473,688	500,288	459,703	355,910
Air transport	0	0	1	14
Inland waterway transport	1,266	1,295	1,384	1,642
Oil pipelines	11,150	10,807	9,629	11,205
Total	**576,901**	**611,941**	**561,618**	**451,671**

Source: Ministry of Transport Yearbook, available at https://www.sydos.cz/cs/rocenky.htm.

	2022	**2021**	**2020**	**2010**
	(*in millions of tons-kilometres*)			
Rail transport	16,368	16,326	15,251	13,770
Road transport	65,794	63,756	56,090	51,832
Air transport	0	2	6	22
Inland waterway transport	535	517	509	679
Oil pipelines	2,087	1,892	1,674	2,191
Total	**84,784**	**82,493**	**73,529**	**68,495**

Source: Ministry of Transport Yearbook, available at https://www.sydos.cz/cs/rocenky.htm.

Rail Freight Transport Segmentation

ČD Cargo transports freight relating to a range of industrial sectors. The below table provides an overview of the proportion of freight in each industry sector in terms of volume transported by ČD Cargo in the year ended 31 December 2023:

	Transport by freight type of ČD Cargo
	(per cent.)
Solid fuels	26.43
Metal and mining	17.51
Large containers	9.76
Chemicals	7.74
Building materials	7.24
Timber and paper products	6.06
Automotive	2.02
Other	23.06
Total	**100**

[16] Source: UIC Railway Statistics Synopsis 2023, available at https://uic.org/support-activities/statistics/.
[17] Source: SŽ Annual Report 2023, available at https://www.spravazeleznic.cz/o-nas/publikace/vyrocni-zpravy.

Source: ČD Cargo data for the year ended 31 December 2023

Domestic Freight Market

The below table provides an overview of the allocation of the freight traffic by ČD Cargo by destination in the year ended 31 December 2023.

	Freight traffic
	(per cent.)
Domestic market	91
Outside of the Czech Republic	9
Total	**100**

Source: ČD Cargo data for the year ended 31 December 2023

The below table provides an overview of the market share of individual providers of freight rail transport in terms of gross tonne-kilometres and train-kilometres in the years ended 31 December 2023 and 2022.

	Transport of Freight by Rail			
Carrier	**2023 Gross tonne-km(1)**	**2022 Gross tonne-km(1)**	**2023 Train km(2)**	**2022 Train km(2)**
	(per cent.)			
ČD Cargo, a. s.	54.62	58.43	56.62	58.94
METRANS Rail s.r.o.	9.36	9.43	6.43	6.53
PKP CARGO INTERNATIONAL, a. s.	5.10	5.47	3.88	4.60
Rail Cargo Carrier - Czech Republic, s.r.o.	3.94	3.98	3.36	2.65
ORLEN Unipetrol Doprava, s. r. o.	4.66	3.94	3.01	3.25
IDS CARGO a.s.	4.53	2.80	2.87	2.54
LOKORAIL, a.s.	2.72	2.87	2.45	1.88
Other carriers	15.07	13.08	21.38	19.61

Source: SŽ Annual Report 2023 and 2022, available at https://www.spravazeleznic.cz/o-nas/publikace/vyrocni-zpravy
Notes:
(1) Gross tonne-kilometre is a product of gross weight of railway vehicles (rolling stock) integrated in the train and distance travelled in kilometres.
(2) Train-kilometre represents the distance travelled by train in kilometres.

The Czech rail freight market is fully liberalised and deregulated. ČD Cargo has the leading position on the domestic market with a 54.62 per cent. market share in terms of gross tonne-kilometres in the year ended 31 December 2023. As of 31 December 2023, the other key players in the freight market were METRANS Rail s.r.o. with 9.36 per cent., PKP CARGO INTERNATIONAL, a.s. with a 5.10 per cent., Rail Cargo Carrier – Czech Republic, s.r.o. with a 3.94 per cent., ORLEN Unipetrol Doprava, s. r. o. with 4.66 per cent. and IDS Cargo, a.s. with a 4.53 per cent. market share in terms of gross tonne-kilometres. Domestic competitors tend to specialise in one commodity or they provide freight transport services only to their group, and therefore do not compete with ČD Cargo for the transport of freight across all commodities.

Overall, ČD Cargo enjoys a leading position in the rail freight transport market in the Czech Republic, vis-à-vis the other domestic carriers.[18]

[18] Source: SŽ Annual Report 2023, available at https://www.spravazeleznic.cz/o-nas/publikace/vyrocni-zpravy.

International Freight Market by Carrier

The below table provides an overview of tons of freight carried by select European railway freight companies in the years ended 31 December 2022 and 2021:

		Wagonload Freight Traffic Overall	
		2022	2021
		(millions tonnes carried)	
Country	**Carrier**		
Germany	DB Schenker Rail AG (Deutsche Bahn)	222.3	213.07
Czech Republic	ČD Cargo	62.1	48.67
Lithuania	LG	31.0	53.43
Latvia	LDZ	20.0	23.47
Finland	VR	29.8	36.59
Slovakia	ZSSK Cargo	28.9	26.22
Spain	RENFE	14.6	14.27

Source: UIC Railway Statistics Synopsis 2023 and 2022, available at https://uic.org/support-activities/statistics/.

According to the UIC, ČD Cargo ranked the sixth largest freight carrier in Europe in terms of tons carried in 2022. Only Deutsche Bahn, Polske Koleje Państwowe S.A (PKP), Austrian Federal Railways (ÖBB), Nederlandse Spoorwegen (NS), FS Italiane Group (FS) and Société nationale des chemins de fer (SNCF) transported a greater volume of freight by rail in 2022.[19]

EU Accession and the Impact on the Czech Railway Industry

The Czech Republic acceded to the EU effective 1 May 2004 and became bound by the European legislation providing for the framework of what later became known as the single European railway area.

The railway network of the Czech Republic must comply with requirements for interoperability set out in Decree of the Ministry of Transport No. 352/2004 Coll., on Operational and Technical interconnection of the European Railway System, as amended, and related Technical Specifications of Interoperability.

The basic principles of modernisation include:

- Increase of maximum track speed on longer track sections;
- Construction of the railway network complying with the rolling stock load standards D4 UIC for the track speed of up to 120 km/h;
- Construction of the railway network in compliance with the spatial structural standards for rolling stock transit, in particular the ČSN 73 6320 standard;
- Building up the railway network allowing for efficient railway network operation;
- Installation of the technological device to provide full operation safety at the track speed of up to 160 km/h;
- Equipping railway stations with platforms in compliance with Decree of the Ministry of Transport No. 177/1995 Coll. and Decree of the Ministry of Regional Development No. 398/2009 (i.e. ensuring that the length, width, high and other technical parameters will be in compliance with the standards set by these decrees and will allow for safe manoeuvring of persons, including disabled persons);
- Achieving sufficient effective length of rails at railway stations (i.e. building up station tracks in the length corresponding to the length of the rolling stock assigned for the particular railway track); and
- Improving the condition of level crossings with communications over land.

European Funding Programmes

Accession of the Czech Republic to the EU enabled the Czech Republic to apply for funding from the EU. For the current programming period between 2021 and 2027, CZK 4.9 billion has been allocated to the Czech Republic under the Operational Program for Transport to spend on projects aimed primarily at development and renewal of

[19] Source: UIC Railway Statistics Synopsis 2023, available at https://uic.org/support-activities/statistics/.

high-quality, complex, environmentally-friendly and interoperable railway systems within the trans-European Transport Network.

The railway infrastructure is funded further through the Connecting Europe Facility – Transport programme. Its aim is to back investments into building a new transport infrastructure and/or reconstruction and modernisation of the current one. The CEF Transport is used to develop the Core and Comprehensive Networks in order to eliminate bottlenecks and gaps on the European railways. One of other CEF Transport's aims is to subsidise innovations which would contribute to optimisation (both in capacity and energy efficacy) of the railway network and decrease of the negative impacts of the rail transport on environment.

Overview of the Czech Republic

The Czech Republic is situated in the centre of Europe, bordering Germany to the west, Poland to the north, Slovakia to the east and Austria to the south. Its borders are mostly formed by forested mountain ranges and hills, except in the south-east where it shares lowlands with Austria and Slovakia. A developed road and rail network connects its two main regions, Bohemia and Moravia. The Czech Republic covers an area of approximately 78,885 square kilometres and its population is estimated to be approximately 10.9 million inhabitants.

The Czech Republic became a member of the North Atlantic Treaty Organisation on 12 March 1999 and a member of the EU on 1 May 2004.

As of the date of this Prospectus, the rating of the Czech Republic was Aa3 with positive outlook (Moody's), AA- with stable outlook (S&P) and AA- with stable outlook (Fitch).

Brief Overview of the Czech Republic's Economy

The below table provides an overview of the key indicators for the Czech economy in the years ended 31 December 2023 to 2017:

Indicator	2023	2022	2021	2020	2019	2018	2017
				(per cent.)			
GDP[(1)]	(0.3)	(2.4)	3.5	(5.5)	3.0	3.2	5.2
Final consumption expenditure[(1)]	(1.1)	(0.3)	3.2	(3.9)	2.6	3.6	3.4
Exports of goods and services[(1)]	2.6	7.4	7.0	(7.9)	1.5	3.8	7.3
Imports of goods and services[(1)]	(0.8)	6.5	13.3	(8.1)	1.6	5.8	6.3
Industrial output[(2)]	(4.4)	15.9	10.7	(6.1)	0.9	3.5	7.5
Construction output[(1)]	(2.9)	2.6	2.7	(6.2)	2.7	9.2	3.3
Services - sales[(1)]	(1.9)	8.6	7.7	(11.7)	1.2	3.2	3.9
CPI[(3)]	10.7	15.1	3.8	3.2	2.8	2.1	2.5
General rate of unemployment	3.0	2.2	2.8	2.6	2.0	2.2	2.9
State budget balance/GDP	(4.0)	(5.3)	(6.9)	(6.4)	(0.5)	0.1	(0.1)
General government debt/GDP	44.0	44.1	42.0	37.7	30.0	32.0	34.2
State debt/GDP	42.4	42.7	40.4	35.9	28.3	30.0	31.8
CZK/EUR exchange rate[(4)]	24.007	24.565	25.645	26.444	25.672	25.643	26.330

Source: Czech Statistical Office, key macroeconomic indicators, available at https://www.czso.cz/csu/czso/hmu_ts
Notes:
(1) Year-on-year, real terms.
(2) Year-on-year, current prices.
(3) Year-on-year, average.
(4) Year average.

While the Group operates internationally, the vast majority of its revenues is generated in the Czech Republic. The Czech Republic has an open and export-driven economy with significant contribution to GDP from manufacturing. The Czech Republic enjoyed growth from its accession to the EU in 2004 until a drop of 4.7 per cent. in economic activity in 2009 amid the global financial crisis. In 2020, the Czech GDP decreased by 5.5 per cent. year-on-year and gross value added increased by 3.0 per cent. The economy decline was caused primarily by the COVID-19 pandemic and related restrictions imposed by public authorities. In the period preceding the pandemic, on the other hand, GDP grew steadily by about 3 per cent. year-on-year which was also supported by record-breaking low unemployment rate and an unprecedented high level of the participation rate of the population. In 2021, GDP increased by 3.5 per cent., followed by decrease by 2.4 and 0.3 per cent. in 2022 and 2023, respectively. The CNB's forecast as of 2 May 2024 predicts gradual GDP growth of around 1.4 per cent. in 2024 and 2.7 per cent. in 2025.[20]

[20] Source: CNB forecast – spring 2024, available at https://www.cnb.cz/en/monetary-policy/forecast/.

Employment rate decreased by 0.1 percentage points in the fourth quarter of 2023 compared to same period in 2022. The general unemployment rate slightly increased during the fourth quarter of 2023 and reached 2.6 per cent. The average gross nominal wage increased by 7.5 per cent. year-on-year in 2023 compared to 2022. However, consumer prices rose by 10.7 per cent. for the same period, therefore, the average wage has effectively decreased by 3.2 per cent.

In the year ended 31 December 2023, the Czech Republic had a budget deficit of (4.0) per cent. of GDP and the general government debt equalled 44.0 per cent. of GDP.

International Comparison

GDP per Capita in Purchasing Power Standard

The below table shows GDP per capita in purchasing power standard for select CEE countries in the years ended 31 December 2023 to 2020:

	2023	2022	2021	2020
		(per cent.)		
Czech Republic	91	90	91	93
Poland	80	79	77	76
Hungary	76	76	76	74
Slovakia	73	68	68	70
Slovenia	91	89	90	89
EA19	104	104	105	105

Source: Eurostat, government deficit/surplus, debt and associated data, available at https://ec.europa.eu/eurostat/web/main/data/database.
Note: Indexed to EU27 (100 per cent.)

The Czech Republic has a GDP per capita which is among the highest of the non-Eurozone EU members in CEE and higher than some Eurozone countries (in terms of GDP per capita expressed in Purchasing Power Standard).

Fiscal Balance and General Government Debt

The below table provides an overview of the budget deficit as a percentage of GDP for select CEE countries in the years ended 31 December 2023 to 2020:

	2023	2022	2021	2020
		(per cent.)		
Czech Republic	(3.7)	(3.4)	(5.1)	(5.8)
Poland	(5.1)	(3.4)	(1.9)	(6.9)
Hungary	(6.7)	(6.2)	(6.8)	(7.8)
Slovakia	(4.9)	(1.7)	(6.2)	(5.5)
Slovenia	(2.5)	(3.0)	(5.2)	(7.8)
Euro area (20 countries)	(3.6)	(3.7)	(5.1)	(7.1)

Source: Eurostat, government deficit/surplus, debt and associated data, available at https://ec.europa.eu/eurostat/web/main/data/database.

The below table provides an overview of the general government debt as a percentage of GDP for select CEE countries in the years ended 31 December 2023 to 2020:

	2023	2022	2021	2020
			(per cent.)	
Czech Republic	44.0	44.1	41.9	37.7
Poland	49.6	49.1	53.8	57.1
Hungary	73.5	73.3	76.8	79.6
Slovakia	56.0	57.8	63.1	59.7
Slovenia	69.2	69.9	74.7	79.8
Euro area (20 countries)	88.6	91.6	95.6	97.2

Source: Eurostat, government deficit/surplus, debt and associated data, available at https://ec.europa.eu/eurostat/web/main/data/database.

The Czech Republic maintains a low budget deficit relative to certain other CEE countries and the Eurozone average for 2023, 2022, 2021 and 2020. In 2023, the general government debt of the Czech Republic was lower than in most Eurozone countries. The Czech Republic therefore has low government debt compared to certain other CEE countries and the Eurozone average for 2023, 2022, 2021 and 2020.

THE REGULATORY FRAMEWORK

Railway transport laws in the EU

The railway industry is regulated by a series of directives and regulations, commonly referred to as 'railway packages'. The main legal framework of the EU railway market is established by the first railway package of 2001 (the "**First Railway Package**"), which was recast by Directive 2012/34/EU of the European Parliament and of the Council of 21 November 2012 establishing a single European railway area, as amended by Directive (EU) 2016/2370 of the European Parliament and of the Council of 14 December 2016 (the "**Directive 2012/34/EU**"). It provides the framework for open access to operations on railways in the EU, the licensing of railway undertakings, the allocation of railway infrastructure capacity, the levying of charges for the use of railway infrastructure, and safety certification.

The second railway package, originally adopted in 2004 (the "**Second Railway Package**"), has accelerated the liberalisation of rail freight services by fully opening the rail freight market to competition as from 1 January 2007. For the purpose of operating rail freight services, the Second Railway Package imposed an obligation on the Member States to provide access to the entire rail network and infrastructure on equitable conditions. The Second Railway Package also created the European Union Agency for Railways situated in Valenciennes (France), introduced common procedures for accident investigation and established Safety Authorities in each Member State. In addition, Directive (EU) 2016/798 of the European Parliament and of the Council of 11 May 2016 on railway safety, as amended by Regulation (EU) 2020/1530 of the European Parliament and of the Council of 21 October 2020, aims to ensure the development and improvement of safety on the railways in the EU and improved interoperability and access to the market for rail transport services.

The third railway package of 2007 (the "**Third Railway Package**") deals with the liberalisation of international passenger transport services, rail passenger rights and obligations, and certification of train drivers. In particular, Regulation (EC) No 1370/2007 of the European Parliament and of the Council of 23 October 2007 on public passenger transport services by rail and by road and repealing Council Regulations (EEC) Nos 1191/69 and 1107/70, as amended by Regulation (EU) 2016/2338 of the European Parliament and of the Council of 14 December 2016 (the "**Regulation 1370/2007**"), provides the conditions under which a public authority from a Member State, in imposing or contracting public service obligations in the field of public passenger transport, compensates public service operators for the costs incurred or grants exclusive rights in return for the performance of public service obligations. Public service obligations are defined as requirements defined or determined by a competent authority in order to ensure public passenger transport services in the general interest that an operator, if it were considering its own commercial interests, would not assume, or would not assume to the same extent or under the same conditions without reward. Public service obligations are to be performed within the framework of public service contracts. Public service obligations aimed at establishing maximum tariffs for all passengers or for certain categories of passengers may be subject of general rules contained in the Regulation 1370/2007, i.e. measures applicable without discrimination to all public passenger transport services of the same type in a given geographical area for which a relevant competent authority is responsible.

The Regulation 1370/2007 provides for mandatory content of public service contracts, such as a clear definition of the public service obligations, the geographical areas concerned, the basis for the calculation of the compensation payment, the nature and extent of any exclusive rights granted, and the cost allocation. The manner in which an operator is compensated or is granted any exclusive rights must ensure such an operator does not receive greater benefit than that which is appropriate under applicable law. The revenue allocation should be determined both in the public service contract and the general rules for the operation of public transport contained in the Regulation 1370/2007. Article 4 provides that the term of public service contracts with regard to the railway industry may not exceed 15 years. In case the public service contract is related to several modes of transport, its duration may be 15 years as long as transport by rail or other track-based modes represents more than 50 per cent. of the value of the services in question, otherwise it is limited to ten years. This period may be extended by a maximum of 50 per cent. of the duration of the contract if the public service operator provides assets which are both significant in relation to the overall assets needed to carry out the passenger transport services covered by the public service contract and linked predominantly to such services, or if it is justified by the costs deriving from a particular geographical situation. The Regulation 1370/2007 allows for longer terms of contracts awarded in a fair and competitive tendering procedure if it is justified by the amortisation of capital in relation to exceptional infrastructure, rolling stock or vehicle investments.

Public service contracts within the rail industry are to be awarded in accordance with the rules laid down in the Regulation 1370/2007, i.e. on the basis of a competitive tendering procedure except in specified cases. Under the amended Article 5, the Regulation 1370/2007 allows for the competent authority to decide to award public service contracts for public passenger transport services by rail directly, i.e. outside the procedure for fair competitive tendering. For example, the Regulation 1370/2007 permits the competent authority to award public service contracts for public passenger transport services by rail directly where such service would not exceed a certain threshold of annual value, or in order to avoid disruption of services. Such exceptional contracts must not, however, exceed the limits stipulated in the Regulation 1370/2007, e.g. two years for the contract awarded in the event of a disruption of services.

The key provisions of such contracts must be made public by the authority which awarded them. The above rules of awarding public service contracts became binding on 3 December 2019. The Regulation 1370/2007 describes the circumstances that may impact the term of contracts executed prior to 3 December 2009, the date on which Regulation 1370/2007 entered into force. While contracts entered into before 26 July 2000 on the basis of a fair competitive tendering procedure may continue until they expire, contracts entered into before 26 July 2000 on the basis of a procedure other than a fair competitive tendering procedure and contracts entered into between 26 July 2000 and 3 December 2009 on the basis of a fair competitive tendering procedure may continue until they expire, however no longer than 30 years. Contracts entered into between 26 July 2000 and 24 December 2017 on the basis of a procedure other than a fair competitive tendering procedure may continue until they expire, provided that their term is comparable to the term specified in Article 4 of the Regulation 1370/2007. Public service contracts for public passenger transport services by rail directly awarded on the basis of a procedure other than a fair competitive procedure between 24 December 2017 and 2 December 2019 may continue until their expiry date but should not be extended for longer than ten years, but may, under some exceptions provided under Article 4(4), be extended by a maximum of 50 per cent. of their duration.

An annex to the Regulation 1370/2007 provides for the manner of calculation of the compensation connected with the general rule, i.e. a measure which applies without discrimination to all public passenger transport services of the same type in a given geographical area for which a competent authority is responsible, or public service contracts awarded directly. The amount of such compensation cannot exceed the net financial effect which is calculated pursuant to the following formula: costs incurred in relation to a public service obligation imposed by the competent authority contained in a public service contract or in a general rule, minus any positive financial effects generated within the network operated under the public service obligation(s) in question, minus receipts from tariff or any other revenue generated while fulfilling the public service obligation(s), plus a reasonable profit. Reasonable profit is the rate of return on capital that is normal for the sector in a given Member State and that takes account of the risk incurred, or absence of risk, incurred by the public service operator by virtue of public authority intervention. To increase transparency, a public service operator that pursues other activities in addition to performing public transport service obligations for which it is compensated, must establish separate accounts for such activities.

In 2016, the fourth railway package (the "**Fourth Railway Package**") was introduced in order to revitalise the rail sector and make it more competitive in comparison to other modes of transport. It comprises two 'pillars'. The 'technical pillar' includes Regulation (EU) 2016/796 of the European Parliament and of the Council of 11 May 2016 on the European Union Agency for Railways and repealing Regulation (EC) No 881/2004, Directive (EU) 2016/797 of the European Parliament and of the Council of 11 May 2016 on the interoperability of the rail system within the European Union, as amended by Directive (EU) 2020/700 of the European Parliament and of the Council of 27 May 2020; and Directive (EU) 2016/798 of the European Parliament and of the Council of 11 May 2016 on railway safety (Recast of Directive 2004/49/EC), as amended by Regulation (EU) 2020/1530 of the European Parliament and of the Council of 21 October 2020. It aims to boost competitiveness of the rail sector by significantly reducing costs and administrative burden for railway undertakings wishing to operate across Europe. Specifically, it introduces vehicle authorisations for placing on the market and safety certificates for railway undertakings issued by the European Union Agency for Railways and valid for the whole of EU, eliminating the need for multiple applications in each Member State. All such applications may be lodged through a single-entry point. The 'technical pillar' also ensures the interoperability of the European Rail Traffic Management System (ERTMS) equipment. Furthermore, it reduces the large number of remaining national rules to promote transparency and avoid discrimination of new operators.

The 'market pillar' aims to deliver a broader choice of service providers and better quality by improving competitiveness of the railway market. It comprises Regulation (EU) 2016/2338 of the European Parliament and of the Council of 14 December 2016 amending Regulation (EC) No 1370/2007 concerning the opening of the market for domestic passenger transport services by rail, which deals with the award of public service contracts for domestic passenger transport services by rail (the "**PSO Regulation**"), Directive (EU) 2016/2370 of the European Parliament and of the Council of 14 December 2016 amending Directive 2012/34/EU as regards the opening of the market for domestic passenger transport services by rail and the governance of the railway infrastructure, which deals with the opening of the market of domestic passenger transport services by rail and the governance of the railway infrastructure (the "**Governance Directive**"), and Regulation (EU) 2016/2337 of the European Parliament and of the Council of 14 December 2016 repealing Regulation (EEC) No 1192/69 of the Council on common rules for the normalisation of the accounts of railway undertakings, which, as of 31 December 2017, is no longer in force as its objective has already been achieved. The goal of the 'market pillar' is to complete the process of gradual market opening that started with the First Railway Package. The 'market pillar' establishes the general right for railway undertakings from one Member State to operate across the whole EU with regard to all passenger services. The 'market pillar' also encourages impartiality in the governance of railway infrastructure and the prevention of discrimination in order to provide for a competitive environment, which should result in improved quality and better cost-effectiveness. Furthermore, effective as of 25 December 2023, a general principle requiring mandatory tendering for public service contracts in rail was introduced.

According to Article 11 of the Governance Directive of the Fourth Railway Package, the Member States may limit passenger services where a public service contract covers the same route. However, this applies only where the economic equilibrium of the public service contract would be compromised. This is to be determined by the relevant regulatory body after performing the Economic Equilibrium Test, which aims to determine whether and to what extent a prospective open access service may be detrimental to a public service contract in place. In such cases, the regulatory body is tasked with issuing a decision that may limit the rights of access of the open access operator. A new EU Implementing Regulation (the Commission Implementing Regulation (EU) 2018/1795 of 20 November 2018 laying down the procedure and criteria for the application of the economic equilibrium test pursuant to Article 11 of Directive 2012/34/EU of the European Parliament and of the Council (as amended)) which applies from 1 January 2019, sets out how the Economic Equilibrium Test should be approached by the regulators.

Railway transport laws in the Czech Republic

The main legal regulation relating to rail transport in the Czech Republic is the Railway Act, which regulates the terms for the construction of railway tracks and structures thereon, the conditions for operating railway tracks and rail transport, as well as the related rights and obligations of individuals and legal entities, the performance of public administration and the State supervision in connection with rail transport.

The legal position of ČD is regulated by the Act on Czech Railways, which regulates the management and activities of ČD, including voting rights of the State as the shareholder of ČD, business activities carried out by ČD and the establishment and activities of SŽ, as the legal successors of the state organization České dráhy.

Regulation 1370/2007 and the Governance Directive are reflected in the Public Services Transport Act and on the amendment of other laws, as amended, which regulates the procedure of the State, the Czech Regions and municipalities in relation to arranging for rail and road public passenger transport services.

In addition, there are several Government decrees and regulations of the Czech Ministry of Transport, which, among others, provide for transport rules for public railroad freight transport, rules for the health and professional qualifications of persons operating railways and rail transport, transport rules for public passenger transport by rail and by road, safety of operation of tracks and rail transport.

With the entry into force of Act No. 464/2023 Coll., the Transport Infrastructure Access Authority (the "**UPDI**") was abolished and from 1 January 2024, the powers of the UPDI were transferred to the Office for the Protection of Competition (the "**ÚOHS**"). The main activity of the ÚOHS in this area is the regulation of access to the railways, the regulation of access to services, including dispute resolution, and price control in the field of railways. This area is governed by Directive 2012/34/EU of the European Parliament and of the Council establishing a single European railway area and related national legislation.

Anti-Trust Regulations

The activities of ČD and that the Group are subject to the general principles of Czech and EU competition laws, respectively. The ÚOHS oversees competition issues in the Czech Republic.

Should ČD and the companies within its Group occupy a dominant position in any relevant market determined in accordance with the Czech and EU competition laws, they shall not abuse their position at such market as stipulated by Act No. 143/2001 Coll., on the Protection of Competition, as amended (the "**Czech Competition Act**") and by the Treaty on the Functioning of the EU ("**TFEU**") (Article 102 TFEU). Such abuse may, in particular, consist of imposing unfair prices or other trading conditions, limiting production or technical development, discriminating between customers or suppliers (thereby placing them at a competitive disadvantage) or making the conclusion of contracts subject to the acceptance by the other parties of supplementary unrelated obligations.

In addition, market participants (such as ČD and the companies within the Group) may not enter into agreements or engage in concerted practices which have as their object or effect the prevention, restriction or distortion of competition within the Czech market or internal market of the EU as stipulated by the Czech Competition Act and the Treaty on the Functioning of the EU (Article 101 TFEU). In this regard, the laws particularly prohibit market participants from fixing prices or other trading conditions, limiting or controlling production, markets, technical development, or investments, the share market or source of supply, or discriminating against other parties.

ČD and the companies within its Group are also subject to the EU state aid rules which prohibit them from receiving any state or public aid which would distort or threaten to distort competition by favouring them or the production of certain goods unless the aid falls within one of the exemptions set out in the Treaty on the Functioning of the EU (Article 107 TFEU). There is also sector specific EU legislation that regulates certain aspects of this general principle for the railways sector, for example, the EU legislation specifies a list of cases in which ČD, as an "undertaking entrusted with the operation of services of general economic interest", can receive state aid in the form of compensation for fulfilling these obligations (Regulation 1370/2007).

Public Procurement Laws

Where ČD (or its subsidiary) awards contracts above a certain value, it is subject to the Public Procurement Act. Generally, pursuant to the Public Procurement Act, ČD may enter into agreements providing for supply of goods, provision of services or execution of construction works only after the completion of one of the public procurement procedures specified in the Public Procurement Act. Any agreement concluded contrary to the Public Procurement Act before 1 January 2010 is unconditionally invalid as a matter of law. On 1 January 2010, an amendment to the Public Procurement Act implemented a conditional invalidity where invalidity is caused by non-compliance with the procedures set out by the Public Procurement Act. In this case, the contract is only invalid where the ÚOHS as the authority with the power to review the process for awarding public contracts prohibits the performance of the contract in question. A new Act No. 134/2016 Coll., on Public Procurement, as amended, entered into effect on 1 October 2016. The new act implements the new EU Public Procurement Directives (Directive 2014/24/EU of the European Parliament and of the Council of 26 February 2014 on public procurement and repealing Directive 2004/18/EC, as amended, Directive 2014/25/EU of the European Parliament and of the Council of 26 February 2014 on procurement by entities operating in the water, energy, transport and postal services sectors and repealing Directive 2004/17/EC, and Directive 2014/23/EU of the European Parliament and of the Council of 26 February 2014 on the award of concession contracts) and aims to lower the administrative burden imposed on contracting authorities and simplify the process of awarding public contracts in the Czech Republic. It has introduced additional types of proceedings, as well as tools to evaluate offers on the basis of different quality criteria.

Importantly, public procurement rules may also apply to the awarding of contracts to ČD or companies within its Group. For example, where a competent authority decides to grant ČD or another railway operator an exclusive right or compensation in return for the discharge of public service obligations, it must do so within the framework of a public service contract while following specific public procurement rules stipulated in Regulation 1370/2007.

Moreover, Act No. 340/2015 Coll., on the Register of Contracts, as amended (the "**Act on the Register of Contracts**"), requires certain legal entities, such as the State, municipalities and entities owned by the State to publish in the Register of Contracts (*Registr smluv*) most private contracts they enter into, subject to a number of exceptions. An amendment to the Act on the Register of Contracts came into effect on 1 November 2019 which discontinued an exemption under which a joint stock company in which the State, or one or more regional or local authorities (*územní samosprávný celek*) together held a majority shareholding and which had its securities admitted to trading on a regulated market or a European regulated market, such as ČD, was exempt from the obligation to publish and otherwise register its contracts in the Register of Contracts. ČD is now, therefore, no longer exempt from the mentioned statutory obligations and has to follow the respective provisions of the Act on Register of Contracts.

Labour Regulation/Union Laws

The principal source of law regulating employment relationships is the Labour Code, which covers all areas of individual employment relationships between an employer and an employee, including for example equal treatment and the prohibition of discrimination, access to information, agency employment, working conditions, health and safety at work, liability for damages and dismissal. The Labour Code only contains a general prohibition of discrimination. Act No. 198/2009 Coll., on Antidiscrimination, as amended, contains more specific provisions on equal treatment and the prohibition of discrimination. In general, the Labour Code allows for contractual freedom of parties within the limits set by the regulatory framework; it is therefore not possible to contract out of statutory employee protection. In addition to the Labour Code, labour relations are also regulated by the Civil Code, as well as Act No. 309/2006 Coll., on Ensuring Additional Conditions for Occupational Safety and Health and Act No. 118/2000 Coll., on the Protection of Employees in the Event of Employer Insolvency. Regarding access to work and job offers, discrimination and unequal treatment is regulated by Act No. 435/2004 Coll., on Employment.

The institutional framework for the functioning of the labour market in the Czech Republic is regulated by Act No. 435/2004 Coll., on Employment, as amended, which covers, for example, the qualification criteria for unemployment benefits, employment of foreigners and special provisions on employment of disabled persons.

Although the Labour Code sets forth basic rules regarding trade unions, collective labour law, in particular the collective bargaining procedure, is regulated by Act No. 2/1991 Coll., on Collective Bargaining, as amended. Basically, collective agreements can be negotiated on two levels, either as house collective agreements (binding on a single employer and the trade union operating with that employer), or as sectorial collective agreements (binding on all employers and trade unions operating with employers in the respective economic sector). Individual employee entitlements arising from collective agreements are legally enforceable in the same manner as other rights arising from individual employment contracts.

TAXATION AND FOREIGN EXCHANGE REGULATION

Prospective purchasers of any Notes acknowledge that the tax laws including, in particular, the tax laws of the Czech Republic as a country of tax residence of the Issuer and the tax laws of the country where the respective purchaser is tax resident, may have an impact on income from the Notes. Therefore, prospective purchasers of any Notes are advised to consult their own tax advisers as to the tax consequences of purchasing, holding and disposal of the Notes as well as receiving income from the Notes under the tax laws of any country in which income from holding and disposal of the Notes can become subject to tax including, in particular, the countries stated at the beginning of this paragraph. Only these advisors are in a position to take into account all relevant facts and circumstances and to duly consider the specific situation of the prospective purchaser. A similar approach should be taken by the prospective purchasers of any Notes in relation to the foreign-exchange-law consequences arising from the purchase, holding and disposal of the Notes.

*The description below represents a brief summary of selected material tax aspects of the purchase, holding and disposal of the Notes, and foreign-exchange regulations in the Czech Republic. The summary is mainly based on Act No. 586/1992 Coll., on Income Taxes, as amended (“**Income Taxes Act**”), Act No. 240/2000 Coll., on Crisis Management and on Amendments to Certain Acts, as amended (“**Crisis Act**”), the Constitutional Act No. 110/1998 Coll., on the Security of the Czech Republic, as amended (“**Constitutional Act on the Security of the Czech Republic**”) and on other related laws which are effective as at the date of this Prospectus as well as on the administrative practice or the prevailing interpretations of these laws and other regulations as applied by Czech tax, administrative and other authorities and bodies and as these are known to the Issuer at the date of this Prospectus. The description below does not specifically comment on or take into account the impacts of the U.S. Foreign Account Tax Compliance Act (FATCA) or any of its aspects. The information contained herein is neither intended to be nor should be construed as legal or tax advice The description below is solely of a general nature (i.e. it does not take into account, for example, specific tax treatment of certain taxpayers such as investment, mutual or pension funds) and may change in the future depending on changes to the relevant laws that may occur after this date, or in the interpretation of these laws which may be applied after that date. In this respect, please note that the below description of Czech tax treatment of the Notes has been significantly affected by Act No. 609/2020 Coll., which amends some acts in the field of taxes and some other acts (“**2021 ITA Amendment**”). The 2021 ITA Amendment has significantly changed the tax regime of notes issued after 31 December 2020. Therefore, the tax regime of notes (including the Notes) under Czech law is currently associated with potential ambiguities. In the Issuer’s opinion, the summary below represents a rational interpretation of the relevant provisions of the Income Taxes Act in relation to the Notes.*

The following summary assumes that the person to whom any income is paid in connection with the Notes is the beneficial owner of such income (within the OECD Model Tax Convention on Income and on Capital meaning of this term), i.e. it does not act, for example, as a proxy, agent, depositary or in any other similar position in which any such payments would be received on account of another person or entity.

TAXATION IN THE CZECH REPUBLIC

For the purposes of this section, the following terms have the following meaning:

“**Coupon**” means any note yield other than a note yield that is determined by reference to the difference between the nominal value of a note and its issue price (i.e. yield determined as the Discount). For the avoidance of doubt, the Coupon also includes the Early Redemption Premium.

“**Coupon Note**” means a note whose issue price is equal to its nominal value. For the avoidance of doubt, a Coupon Note is not a note whose yield is determined by the combination of the Discount and the Coupon.

“**Czech Permanent Establishment**” means a permanent establishment in the Czech Republic under the Income Taxes Act as well as under a relevant Tax Treaty (if any).

“**Czech Tax Non-Resident**” means a taxpayer who is not a tax resident of the Czech Republic under the Income Taxes Acts or under a relevant Tax Treaty (if any).

“**Czech Tax Resident**” means a taxpayer who is a tax resident of the Czech Republic under the Income Taxes Acts as well as under a relevant Tax Treaty (if any).

“**Discount**” means a positive difference between the nominal value of a note and its lower issue price.

"**Discounted Note**" means a note whose issue price is lower than its nominal value. For the avoidance of doubt, a Discounted Note is also a note with a yield that is determined by the combination of the Discount and the Coupon.

"**Early Redemption Premium**" means any amount above principal and interest accrued that is payable by an issuer in the event of early redemption of a note.

"**Legal Entity**" means a taxpayer other than an individual (i.e. a taxpayer that is subject to corporate income tax but that may not necessarily have a legal personality).

"**Tax Security**" means a special amount collected by means of a deduction at source made by the Withholding Agent (for example by the issuer of a note or by the buyer of a note) upon payment of taxable income which serves essentially as an advance with respect to tax that is to be self-assessed by the recipient of the relevant income (i.e. unlike the Withholding Tax, the amount so withheld does not generally represent a final tax liability).

"**Tax Treaty**" means a valid and effective tax treaty concluded between the Czech Republic and another country under which the Czech Tax Non-Resident is treated as a tax resident of the latter country. In the case of Taiwan, the Tax Treaty is Act No. 45/2020 Coll., on the elimination of double taxation in relation to Taiwan, as amended.

"**Withholding Agent**" means a payer of (taxable) income who is responsible for making the deduction of (i) the Withholding tax or (ii) the Tax Security, as applicable, and their remittance to the tax authorities.

"**Withholding Tax**" means a tax collected by means of a deduction at source made by the Withholding Agent (for example by the issuer of the note) upon payment of taxable income. Save in certain limited circumstances, such tax is generally considered as final.

17 Interest Income

17.1 *Czech Tax Residents*

(a) Individuals

The yield in the form of the Coupon paid to an individual is subject to the Withholding Tax at a rate of 15 per cent. This tax represents a final taxation of the Coupon in the Czech Republic.

The yield in the form of the Discount paid to an individual is not subject to the Withholding Tax. Instead, it is included in the general tax base, which is subject to personal income tax at a progressive rate of 15 per cent. and 23 per cent. depending on the individual's applicable bracket (the threshold for the higher bracket is 36 times the average wage, amounting to CZK 1,582,812 in 2024). However, the general tax base does not include the amount of the Discount, but rather the (positive) difference between the nominal value of the Note paid by the Issuer (or the amount paid by the Issuer upon an early redemption of the Note, but excluding the Early Redemption Premium, if any) and the price at which the individual acquired the Note. If an individual holds the Note that is a Coupon Note until its maturity (or early redemption) and the individual acquired such Note on a secondary market at an amount below the nominal value of the Note (or below the amount paid by the Issuer upon an early redemption of the Note, but excluding the Early Redemption Premium, if any), such (positive) difference is also included in the individual's general tax base.

(b) Legal Entities

The yield (whether in the form of a Discount or a Coupon) paid to a Legal Entity is not subject to the Withholding Tax, but it is rather included in the general tax base, which is subject to corporate income tax at a flat rate of 21 per cent. A Legal Entity that is an accounting unit is generally required to recognise the yield in its profit and loss statement on an accrual basis.

17.2 *Czech Tax Non-Residents*

(a) Individuals

The yield in the form of a Coupon paid to an individual is subject to the Withholding Tax at a rate of 15 per cent. or 35 per cent. The 35 per cent. rate applies to recipients who do not have a Czech Permanent Establishment to which the Notes are attributable and, at the same time, are tax residents of neither (i) an EU/EEA member state nor (ii) a country with which the Czech Republic has an effective double tax treaty or an effective double (or multilateral) treaty on the exchange of information. The 15 per cent. rate applies to all other recipients. This tax generally represents a final taxation of the Coupon in the Czech Republic. However, an individual who is a tax resident of an EU/EEA member state may decide to include the Coupon in his/her tax return filed in the Czech Republic for the relevant tax year. In such a case, the above Withholding Tax represents an advance payment which is credited against the final Czech tax liability as declared in the tax return.

The yield in the form of a Discount paid to an individual is not subject to the Withholding tax. Instead, it is included in the general tax base, which is subject to the personal income tax at a progressive rate of 15 per cent. and 23 per cent. depending on the individual's applicable bracket (the threshold for the higher bracket is 36 times the average wage, amounting to CZK 1,582,812 in 2024). However, the general tax base does not include the amount of the Discount, but rather the (positive) difference between the nominal value of the Note paid by the Issuer (or the amount paid by the Issuer upon an early redemption of the Note, but excluding the Early Redemption Premium, if any) and the price at which the individual acquired the Note. However, if the Notes are not attributable to the individual's Czech Permanent Establishment, the taxable amount cannot exceed the Discount (i.e., if such difference is higher, the amount of the Discount will be included in the general tax base). Furthermore, if an individual is not a tax resident of an EU/EEA member state, the Issuer will withhold the Tax Security at the rate of 1 per cent. applicable to the gross amount paid (i.e. the nominal value of the Note upon the maturity or the amount paid by the Issuer upon an early redemption of the Note, but excluding the Early Redemption Premium, if any). This Tax Security is creditable against the final tax liability as declared in a Czech tax return for the relevant tax year (any Tax Security overwithholding is generally refundable). If (i) an individual holds the Note that is a Coupon Note until its maturity (or its early redemption), (ii) the individual acquired such Note on a secondary market for an amount below its nominal value (or below the amount paid by the Issuer upon an early redemption of the Note, but excluding the Early Redemption Premium, if any) and (iii) such Note is attributable to that individual's Czech Permanent Establishment, such (positive) difference is also included in the individual's general tax base (however, there are arguments supporting a conclusion that such difference is out of scope of Czech taxation).

(b) Legal Entities

The yield in the form of a Coupon paid to a Legal Entity where the Note is not attributable to its Czech Permanent Establishment is subject to the Withholding Tax at a rate of 15 per cent. or 35 per cent. The 35 per cent. rate applies to recipients that are tax residents of neither (i) an EU/EEA member state nor (ii) a country with which the Czech Republic has an effective double tax treaty or an effective double (or multilateral) treaty on the exchange of information. The 15 per cent. rate applies to all other recipients. This tax generally represents a final taxation of the Coupon in the Czech Republic. However, a Legal Entity that is a tax resident of an EU/EEA member state may decide to include the Coupon in its tax return filed in the Czech Republic for the relevant tax year. In such a case, the above Withholding Tax represents an advance payment which is credited against the final self-assessed tax liability as declared in the tax return. The yield in the form of a Coupon paid to a Legal Entity where the Note is attributable to its Czech Permanent Establishment is not subject to the Withholding Tax. Instead, it is included in the general tax base, which is subject to corporate income tax at a flat rate of 21 per cent. Furthermore, if the Legal Entity is not a tax resident of an EU/EEA member state, the Issuer will withhold a Tax Security at the rate of 10 per cent. applicable to the amount of the Coupon (on a gross basis). This Tax Security is creditable against the final tax liability as declared in a Czech tax return for the relevant tax year (any Tax Security overwithholding is generally refundable).

The yield in the form of a Discount paid to a Legal Entity is not subject to the Withholding tax. Instead, it is included in the general tax base, which is subject to corporate income tax at a rate of 21 per cent. However, the general tax base does not include the amount of the Discount, but rather the (positive) difference between the nominal value of the Note paid by the Issuer (or the amount paid by the Issuer upon an early redemption of the Note, but excluding the Early Redemption Premium, if any) and the price at which the Legal Entity acquired the Note. However, if the Notes are not attributable to the Legal Entity's Permanent Establishment, the taxable amount cannot exceed the Discount (i.e. if such difference is higher, the amount of the Discount will be included in the general tax base). Furthermore, if the Legal Entity is not a tax resident of an EU/EEA member state, the Issuer will withhold the Tax Security at the rate of 1 per cent. applicable to the gross amount (i.e. the nominal value of the Note at maturity or the amount paid by the Issuer upon an early redemption of the Note, but excluding the Early Redemption Premium, if any). This Tax Security is creditable against the final tax liability as declared in a Czech tax return for the relevant tax year (any Tax Security overwithholding is generally refundable). If (i) a Legal Entity holds a Note that is a Coupon Note until its maturity (or its early redemption), (ii) the Legal Entity acquired such Note on a secondary market for an amount below the nominal value of the Note (or below the amount paid by the Issuer upon an early redemption of the Note, but excluding the Early Redemption Premium, if any) and (iii) such Note is attributable to that Legal Entity's Czech Permanent Establishment, such (positive) difference is also included in its general tax base (however, there are arguments supporting a conclusion that such difference is out of scope of Czech taxation).

A Legal Entity that is an accounting unit and where the Notes are attributable to its Czech Permanent Establishment is generally required to recognise the yield (whether in the form of a Discount or a Coupon) in its profit and loss statement on an accrual basis.

18 Capital gains/losses

18.1 *Czech Tax Residents*

(a) Individuals

Capital gains from the sale of the Notes that have not formed part of the business assets of an individual are generally exempt from personal income tax if:

- The total annual (worldwide) gross income (i.e. not only gains) of that individual from the sale of securities (including the Notes) does not exceed the amount of CZK 100,000, or
- such gains are derived from the sale of the Notes which the individual has held for more than three years prior to their sale (however, income from a future sale of the Notes where a purchase agreement is concluded after three years but where income arises within three years from their acquisition is not tax-exempt) (the "**3-Year Exemption**").

If the Notes formed part of the business assets of an individual, the exemption upon their sale may still apply but only if the Notes are sold no earlier than three years after the termination of the individual's business activities.

Taxable gains from the sale of the Notes realized by an individual are included in the general tax base, which is subject to personal income tax at a progressive rate of 15 per cent. and 23 per cent. depending on the individual's applicable bracket (the threshold for the higher bracket is 36 times the average wage, amounting to CZK 1,582,812 in 2024). If an individual has held the Notes in connection with his/her business activities, such gains are also subject to social security and health insurance contributions. Losses from the sale of the Notes realized by an individual are generally tax non-deductible, except where such losses are compensated by taxable gains on the sale of other securities in the same year and the income from the sale of the Notes is not tax-exempt.

Potential investors should note that, effective as of 1 January 2025, income from the sale of the Notes realised by an individual and covered by the 3-Year Exemption will be exempt from Czech personal income tax only up to CZK 40,000,000 in a taxable year, whereas such financial limit will also include any (exempt) income from the transfer for consideration of a share in a business corporation (not represented by a security) in the relevant period.

(b) Legal Entities

Capital gains from the sale of the Notes are included in the general tax base, which is subject to corporate income tax at a flat rate of 21 per cent. Losses from the sale of the Notes realized by Legal Entities are generally tax deductible.

18.2 *Czech Tax Non-Residents*

Capital gains from the sale of the Notes realized by a Czech Tax Non-Resident are subject to taxation in the Czech Republic provided that:

- the Notes are attributable to a Czech Permanent Establishment of the Czech Tax Non-Resident selling these Notes, or
- the Notes are acquired by (i) a Czech Tax Resident or (ii) a Czech Tax Non-Resident acquiring the Notes through his/her/its Czech Permanent Establishment.

Therefore, capital gains realized by a Czech Tax Non-Resident where the Notes are sold to another Czech Tax Non-Resident and where such Notes are attributable to neither (i) a Czech Permanent Establishment of the seller nor (ii) a Czech Permanent Establishment of the buyer, are out of scope of Czech taxation.

(a) Individuals

Capital gains from the sale of the Notes that have not formed part of the business assets of an individual are generally exempt from personal income tax if:

- the total annual (worldwide) gross income (i.e. not gains) of the individual from the sale of securities (including the Notes) does not exceed the amount of CZK 100,000, or
- such gains are derived from the sale of the Notes which the individual has held for more than three years prior to their sale (however, income from a future sale of the Notes where a purchase agreement is concluded after three years but where income arises within three years from their acquisition is not tax-exempt) (i.e. the 3-Year Exemption will apply).

If the Notes formed part of the business assets of an individual, the exemption upon their sale may still apply but only if the Notes are sold no earlier than three years after the termination of the individual's business activities.

Taxable gains from the sale of the Notes realized by an individual are included in the general tax base, which is subject to personal income tax at a progressive rate of 15 per cent. and 23 per cent. depending on the individual's applicable bracket (the threshold for the higher bracket is 36 times the average wage, amounting to CZK 1,582,812 in 2024). If an individual has held the Notes in connection with his/her business activities, such gains may also be subject to social security and health insurance contributions. Losses from the sale of the Notes realized by an individual are generally tax non-deductible, except where such losses are compensated by taxable gains on the sale of other securities in the same year and the income from the sale of the Notes is not tax-exempt.

Furthermore, if the Notes are sold by an individual who is not a tax resident of an EU/EEA member state, a buyer acting as a Withholding Agent may be required to withhold a Tax Security amounting to 1 per cent. of the gross purchase price. The buyer will act as a Withholding Agent if he/she/it is:

- a Czech Tax Resident, or
- a Czech Tax Non-Resident and the acquired Notes are attributable to his/her/its Czech Permanent Establishment.

Any Tax Security withheld is creditable against the final tax liability as declared by the Czech Tax Non-Resident selling the Notes in a Czech tax return for the relevant tax year (any Tax Security overwithholding is generally refundable).

(b) Legal Entities

Capital gains from the sale of the Notes that are subject to Czech taxation are included in the general tax base, which is subject to corporate income tax at a flat rate of 21 per cent. Losses from the sale of the Notes realized by the Legal Entities are generally tax deductible. However, according to certain interpretations, such losses are not tax deductible for a Czech Tax Non-Resident that does not keep its accounting books under the Czech accounting rules.

Furthermore, if the Notes are sold by a Legal Entity which is not a tax resident of an EU/EEA member state, a buyer acting as the Withholding Agent may be required to withhold a Tax Security amounting to 1 per cent. of the gross purchase price. The buyer will be acting as a Withholding agent if he/she/it is:

- a Czech Tax Resident, or
- a Czech Tax Non-Resident and the acquired Notes are attributable to his/her/its Czech Permanent Establishment.

Any Tax Security withheld is creditable against the final tax liability as declared by the Czech Tax Non-resident selling the Notes in a Czech tax return for the relevant tax year (any Tax Security overwithholding is generally refundable).

19 Benefits under Tax Treaties

A Tax Treaty may reduce or even fully eliminate Czech taxation of both interest income from the Notes or capital gains from their sale (including a Tax Security withholding, if applicable). Such Tax Treaty relief is usually applicable on the condition that the income recipient that is a Czech Tax Non-Resident does not hold the Notes through his/her/its Czech Permanent Establishment. Furthermore, the entitlement to particular Tax Treaty benefits is generally conditional on presenting documents proving that the income recipient qualifies for the Tax Treaty benefits including, in particular (i) a tax residency certificate issued by the relevant tax authorities and (ii) a beneficial ownership declaration of the income recipient. Entitlement to particular Tax Treaty benefits may also be conditional on meeting further specific criteria under that Tax Treaty.

20 Reporting Obligation

An individual holding the Notes (whether a Czech Tax Resident or a Czech Tax Non-Resident) is obliged to report to the Czech tax authorities any income earned in connection with the Notes if such income is exempt from taxation in the Czech Republic and exceeds, in each individual case, CZK 5,000,000. The reporting must be fulfilled within the deadline for filing a personal income tax return. A non-compliance with this reporting obligation is penalized by a sanction of up to 15 per cent. of the gross amount of the unreported income.

21 Value Added Tax

There is no Czech value added tax payable in respect of the payment of interest or principal under the Notes, or in respect of the transfer of the Notes.

22 Other taxes or duties

No registration tax, capital tax, customs duty, transfer tax, stamp duty or any other similar tax or duty is payable in the Czech Republic by either the Czech Tax Resident or the Czech Tax Non-Resident in respect of or in connection with the mere purchase, holding or disposal of the Notes.

FOREIGN EXCHANGE REGULATION

Under the Constitutional Act on the Security of the Czech Republic, the Czech Government or the prime minister may declare an emergency (*nouzový stav*). If the Czech Government or the prime minister declares an emergency, payments in foreign currency or payments abroad generally, interbank transfers of monies from abroad to the Czech Republic and/or sale of securities (including the Notes) abroad may be suspended in accordance with the Crisis Act, for the duration of such an emergency. Such an emergency may be declared for a maximum period of 30 days unless prolonged by the approval of the Chambers of Deputies of the Parliament of the Czech Republic. In recent years, the Czech Government declared an emergency in connection with the COVID-19 pandemic from March to May 2020, from October 2020 to April 2021 and finally from November to December 2021. An emergency was declared also from March to June 2022 in connection with the refugee wave following the Russian invasion of Ukraine in February 2022.

ENFORCEMENT OF CIVIL LIABILITIES AGAINST THE ISSUER

This chapter contains only general information and relies on information obtained from publicly available sources. The Issuer or its advisers make no representation as to the accuracy or completeness of the information included herein. Any prospective purchasers of the Notes should therefore not rely upon the information included herein and are recommended to contact their legal advisers for consultation about the enforcement of claims in respect of the Issuer's private law liabilities within any relevant jurisdiction.

The Terms and Conditions provide, among other things, that the courts of the Czech Republic shall have jurisdiction to settle any disputes, which may arise out of or in connection with the Notes (including a dispute relating to any non-contractual obligations arising out of or in connection with the Notes).

The recognition and enforcement of foreign judgments in civil and commercial matters in the Czech Republic is governed by EU law, public international treaties and Czech law. EU Regulation 1215/2012 of 12 December 2012 on jurisdiction and the recognition and enforcement of judgments in civil and commercial matters (the "**Regulation 1215/2012**") is directly applicable in the Czech Republic. Based on this regulation, court rulings issued by any court authority in the EU member states with regard to civil and commercial matters are enforceable in the Czech Republic, subject to the rules set forth in the Regulation 1215/2012 and, conversely, court rulings issued by court authorities in the Czech Republic with regard to civil and commercial matters are reciprocally enforceable in the EU member states.

As from 1 January 2021, the Regulation 1215/2012 no longer applies in the UK. As a result, persons enforcing a judgment obtained before English courts no longer benefit from the recognition of such judgment in EU courts (including the Czech Republic) under the Regulation 1215/2012. However, on 28 September 2020, the UK deposited an instrument of accession to the Hague Convention on Choice of Court Agreements 2005 (the "**Hague Convention**"). The Hague Convention is an international convention which requires contracting states to recognise and respect exclusive jurisdiction clauses in favour of other contracting states and to enforce related judgments. As the Czech Republic already is a party to the Hague Convention by virtue of being a member state of the EU, judgments handed down by a UK court should be recognised and enforced under the Hague Convention in the Czech Republic. However, the scope of the Hague Convention is limited to contracts containing exclusive jurisdiction clauses and there is no assurance that such judgments will be recognised on exactly the same terms and in the same conditions as under the Regulation 1215/2012.

According to the EC Regulation No. 593/2008 of 17 June 2008 on the law applicable to contractual obligations, parties to a contract may, subject to the terms set out therein, select the law which will govern their contractual relations in civil and commercial matters and Czech courts will give effect to such choice of law. In addition, EC Regulation No. 864/2007 on the law applicable to non-contractual obligations of 11 July 2007 allows parties to make a choice with respect to governing law of their non-contractual obligations in civil and commercial matters, subject to the terms set out therein. Unless parties to the dispute agreed otherwise, or unless courts of a different member state have an exclusive jurisdiction, foreign entities are able to bring civil proceedings before Czech courts against individuals and legal entities domiciled therein. In court proceedings, Czech courts apply their respective national procedural rules and their judgments are enforceable in their respective jurisdictions, subject to certain statutory limitations on the ability of creditors to enforce judgments against certain assets.

Any person bringing an action in the Czech Republic may be required to: (i) submit to the court a translation in the Czech language (apostilled if applicable pursuant to respective international treaties) of any relevant document prepared by a sworn translator authorised by such court; and (ii) pay a court filing fee.

In the event that court judgments against the Issuer are issued by court bodies of non-EU member states, the following rules shall apply:

(a) In cases where the Czech Republic concluded an international treaty with a specific country on the recognition and enforcement of court rulings, the recognition and enforcement of court rulings issued in such country is processed in accordance with the provisions of the applicable international treaty.

(b) If no international treaty on the recognition and enforcement of court rulings exists, then the rulings of foreign courts shall be recognised and enforced in the Czech Republic in accordance with Act No. 91/2012 Coll., on private international law, as amended (the "**Czech Private International Law Act**") and other relevant legislation. In the event of a foreign ruling against a Czech individual or legal entity, such a foreign ruling shall be recognised and enforced if, among other things, actual reciprocity has been established regarding the recognition and enforcement of judgments rendered by Czech courts in the relevant country.

The Czech Ministry of Justice may, upon agreement with the Czech Ministry of Foreign Affairs and other ministries, declare that reciprocity has been established with respect to a particular foreign country. Such declaration is binding on the Czech courts and other state authorities. If such declaration of reciprocity has not been issued with regard to a particular country, however, this does not automatically mean that reciprocity cannot be established in a given case. In such cases, the recognition of reciprocity would be assessed as part of the proceedings by the Czech court based on the actual situation in a given country with regard to the recognition of judgments of Czech authorities.

On the other hand, even if reciprocity has been established and declared by the Ministry of Justice with respect to judgments issued by judicial bodies of a particular foreign country, such judgments may not be recognised and enforced under applicable provisions of Czech law if, for example: (i) the matter falls within the exclusive jurisdiction of the courts of the Czech Republic, or in the event that the proceedings could not have been conducted by any authority of a foreign state, should the provisions on the jurisdiction of Czech courts be applied for considering the jurisdiction of the foreign authority (unless the party against whom the decision was issued voluntarily submitted to the authority of the foreign body); (ii) proceedings are underway before a Czech court with regard to the same legal relations and if said proceedings commenced prior to the proceedings abroad, in which the judgement whose recognition has been proposed was issued; (iii) a Czech court has issued or recognised a final judgment in the same matter, or proceedings regarding the same matter are pending before a Czech court; (iv) the foreign authority deprived the party to the proceedings against whom the judgment was made of the opportunity to properly participate in the proceedings (i.e., in particular, if such party had not been duly served for the purposes of the initiation of the proceedings); or (v) the recognition of a foreign judgment would be contrary to the public order in the Czech Republic.

SUBSCRIPTION AND SALE

General Information about the Mandated Persons and the Method of Subscription

On the basis of the mandate agreement dated 15 May 2024 (the "**Mandate Agreement**"), the Issuer has mandated Česká spořitelna, a.s., LEI: 9KOGW2C2FCIOJQ7FF485 ("**ČS**"), Komerční banka, a.s., LEI: IYKCAVNFR8QGF00HV840 ("**KB**") and UniCredit Bank Czech Republic and Slovakia, a.s., LEI: KR6LSKV3BTSJRD41IF75 ("**UniCredit**" and together with ČS and KB the "**Joint Lead Managers**" and each individually a "**Joint Lead Manager**"), as joint lead managers, with the preparation of the Issue, the offering and placement of the Notes to investors and the admission of the Notes to trading on the Regulated Market of the PSE.

The Issuer intends to issue the Notes in the anticipated aggregate nominal amount of the Issue of up to CZK 5,001,000,000 (five billion one million Czech Koruna) with the possibility of increase up to CZK 8,001,000,000 (eight billion one million Czech Koruna) due in 2029.

This Prospectus has been prepared and published for the purpose of the admission of the Notes to trading on the Regulated Market.

Subscription of the Notes

The Joint Lead Managers will subscribe the Notes in accordance with the agreement on the subscription and purchase of Notes (the "**Subscription Agreement**") to be concluded between the Issuer and the Joint Lead Managers.

Neither the Joint Lead Managers nor any other person in relation to the Issue has undertaken an obligation to subscribe for or purchase any of the Notes. The placement of the Notes will thus be made on a "best efforts" basis, meaning that the Joint Lead Managers will use their best efforts to search for the prospective investors in the Notes and place the Notes with and sell them to such investors.

The issue price of all the Notes issued on the Issue Date has been set at 99.375 per cent. of the nominal amount of the Notes. The issue price of any Notes issued after the Issue Date will be determined based on a joint decision of the Issuer and the Joint Lead Managers taking into account the current market conditions. Where relevant, a corresponding accrued interest will be added to the amount of the issue price for any Notes issued after the Issue Date.

The Joint Lead Managers will subscribe the Notes and, as the case may be, subsequently offer them to domestic or foreign investors in accordance with the applicable rules and regulations and based upon one or more exemptions from the obligation to publish a prospectus, as per the Prospectus Regulation. In this respect, the Issuer draws attention to the fact that (i) the nominal amount of each individual Note exceeds EUR 100,000 (or the equivalent of this amount in Czech Koruna), and (ii) the Notes may only be acquired for a price in excess of the minimum amount of EUR 100,000 (or the equivalent in Czech Koruna).

There is no minimum amount for which the investor may subscribe and purchase the Notes (other than the purchase price of each Note). The maximum volume of the nominal value of the Notes demanded by the individual investor in its order is limited by the foreseen aggregate nominal amount of the Notes offered by the Joint Lead Managers. The Joint Lead Managers may reduce the investor's order at their discretion and upon consultation with the Issuer (provided that any surplus will be immediately returned in the investor's account stated to the relevant Joint Lead Manager). The final nominal amount of the Notes assigned to the individual investor will be stated in the transaction clearing confirmation by e-mail, which will be delivered to the investor by the Joint Lead Managers without undue delay after the execution of the instruction. The investor may not trade in the subscribed Notes before this confirmation is delivered.

Admission of the Notes to Trading & Settlement

The Issuer will apply through the Listing Agent (as defined below) for admission of the Notes to trading on the Regulated Market and expects the Notes to be admitted to trading on or around the Issue Date, i.e. 24 June 2024. The estimated amount of fees associated with the admission of the Notes to trading on the Regulated Market is CZK 50,000 as the listing fee and CZK 15,000 as the annual trading fee.

No person has accepted the obligation to act as a market maker. Neither the Issuer nor the Joint Lead Managers can rule out that the Notes may become non-tradable on any market(s) and that the Noteholders will thus be unable to sell the Notes on such a market or markets before maturity.

The settlement will be performed on a DVP (delivery versus payment) or DFP (delivery free of payment) basis through the Central Depository and Fiscal and Paying Agent, as applicable, or through persons keeping the related records following the standard practices in accordance with the rules and operating procedures of the PSE and the Central Depository and within the deadlines set by the applicable rules. The settlement will be administered by ČS in the role of the Fiscal and Paying Agent (as defined below).

Provision of services and conduct of business by the Joint Lead Managers

The Joint Lead Managers and their respective affiliates may have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform services for, the Issuer and other members of the Group (including, in some cases, credit agreements, credit lines and other financing arrangements) in the ordinary course of their banking business. The Joint Lead Managers and their respective affiliates may have positions, deal or make markets in the Notes, related derivatives and reference obligations, including (but not limited to) entering into hedging strategies on behalf of the Issuer and its affiliates, investor clients, or as principal in order to manage their exposure, their general market risk, or other trading activities.

The Joint Lead Managers and their respective affiliates may provide banking services including financing, to the Issuer, and for which they may be paid fees and expenses. In addition, in the ordinary course of their business activities, the Joint Lead Managers and their respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of the Issuer and/or its affiliates (including the Notes). The Joint Lead Managers may have a lending relationship with the Issuer and its affiliates and may routinely hedge its credit exposure to the Issuer and/or its affiliates consistent with their customary risk management policies. Typically, the Joint Lead Managers and their respective affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in the securities of the Issuer or the relevant affiliate, including potentially the Notes. Any such positions could adversely affect future trading prices of the Notes. The Joint Lead Managers and their respective affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments (including, without limitation, the Notes).

Restrictions on the Distribution of the Prospectus and the Sale or Purchase of the Notes

The distribution of this Prospectus as well as any offer, sale or purchase of the Notes is restricted by law in some jurisdictions. The Issuer has not asked and will not ask for approval or recognition of this Prospectus (including its supplements, if any) in any other jurisdiction, the Notes will not be registered, permitted or approved by any administrative or other authority in any jurisdiction with the exception of the approval of this Prospectus by the CNB.

All persons in possession of this Prospectus are responsible for observing any restrictions relating to the offer, purchase and sale of the Notes and the possession and distribution of any documents relating to the Notes (including the Prospectus) in all relevant jurisdictions.

The Issuer informs the prospective Noteholders that the Notes are not and will not be registered in accordance with the Securities Act or by any securities commission or another regulatory body of any state of the U.S. and therefore cannot be offered, sold or transferred in the territory of the U.S. or to U.S. residents (as these terms are defined in Regulation S) other than on the basis of an exemption from the registration obligation according to the Securities Act or as a part of a transaction that is not subject to mandatory registration according to the Securities Act.

The Issuer also notes that the Notes may not be offered or sold in the United Kingdom of Great Britain and Northern Ireland (the "**UK**") by disseminating any material or notice, except for sale to persons authorised to deal in securities in the UK on own account or on behalf of others or under circumstances which do not constitute a public offering of securities within the meaning of the Companies Act 1985, as amended. Any legal acts regarding notes performed in, from, or otherwise in connection with the UK must also be performed in accordance with the Financial Services and Markets Act 2000 (FSMA 2000), as amended, the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended, and the Prospectus Regulation, as it forms part of English law by virtue of the European Union (Withdrawal) Act 2018.

In addition to the above, the Issuer asks the subscribers of each Note and the Note acquirers to observe all relevant restrictions in each country (including the Czech Republic) where they would purchase, offer, sell or otherwise transfer the Notes or where they would distribute, make accessible or otherwise circulate this Prospectus including its supplements, if any, or any other offering or promotional material or information in connection with the Notes, in each case at their own expense and irrespective of whether this Prospectus or its supplements or any other offering or promotional material or information in connection with the Notes is recorded in the printed form or in the electronic or any other intangible form.

Any person that acquires any Notes will be deemed to have represented and agreed that (i) such person acknowledges all relevant restrictions on the offer, sale and purchase of the Notes relating to such person and the relevant method of offer, sale or purchase, (ii) such person will not further offer for sale or sell the Notes without complying with all relevant restrictions applicable to such person and to the relevant method of offer and sale and (iii) before further offering for sale or further selling the Notes, such person will inform the potential buyers that in certain jurisdictions, further offer or sale of the Notes may be subject to legal restrictions, which must be observed.

GENERAL INFORMATION

Authorisation

The creation and issue of the Notes has been authorised by the resolution of the Board of Directors of the Issuer dated 28 November 2023, the resolution of the Supervisory Board of the Issuer dated 7 December 2023 and the resolution of the Steering Committee of the Issuer dated 13 December 2023.

Legislation Under Which Notes have been Created

The Notes are to be issued in accordance with the applicable legislation, in particular the Czech Act No. 190/2004 Coll., on Bonds, as amended and the Prospectus Regulation.

Expenses Related to Admission to Trading

Application has been made for the Notes to be admitted to trading on the Regulated Market. It is expected that the admission of the Notes to trading on the Regulated Market will be granted on or around the Issue Date. The estimated amount of fees associated with the admission of the Notes to trading on the Regulated Market is CZK 50,000 as the listing fee and CZK 15,000 as the annual trading fee.

Recent Events Particular to the Issuer

The Issuer is not aware of any recent events particular to it or to the Group which are to a material extent relevant to an evaluation of the Issuer's solvency.

Significant/Material Change

Since 31 December 2023, there has been no material adverse change in the prospects of the Issuer or the Group.

Since 31 December 2023, there has been no significant change in the financial performance of the Issuer or the Group and no significant change in the financial position of the Issuer or the Group.

Legal and Arbitration Proceedings

Save as disclosed in "*Description of the Issuer—Disputes*", there are no governmental, legal or arbitration proceedings, (including any such proceedings which are pending or threatened, of which the Issuer is aware), which may have, or have had during the 12 months prior to the date of this Prospectus, a significant effect on the financial position or profitability of the Issuer or the Group.

Statutory Auditor

The 2023 Financial Statements have been prepared by the Issuer in accordance with IFRS and audited (in accordance with ISA) by Deloitte Audit s.r.o., with its registered seat at Italská 2581/67, Vinohrady, 120 00 Prague 2, Czech Republic, an audit company registered with the Czech Chamber of Auditors.

The 2022 Financial Statements have been prepared by the Issuer in accordance with IFRS and audited (in accordance with ISA) by PricewaterhouseCoopers Audit, s.r.o., with its registered seat at Hvězdova 1734/2c, 140 00 Prague 4, Czech Republic, an audit company registered with the Czech Chamber of Auditors.

Documents on Display

Copies of the following documents (together with English translations thereof) may be inspected during normal business hours at the registered address of the Issuer for 12 months from the date of this Prospectus:

(a) the deed of incorporation and articles of association of the Issuer;

(b) the consolidated financial statements of the Issuer for the years ended 31 December 2023 and 2022 prepared in accordance with the IFRS as adopted by the EU;

(c) the Prospectus; and

(d) the Fiscal and Paying Agency Agreement.

In addition, the consolidated financial statements of the Issuer for the years ended 31 December 2023 and 2022 prepared in accordance with the IFRS as adopted by the EU, this Prospectus and any supplements to the Prospectus will be available, in electronic format, on the website of the Issuer www.ceskedrahy.cz in section *For investors - Bonds* for at least 10 years after the approval of the Prospectus by the CNB.

Interest of Persons Involved in Issuance and Offering of Notes

The Issuer is not aware of any interest of persons involved in the issuance and offering of the Notes which would be material for the Issue, except for any fees payable to ČS, acting as joint lead manager, fiscal and paying agent, and the listing agent, KB, acting as joint lead manager and UniCredit, acting as joint lead manager, in connection with the offering and subscription and sale of the Notes.

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Czech Republic

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For the year ended 31 December 2022

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