ZSSK CARGO

Annual Report 2023

Železničná spoločnosť Cargo Slovakia, a. s.

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FOREWORD BY THE CHAIRMAN OF THE BOARD OF DIRECTORS

The year 2023 was another challenging year in many ways. Despite the unfavourable circumstances, it was closed with a profit, and therefore we can basically regard it as a good year. However, turbulent times caused by global crises accompanied us almost daily. For the first time, we had to deal with the reflection of previously unknown input cost items, which included not only traction electricity, in transport service prices for our customers. The inevitable consequence of this was the introduction of quarterly contracts. Thanks to open communication and factual arguments, customers accepted significant price hikes, which were necessary to cope with unprecedentedly increasing costs that were out of our control, unfortunately often at the cost of losing some shipments. The ongoing war in Ukraine, the energy crisis and high inflation was compounded by the events in the Middle East, and subsequent concerns about rising oil prices that still persist. These phenomena have an impact on the economy, trade, political decisions and directly or indirectly affect the railways as well. During the year, the company went beyond the promises given a year ago, and also beyond what was offered by some national operators in the neighbouring countries. The situation on the energy market, the lack of systemic support for rail transport from the state, the decline in industrial production and high inflation combined with a sharp increase in costs continued to adversely affect rail freight transport. Nevertheless, the first half of last year turned out quite positively. In the second half of the year, the decline in demand began to be more and more evident in the metallurgical industry, and this goes hand in hand with the decrease in the volume of transport for this sector. The challenge for the period to come will be a gradual change in the technology of production of steel products in connection with decarbonisation with the aim of reducing harmful emissions. This will bring a decrease in transported volumes of input raw materials, including iron ore. In order to be prepared for this situation, our first step in this area should be to adapt the wagon fleet to the changing trends in the sector. We procured new Innofreight wagons with container bodies for the transport of loose substrates and agreed on more flexible conditions for leased wagons.

Železničná spoločnosť Cargo Slovakia transported almost 26.4 million tonnes of goods in 2023, which is 1.8 million tonnes less than the plan, representing a year-over-year decline of 2.5 million tonnes. The largest decrease was recorded in the commodity timber due to decreased market demand for this commodity as well as paper products in Europe and in the world, and in the commodity metals. There was also a decline in the commodity chemical products, when, mainly as a result of the military conflict in Ukraine, commodity flows of methanol and other products ceased or were redirected outside the territory of Slovakia. During the year, we also managed to acquire some large shipments in terms of volume and revenue. Compared to the plan, the largest increase was seen in the commodity foodstuffs as a result of increasing the existing freight orders and acquiring new freight orders for the transport of agricultural products from Ukraine. And thanks to the sufficient capacities of high-sided wagons and wagons with stanchions, we support the transport of goods loaded abroad as well as collecting block trains with goods loaded in Slovakia.

We made many investments, such as the aforementioned Innofreight wagons, but also the purchase of new equipment for the maintenance and repairs of rolling stock. The continued digitalisation of processes in trade, operations, as well as in other areas is also a positive. Last year, advancement was also made in strengthening the capacities of the locomotives fleet. Further modernised 742-series locomotives were deployed during the year. Their modernisation first of all increased the reliability of the locomotives in operation, as a result of which the company is able to guarantee trouble-free and reliable carriage of goods to customers.

The end of the year brought many organisational changes in the company, and these also concerned the company's management, which clearly declares its priorities, such as the economic and operational stability of the company and its development.

Transport by rail is clearly the most eco-friendly and safest mode of transport. Therefore, in Slovakia, we should adopt solutions for its support and greater competitiveness among transport modes, following the example of many European countries. Being in danger of collapsing gradually, the position of single wagonload shipments is critical. Especially in the past two years, ZSSK CARGO has been trying to obtain systematic support, as is provided in other EU countries, for single wagonload shipments, which cannot survive without state support.

In Europe, businesses are racing to become most environmentally friendly and proudly disclose how much CO_2 they saved by transporting by rail. In Slovakia, we also already realise that we have to do something for the planet, and that is also why rail transport deserves more attention. Rail is nine times more ecological than road, not to mention the impact of traffic accidents.

ZSSK CARGO operates on a liberalised market where fierce competition reigns. Market conditions bring challenges every day that only skilled and professionally competent employees can cope with. We value our employees' many years of experience and do our best to fully and effectively use and further develop this human potential. We view positively the increase in basic wages since July 2023, which has at least partially helped to mitigate the impact of the generally rising cost of living. As to employment, where we have had the long-term problem of finding new employees for selected professions, at the end of the year we were also very negatively affected by the legislation allowing retirement after 40 years of work. At ZSSK CARGO, up to 367 employees used this option to retire. On the one hand, it led to at least temporary cost savings and increased productivity, on the other hand, when looking at the age structure of the employees, the problem of recruiting new people became even worse. However, it is our long-term task to attract the young generation to working on the railway. This will be achieved by making our work and, of course, workplaces more attractive so that we can smoothly fulfil the duties of a national rail freight carrier. However, we believe that with the help of our employees we will still be able to overcome obstacles and will continue following the path of prosperity and offer high quality services.

Jaroslav DANIŠKA

Chairman of the Board of Directors and CEO of Železničná spoločnosť Cargo Slovakia, a. s.

LIST OF USED ABBREVIATIONS

AVV	General Contract for the Use of Wagons (Allgemeiner Vertrag für die Verwendung von Güterwagen)
BTS	BULK TRANSSHIPMENT SLOVAKIA, a. s.
CTT	Combined Transport Terminal
ECM	Entity in Charge of Maintenance
EIR	Effective Interest Rate
ESTY	East Slovakia Transshipment Yards
ETCS	European Train Control System
EU	European Union
EURIBOR	Euro Interbank Offered Rate
EVO	Vojany Power Station (Elektrárne Vojany)
IAS	International Accounting Standards
IASB	International Accounting Standards Board
ICT	Information and Communication Technologies
IFRIC	International Financial Reporting Interpretations Committee
IFRS	International Financial Reporting Standards
ISA	International Standards on Auditing
ISO	International Organization for Standardization
IT	Information Technologies
KPI	Key Performance Indicator
MPU	Motive Power Unit
MT SR	Ministry of Transport of the Slovak Republic
OECD	Organisation for Economic Cooperation and Development
PGV	Regulation on the Use of Wagons in International Carriage of Goods by Rail
RIV	Agreement Governing the Exchange and Use of Wagons between Railway Undertakings (Regolamento Internazionale Veicoli)

SKAU	Slovak Chamber of Auditors (Slovenská komora audítorov)
STN	Slovak Technical Standard (Slovenská technická norma)
UDVA	Auditing Oversight Authority (Úrad pre dohľad nad výkonom auditu)
UN	United Nations Organization
VAT	Value Added Tax
ZSSK	Železničná spoločnosť Slovensko, a. s. (Slovak rail passenger operator)
ZSSK CARGO	Železničná spoločnosť Cargo Slovakia, a. s.
ŽS	Železničná spoločnosť, a. s. (Slovak rail passenger and freight operator)
ŽSR	Železnice Slovenskej republiky (Slovak rail infrastructure manager)

MILESTONES

- Continuation of the carrying out of intensified shipments of goods resulting from the war conflict in Ukraine, especially shipments of cereals.
- Delivery of 7 reconstructed locomotives of series 742.71 and the trial operation of the said locomotives.
- Receipt of dividends from the companies with a minority shareholding - Cargo Wagon, a. s. and BULK TRANSSHIPMENT SLOVAKIA, a. s.
- Returning a large number of leased wagons to the subsidiary Cargo Wagon, a. s., with a view to stabilising their number at 6,000 wagons.
- Continued optimisation of the number of locomotives maintained in the ZSSK CARGO portfolio in an operable condition with respect to the realised shipments, which most affected locomotives of series 742, 751 and 752.
- Starting the project of change to standard gauge for 4 locomotives of series 773.8.
- Optimisation of the energy efficiency of buildings and structures (optimisation of the heating of main workplaces, thermal insulation of buildings) and full reconstruction of tracks at selected workplaces of the company.
- Implementation of an audio and video signal recording system and an evaluation system for 11 locomotives of series 363.
- Procurement of a vertical CNC lathe for working the inner diameter of wheelset treads for the locomotive depot Spišská Nová Ves.
- Ceasing the project Depo Services, a. s. by the shareholder in the preparatory phase before completing the process of incorporating a part of the business into the subsidiary already established.
- Gradual deployment of new specialised Innofreight wagons with container bodies for transporting iron ore acquired through long-term lease.
- A significant increase of EUR 150 in basic wages since 1 July 2023 in accordance with the valid collective agreement.
- Transition to spot prices instead of fixed prices in the invoicing of traction electricity supplies by ŽSR and their reflection in transport service prices for customers.
- Continuation of the intensive use of new IT tools (video meetings) with a positive impact on the reassessment of the voice services used and the number of business trips. Using the "home office" mode to a reasonable extent is an accepted and full-fledged way of working in professions whose nature allows such distance work.

FREIGHT TRANSPORT

In 2023, our company transported 26,351 thousand tonnes of goods, with the transport output reaching almost 5,185 million net tonne-kilometres and the average transport distance being 196.8 km. Compared to the figures for 2022, we recorded a significant decrease of -2,500 thousand tonnes and -676 million net tonne-kilometres, while the average transport distance fell by 6.4 km.

The largest decrease compared to 2022 was recorded in the commodity timber (-678 thousand tonnes) due to a decline in market demand for timber and paper products in Europe and in the world, in the commodity chemical products (-503 thousand tonnes), where an important customer began to have a part of its shipments transported by other carriers, and at the same time there was no renewal of transit transport of methanol through the ESTY due to the continuation of the military conflict in Ukraine. The decrease in the transport of other commodities (iron ore -352 thousand tonnes, metals -274 thousand tonnes, coal -167 thousand tonnes) only copied the trends of the European metallurgy and confirmed the high dependence of ZSSK CARGO's transport volumes on this industry.

Compared to 2022 an increased transport volume was seen in the commodity unspecified items (+127 thousand tonnes) thanks to higher exports of cars. In the commodity foodstuffs (+109 thousand tons), requirements for the transport of agricultural products grew in connection with the transition of part of the shipments from Ukraine from maritime to rail transport via Čierna nad Tisou and the CTT Dobrá as part of the so-called Solidarity Corridor. Therefore, together with our subsidiary, we expanded the transshipment capacities on the eastern border for the transshipment of grain and the certified pumping of edible oils.

In terms of contracting business cases, 2023 was perhaps the most complicated year in history. Yet at the beginning of the year, some important cost inputs (traction media, rail infrastructure charges), which significantly affect the price of transport, were not known and guaranteed for the whole year. Therefore, we were forced to introduce a system of contracting business cases with time-limited validity of three months and the possibility of automatic extension on a quarterly basis until the end of the year at the utmost.

Freight transport by commodities

In thousands of tonnes	2023	2022	2021	2020	2019	2023/2022
Iron ore	10,171	10,523	12,351	9,560	10,263	0.97
Metals	3,215	3,489	4,049	3,023	3,649	0.92
Coal	3,127	3,294	3,699	2,915	4,326	0.95
Building materials	2,496	2,812	2,948	2,497	2,980	0.89
Petroleum products	2,446	2,684	2,447	2,382	2,388	0.91
Timber	1,277	1,955	2,052	1,985	2,245	0.65
Chemical products	930	1,433	1,959	1,837	1,971	0.65
Intermodal transport	616	824	776	1,009	1,044	0.75
Non-specified	972	845	902	809	794	1.15
Foodstuffs	1,101	992	202	205	297	1.11
Total	**26,351**	**28,851**	**31,385**	**26,222**	**29,958**	**0.91**

Freight transport by transport modes

Domestic	2023	2022	2021	2020	2019	2023/2022
Transported goods (in thousands of tonnes)	3,269	3,614	3,570	3,258	3,630	0.90
Operation performance (in mil. net tkm)	667	729	674	607	671	0.91
Import	**2023**	**2022**	**2021**	**2020**	**2019**	**2023/2022**
Transported goods (in thousands of tonnes)	11,672	12,357	13,395	10,427	12,125	0.94
Operation performance (in mil. net tkm)	1,739	2,065	2,188	1,838	1,962	0.84
Export	**2023**	**2022**	**2021**	**2020**	**2019**	**2023/2022**
Transported goods (in thousands of tonnes)	6,333	7,141	7,941	6,878	7,425	0.89
Operation performance (in mil. net tkm)	907	986	1,103	933	1,066	0.92
Transit	**2023**	**2022**	**2021**	**2020**	**2019**	**2023/2022**
Transported goods (in thousands of tonnes)	5,077	5,739	6,479	5,659	6,778	0.88
Operation performance (in mil. net tkm)	1,872	2,081	2,386	1,997	2,372	0.90
Freight transport in Total	**2023**	**2022**	**2021**	**2020**	**2019**	**2023/2022**
Transported goods (in thousands of tonnes)	26,351	28,851	31,385	26,222	29,958	0.91
Operation performance (in mil. net tkm)	5,185	5,861	6,351	5,375	6,070	0.88

STRUCTURE OF MPUs

Inventory status of ZSSK CARGO MPUs as at 31 December 2023

	Total	Up to 15 years	Up to 30 years	Over 30 years
Electric locomotives	216	-	8	208
Diesel locomotives	205	52	21	132
Diesel coaches	1	-	-	1
Total	**422**	**52**	**29**	**341**

FREIGHT WAGONS

Age structure of ZSSK CARGO freight wagons fleet

	Total	0-5 years	6-10 years	11-15 years	16-20 years	21-25 years	26-30 years	Over 30 years
Covered wagons	151	-	-	-	150	-	-	1
Open wagons	363	-	-	256	100	-	-	7
Flat wagons	1,286	-	-	550	497	71	154	14
Other freight wagons	17	-	-	-	-	-	-	17
Freight wagons in Total	**1,817**	**-**	**-**	**806**	**747**	**71**	**154**	**39**

Besides the above-mentioned wagons in full ownership, ZSSK CARGO rented other wagons by way of operating lease, in particular from Cargo Wagon, a. s., which is a joint venture of ZSSK CARGO.

Structure of ZSSK CARGO freight wagons fleet

	2023	2022	2021	2020	2019
Covered wagons	151	161	161	164	172
Open wagons	363	363	363	364	164
Flat wagons	1,286	1,291	1,292	1,294	1,294
Other freight wagons	17	17	17	1	1
Freight wagons in Total	**1,817**	**1,832**	**1,833**	**1,823**	**1,631**

Leasing

	2023	2022	2021	2020	2019
Covered wagons	-	-	-	-	-
Open wagons	-	-	-	-	200
Flat wagons	-	-	-	-	-
Other freight wagons	-	-	-	-	-
Freight wagons in Total	**-**	**-**	**-**	**-**	**200**

Age structure of ZSSK CARGO freight wagons fleet by wagon series (classes) as at 31 December 2023

Series	Total	0-5 years	6-10 years	11-15 years	16-20 years	21-25 years	26-30 years	Over 30 years
E – open high-sided wagon of regular construction	163	-	-	56	100	-	-	7
F – open wagon of specific construction	200	-	-	200	-	-	-	-
G – covered wagon of regular construction	-	-	-	-	-	-	-	-
H – covered wagon of specific construction	151	-	-	-	150	-	-	1
K – flat wagon of regular construction	-	-	-	-	-	-	-	-
L – flat wagon of specific construction	202	-	-	200	2	-	-	-
R – flat bogie wagon of regular construction	309	-	-	-	295	-	-	14
S – flat bogie wagon of specific construction	775	-	-	350	200	71	154	-
T – wagon with opening roof	-	-	-	-	-	-	-	-
Z – tank wagon	1	-	-	-	-	-	-	1
U – wagons of special construction	16	-	-	-	-	-	-	16
Total	**1,817**	**-**	**-**	**806**	**747**	**71**	**154**	**39**

CAPITAL INVESTMENTS OF ZSSK CARGO

(accounting balance as at 31 December 2023 in EUR)

Company	Number of shares (pcs)	Type	Share (%)	Value of capital investments
Intercontainer - Interfrigo s. c. Brussels, Belgium	385	paper form	0.03	7,610.33
Bureau Central de Clearing s. c. r. l. Brussels, Belgium	4	paper form	2.96	2,974.72
BULK TRANSSHIPMENT SLOVAKIA, a. s.	435,904	paper form	40	6,660,337.54
Cargo Wagon, a. s.	101	paper form	34	3,402,500.00
ZSSK CARGO Intermodal, a. s.	25	paper form	100	27,500.00
Depo Services, a. s.	25	paper form	100	27,500.00
				10,128,422.59

INTEGRATED MANAGEMENT SYSTEM

Our external and internal customers satisfaction regarding the quality of the transport process is one of the most important goals of the company's top management. The company constantly undertakes activities to ensure a satisfactory level of employees' occupational safety and health protection with a view to minimising the risk of bodily injuries suffered by employees or of damage or losses occasioned by industrial diseases.

The integrated management system compliant with ISO 9001 and ISO 45001 is an indispensable instrument that is used by the company's management to accomplish the tasks regarding the quality of services provided to our customers and occupational safety and health protection.

In order to provide more comprehensive services for our customers, the main and supporting processes and activities in our company were adjusted, resulting in the combination of two certified products. This combination ensures more flexible fulfilment of individual customer requirements.

In the 4th quarter of 2023, the independent certification company TÜV SÜD Slovakia checked the functionality of the integrated management system and confirmed that the management system certificates were rightfully awarded pursuant to ISO 9001 and ISO 45001.

ZSSK CARGO holds certificates:

according to STN EN ISO 9001:2016 for the following products:

- Rail freight transport and transportation.
- Rolling stock maintenance and repairs, storage and distribution of goods.
- Ensuring professional qualification and education of employees.

according to STN ISO 45001:2019:

- Managerial system of work safety and health protection at work.

HUMAN RESOURCES

The company employed 4,028 employees as at 31 December 2022. Within external mobility, 400 employees were hired from available resources on the labour market, while employment contracts were terminated with 662 employees. Owing to mobility, optimisation of employment and streamlining of transshipment operations, the headcount recorded by the company as at 31 December 2023 was 3,771 employees.

This represents a headcount decrease of 257 employees (-6.4%), compared to 2022.

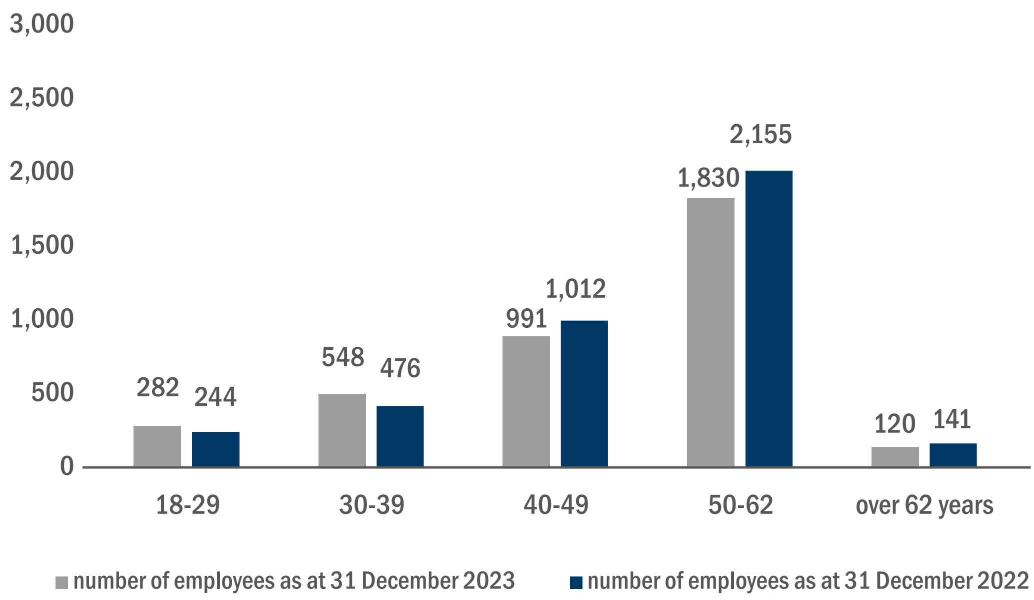
Structure of employees by sex as at 31 December 2023

Men	2,790	73.99%
Women	981	26.01%
Total	**3,771**	**100.00%**

Structure of employees by type of work as at 31 December 2023

Administrative employees	562	14.90%
Technical-economic employees in operations and workers	3,209	85.10%
Total	**3,771**	**100.00%**

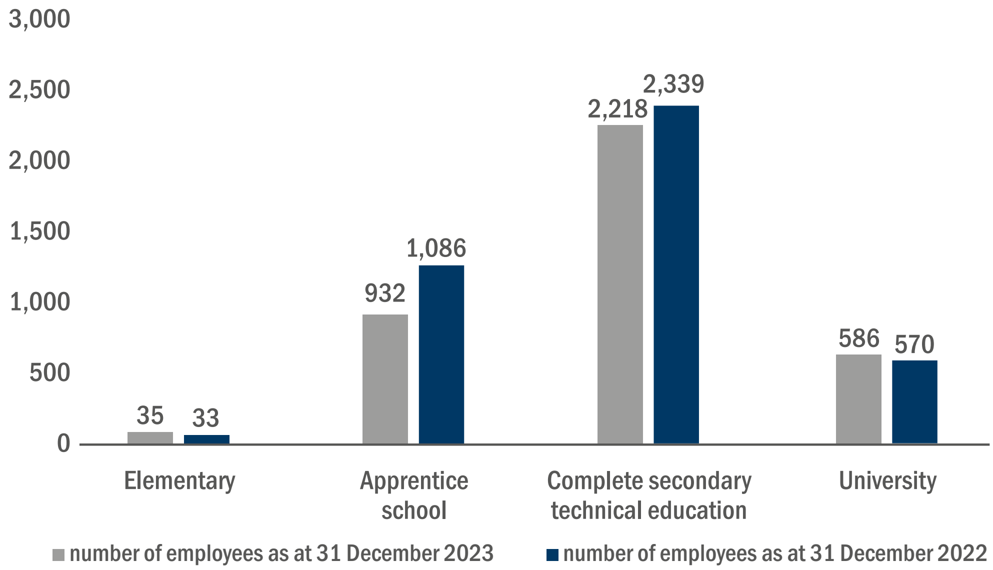
Age structure of employees



With respect to the employees structure by age, the largest decrease in the number of employees was in the age category 50 - 62 years (- 325 employees), where the largest number of employees is recorded at the same time (1,830 employees).

The average age of employees as at 31 December 2023 was **48.25 years.**

Education structure of employees



With respect to the employees structure by education, the largest decrease in the number of employees was in the category "Employees with apprentice school" (-154 employees). The largest number of employees, i.e. 2,218, is recorded in the category "Employees with complete secondary technical education".

Remuneration

The average wage in 2023 was EUR 1,458, which represents a 13.2 % increase compared to 2022.

As to training and education, we focused on personal and team development of employees, coaching and periodic professional training. We continue to cooperate with schools by way of excursions and work experience.

For selected operating professions, after the probationary period, we provide recruitment and stabilisation allowances and, beyond the scope of the law, reconditioning stays in spa facilities.

We also provide a reduced working time fund, time off with wage compensation in case of personal obstacles to work beyond the scope of the Labour Code, rewards for work and life anniversaries.

A moral ministerial award is given for excellent work achievements, participation in the development of the company or for the accomplishment of a meritorious act.

The employer allows participation in the pension savings third pillar.

The company had a collective agreement with 11 trade union headquarters.

RISKS

- High dependence on the metallurgical industry. Metallurgy-related commodities make up a significant part of the transport volumes, and in 2023, they largely contributed to the achieved volumes, compared to the previous year.
- Tough competition from road and rail carriers. Rail freight is not sufficiently supported to achieve the environmental objectives in line with the principles of the EU White Paper “Roadmap to a Single European Transport Area – Towards a competitive and resource efficient transport system” and the objectives of the Paris Agreement, compared to the surrounding countries, especially in the segment of single wagonloads.
- Persistently high fixed costs in relation to the achieved performance figures and their significant share in the overall cost structure. When transport volumes decrease, ZSSK CARGO cannot reduce them immediately as transport operations are very demanding in terms of personnel and technology.
- Changes in legislation that entail the growth of the company’s costs.
- Uncertainty in the development of traction energy prices with a negative impact on the profitability of transport and its competitiveness.
- The risk of rising non-traction energy prices (gas, electricity, heat) has a significant impact on facility management costs.
- The risk of material costs rising due to a significant increase in the prices of spare parts, while there is a risk of them gradually becoming unavailability for obsolete locomotives.
- The impact of high inflation and rising interest rates on the company’s costs.
- The obligation to install ETCS on locomotives from 1 January 2025 on selected corridor lines.

EXPECTED FUTURE DEVELOPMENT

The recession in Germany and the related slowdown in production in the EU and the war conflict in Ukraine have a negative impact on demand for transport in Slovakia. These considerations give rise to an uncertain outlook as to the future of ZSSK CARGO, which does not expect a significant increase in transport volumes in the near future. In terms of transport volumes achieved in metallurgy, 2023 can be considered average or even below-average. The decline in total annual volumes may further deepen the competition within the Slovak Republic and in the Central European region due to a surplus of locomotives and freight wagons. The company will use the free capacities resulting from lower transport volumes on the domestic market to increase international transport volumes in connection with the provision of transport along the entire transport route.

During 2024, the company will continue implementing measures to enhance labour productivity, efficiency in internal processes and the utilisation of operating and personnel capacities. In 2024, costs will be affected by the uncertain development of energy prices, high interest rates, growing personnel costs and costs of other purchased services, as well as the unavailability of selected types of materials and spare parts.

ZSSK CARGO plans to continue modernising and renewing the strategic series of locomotives, implementing projects aimed at reducing the operating costs, improving the working environment and safety at workplaces. In addition, it will implement the measures resulting from the conceptual materials for the development of the company’s rolling stock. The company will concentrate to a greater extent on the possibility of drawing European funds for the refinancing of suitable projects.

SPECIAL INFORMATION FOR 2023

In 2023, the full process of significant restoration and development of the company's property was not launched, although the value of capital expenditures exceeded EUR 31 million and was the highest in recent years. The growth of capital expenditures is primarily related to the delivery of seven modernised MPUs of 742 series out of the total contracted number of 20 units, which at least partially started the process of renewal of MPUs in the sense of the internal concept.

The uncertainty about the future caused by the war conflict in Ukraine and the energy crisis did not allow us to start major investments and renewing the obsolete fleet. The first half of 2023 began to show a gentle growth and a reversal of the downward trend from the last months of 2022, which was related to the efforts of customers to stock up in advance after the outbreak of the war conflict. In the second half of the year, however, a downturn and the negative effects of the war conflict and the development of the prices of selected commodities began to occur, which mainly affected the transport of iron ore, chemical products, metals and timber. The opposite trend was seen in the transport of foodstuffs as a result of the war and the volume of transport grew year-on-year. The total year-on-year decrease in the volume of goods transported reached more than 1.8 million tonnes (7%). The change in the commodity structure and the adjustment of transport service prices primarily due to high inflation resulted in a year-on-year increase in transport and related revenues by more than 2%.

Large capital expenditure projects according to the medium-term capital expenditure plan and concepts are expected only in the future when the situation on the transport market gets better and stabilises. They will be aimed at increasing labour productivity and efficiency in the use of available assets, which will guarantee the generation of sufficient funds to repay them.

At the end of 2023, the Depo Services, a. s. project was ceased; the aim of the project was to deal with maintenance and repair activities and other activities, which have so far been provided internally within ZSSK CARGO, after incorporating a part of the business into the subsidiary already established.

In 2023, the company did not expend any research and development costs.

The company does not have any business unit abroad.

No events have occurred subsequent to the end of the financial year as of 31 December 2023 that would significantly affect the fair presentation of facts disclosed in the attached financial statements.

It will be proposed to the statutory body that the recognised accounting profit of EUR 476 thousand for 2023 should be mandatorily allocated to the statutory reserve fund and the remainder should be transferred to cover accumulated losses from previous years.

SELECTED ECONOMIC INDICATORS

(according to the data of consolidated financial statements)

In thousands of EUR	2023	2022
Total assets	539,207	520,429
Non-current tangible assets	186,251	182,891
Equity	106,978	109,644
Loans (short-term + long-term)	88,023	78,713
Revenues	303,612	297,884
Costs	(301,800)	(293,938)
Profit (Loss) from financial operations	(8,484)	(5,374)
Share of the profit of the joint venture and associated company	4,378	3,354
Income tax	(60)	(270)
Profit (Loss) for the period	**(2,354)**	**1,656**
Other comprehensive income for the period	(312)	1,601
Total comprehensive income for the period	**(2,666)**	**3,257**

KEY PERFORMANCE INDICATORS ACCORDING TO THE EU TAXONOMY

Based on the significant events of 2015 and 2016 (the adoption of a new global sustainable development framework: The 2030 Agenda and the UN Framework Convention on Climate Change: the Paris Agreement), the European Council adopted conclusions on climate change in 2019. These represent a key step towards the objective of achieving a climate-neutral European Union by 2050. The commitment of the EU and its Member States to the implementation of the 2030 Agenda in a full, coherent, comprehensive, integrated and effective manner was translated into the communication "European Green Deal", which was published in December 2019.

The main objective set out the action plan on financing sustainable growth is to reorient capital flows towards sustainable investment and the implementation of the European Green Deal. Regulation requiring transparency will ensure that providers of financial resources can evaluate the sustainability of business. The introduction of the EU Taxonomy will, among other things, ensure the standardisation and classification of economic activities, investment activities in terms of environmental sustainability and sets six environmental objectives.

Based on valid EU regulations, including the EU Taxonomy, ZSSK CARGO processed three key performance indicators (KPIs) – KPI related to turnover, KPI related to capital expenditure and KPI related to operating expenditure.

Financial data and indicators are based on IFRS consolidated financial statements for 2023. Where applicable, the figures from the statements were directly allocated to individual economic activities. In the case of using the percentage allocation of starting data, more detailed information and the accounting policy are given for individual KPIs.

When compiling information in accordance with the EU taxonomy in this annual report, the company also analysed the newly adopted Delegated Regulation (EU) 2023/2485, which supplements the environmental objective of mitigating climate change with new economic activities, and Delegated Regulation (EU) 2023/2486 (the so-called environmental delegated regulation), which contains a classification of economic activities that contribute significantly to at least one of the remaining environmental objectives of the taxonomy: pollution, water and marine resources, biodiversity and ecosystems and/or circular economy. Based on the analysis of the delegated regulations, the company's list of eligible activities need not be extended. However, the company refined the methodology for calculating Taxonomy-eligible and aligned economic activities for individual KPIs, and the same methodology was also used for comparative values.

In compliance with the EU Taxonomy, the following three economic activities were identified by the Company as eligible for the annual report for the financial year 2022 upon the first disclosure of information in accordance with the EU Taxonomy:

- Freight rail transport (economic activity 6.2),
- Production of low-carbon technologies for transport (economic activity 3.3),
- Infrastructure for rail transport (economic activity 6.14).

On 27 June 2023, the European Commission issued Delegated Regulation (EU) 2023/2485, which supplements the environmental objective of mitigating climate change (Annex No. 1) with activity 3.19 Manufacture of rail rolling stock constituents. In the annual report for 2023, after analysing the new delegated regulation, the company reports the originally presented values related to activity 3.3 - Production of low-carbon technologies for transport under the new economic activity designated as 3.19 Manufacture of rail rolling stock constituents. The following three economic activities were identified as eligible for the annual report for the financial year 2023:

- Freight rail transport (economic activity 6.2),
- Manufacture of rail rolling stock constituents (economic activity 3.19),
- Infrastructure for rail transport (economic activity 6.14).

For each of the KPIs, it was assessed for individual economic activities whether there is no significant harm to the fulfilment of the environmental objectives and whether the activity is carried out in compliance with the minimum safeguards.

Turnover from other activities that are not directly or indirectly related to the mentioned activities is classified as non-EU Taxonomy-eligible.

1. Turnover-related KPI

The definition of net turnover according to the EU Taxonomy corresponds to revenues as recognised in the Statement of Comprehensive Income in the amount of EUR 303,612 thousand (Notes 3 and 4 to the financial statements). This value represents the denominator in the KPI calculation.

6.2 Freight rail transport

Of the total net turnover, EUR 290,351 thousand (95.6%) was allocated to economic activity 6.2 and classified as EU Taxonomy-eligible. The turnover value includes transport revenues achieved by means of electric and diesel-electric MPUs, revenues for the use of freight wagons, rolling stock rental, operations, shunting revenues, and other transport-related revenues.

Of the Taxonomy-aligned turnover value, EUR 206,034 thousand (67.9 % of the total net turnover, 71 % of the turnover derived from activity 6.2) meets the technical criteria for the assessment of a significant contribution to climate change mitigation. With respect to the given activity, the company assessed the technical criteria set out in the Commission Delegated Regulation (EU) 2021/2139 (the so-called Climate Delegated Regulation), where trains and wagons meet the conditions of zero direct CO_2 exhaust emissions in freight transport carried out by electric traction.

The technical criteria for the assessment of a significant contribution also address the so-called "do no significant harm" principle, which should ensure that the economic activity does not have a significant negative impact on the environment and does not do harm to the fulfilment of any other environmental objective set out in Article 9 of Regulation (EU) 2020/852:

- **Climate change adaptation**

  For this activity, it is necessary that the company should meet the criteria set out in Appendix A of the Climate Delegated Regulation, according to which an assessment of climate risks, their materiality and an assessment of adaptation solutions that can mitigate the identified physical climate risk while taking into account the lifetime of the given activity are required.

  The company's core business activity is the provision of transport services on the existing rail infrastructure. Rail transport, mainly powered by electricity, is the most sustainable mode of transport with a low impact on climate change and the potential threat of climate risks.

  The assessment of the ability of individual economic activities to adapt to climate change is primarily based on existing internal analyses, operational regulations, permits and decisions resulting from valid legislation, which define the way relevant facilities are operated. In its operational activities, the company acts exclusively within the framework of valid legislative requirements which are implemented in the company's guidelines with the aim of preventing possible climate risks.

- **Sustainable use and protection of water resources**

  Within economic activity 6.2, the given objective is not applied.

- **Transition to a circular economy**

  On the basis of internal guidelines, the company has measures in place to manage waste in accordance with the waste management hierarchy that meet all legislative requirements.

- **Pollution prevention and control**

  Within the framework of this objective, "significant harm" is caused by engines used to drive motor traction railway vehicles that do not meet the emission limits set out in Annex II to Regulation (EU) 2016/1628.

- **Protection and restoration of biodiversity and ecosystems**

  Within economic activity 6.2, the given objective is not applied.

The economic activity is carried out in compliance with the minimum safeguards. The company did not record any incidents of human rights violations during the financial year 2023 nor historically. To ensure this objective, the company has adopted the Code of Ethics.

Non-taxonomy-aligned turnover (not environmentally sustainable) in the amount of EUR 84,317 thousand (27.8% of the total net turnover, 29% of the turnover derived from activity 6.2) includes the achieved revenues from the transport of fossil fuels (coal, coke, natural gas, crude oil and petroleum products according to nomenclature 2710) and related revenues, revenues from the operation of a siding and the coaling of the thermal power plant in Vojany, as well as the turnover achieved by motor (diesel) traction. The amount of turnover achieved by motor traction was determined based on the transport performance of diesel traction (according to gross tonne-kilometres).

3.19 Manufacture of rail rolling stock constituents

Of the total net turnover, EUR 8,653 thousand (2.9%) was allocated to economic activity 3.19 and classified as EU Taxonomy-eligible.

The net turnover includes revenues from the repair and maintenance of freight wagons and rolling stock, including subcontracting and related services.

Of the Taxonomy-aligned turnover value, EUR 5,409 thousand (1.8% of the total net turnover, 62.5% of the turnover derived from activity 3.19) meets the technical criteria for the assessment of a significant contribution to climate change mitigation (trains and wagons with zero direct CO_2 exhaust emissions).

The technical criteria for the assessment of a significant contribution also address the so-called "do no significant harm" principle, which should ensure that the economic activity does not have a significant negative impact on the environment and does not do harm to the fulfilment of any other environmental objective set out in Article 9 of Regulation (EU) 2020/852:

- **Climate change adaptation**

  For this activity, it is necessary that the company should meet the criteria set out in Appendix A of the Climate Delegated Regulation, according to which an assessment of climate risks, their materiality and an assessment of adaptation solutions that can mitigate the identified physical climate risk while taking into account the lifetime of the given activity are required.

  The company's core business activity is the provision of transport services on the existing rail infrastructure. Rail transport, mainly powered by electricity, is the most sustainable mode of transport with a low impact on climate change and the potential threat of climate risks.

  The assessment of the ability of individual economic activities to adapt to climate change is primarily based on existing internal analyses, operational regulations, permits and decisions resulting from valid legislation, which define the way relevant facilities are operated. In its operational activities, the company acts exclusively within the framework of valid legislative requirements which are implemented in the company's guidelines with the aim of preventing possible climate risks.

- **Sustainable use and protection of water resources**

  For this activity, it is necessary that the company should meet the criteria set out in Appendix B of Annex I of the Climate Delegated Regulation. Assess--ments of the impact on the environment and water are normally carried out by the Company in accordance with applicable legislation.

- **Transition to a circular economy**

  On the basis of internal guidelines, the company has measures in place to manage waste in accordance with the waste management hierarchy that meet all legislative requirements.

- **Pollution prevention and control**

  Within the framework of this objective, "significant harm" is caused by engines used to drive motor traction railway vehicles that do not meet the emission limits set out in Annex II to Regulation (EU) 2016/1628. The exception is the modernisation of part of the engines of locomotives of series 742, which after modernisation meet the emission limits set out in Annex II to Regulation (EU) 2016/1628.

- **Protection and restoration of biodiversity and ecosystems**

  The company must meet the criteria set out in Appendix D of the Climate Delegated Regulation, according to which an environmental impact assessment shall be carried out in accordance with Directive 2011/92/EU. Activities that meet the threshold values set out by Act 24/2006 are subject to such an assessment. The company submits any activities or intentions in this regard for environmental impact assessment in full compliance with legislative requirements.

The economic activity is carried out in compliance with the minimum safeguards. The company did not record any incidents of human rights violations during the financial year 2023 nor historically. To ensure this objective, the company has adopted the Code of Ethics.

Non-taxonomy-aligned turnover (not environmentally sustainable) in the amount of EUR 3,244 thousand (1.1% of the total net turnover, 37.5% of the turnover derived from activity 3.19) includes the achieved revenues from repairs of freight wagons (primarily tanks) for the carriage of products according to nomenclature 2710 and repairs of motor (diesel-electric) MPUs.

6.14 Infrastructure for rail transport

Of the total net turnover, EUR 602 thousand (0.2%) was allocated to economic activity 6.14 and classified as EU Taxonomy-eligible.

The net turnover includes revenues from the rental and operation of terminals and emergency aid equipment.

Of the Taxonomy-aligned turnover value, EUR 602 thousand (100% of the turnover according to 6.14) meets the technical criteria for the assessment of a significant contribution to climate change mitigation.

The technical criteria for the assessment of a significant contribution also address the so-called “do no significant harm” principle, which should ensure that the economic activity does not have a significant negative impact on the environment and does not do harm to the fulfilment of any other environmental objective set out in Article 9 of Regulation (EU) 2020/852:

- **Climate change adaptation**

  For this activity, it is necessary that the company should meet the criteria set out in Appendix A of the Climate Delegated Regulation, according to which an assessment of climate risks, their materiality and an assessment of adaptation solutions that can mitigate the identified physical climate risk while taking into account the lifetime of the given activity are required.

  The company’s core business activity is the provision of transport services on the existing rail infrastructure. Rail transport, mainly powered by electricity, is the most sustainable mode of transport with a low impact on climate change and the potential threat of climate risks.

  The assessment of the ability of individual economic activities to adapt to climate change is primarily based on existing internal analyses, operational regulations, permits and decisions resulting from valid legislation, which define the way relevant facilities are operated. In its operational activities, the company acts exclusively within the framework of valid legislative requirements which are implemented in the company’s guidelines with the aim of preventing possible climate risks.

- **Sustainable use and protection of water resources**

  For this activity, it is necessary that the company should meet the criteria set out in Appendix B of Annex I of the Climate Delegated Regulation. Assessments of the impact on the environment and water are normally carried out by the company in accordance with applicable legislation.

- **Transition to a circular economy**

  On the basis of internal guidelines, the company has measures in place to manage waste in accordance with the waste management hierarchy that meet all legislative requirements.

- **Pollution prevention and control**

  As part of this objective, the company has implemented measures to reduce emissions of noise, dust and pollutants during operational activities in accordance with the applicable legislation.

- **Protection and restoration of biodiversity and ecosystems**

  The company must meet the criteria set out in Appendix D of the Climate Delegated Regulation, according to which an environmental impact assessment shall be carried out in accordance with Directive 2011/92/EU. Activities that meet the threshold values set out by Act 24/2006 are subject to such an assessment. The company submits any activities or intentions in this regard for environmental impact assessment in full compliance with legislative requirements.

The economic activity is also carried out in compliance with the minimum safeguards. The company did not record any incidents of human rights violations during the financial year 2023 nor historically. To ensure this objective, the company has adopted the Code of Ethics.

For all the identified economic activities, of the net turnover for 2023, EUR 299,606 thousand (98.7%) is taxonomy-aligned and a turnover of EUR 212,045 thousand (69.8%) is also environmentally sustainable in terms of the assessment of a significant contribution to climate change mitigation as shown in the following table (T01).

T01 Turnover-related KPI

Economic activities	Code	Turnover for 2023	Proportion of turnover for 2023	Significant contribution criteria: Climate change mitigation	Climate change adaptation	Water	Environ-mental pollution
		in thousand of EUR	%	"Yes/No/ non-eligible"	"Yes/No/ non-eligible"	"Yes/No/ non-eligible"	"Yes/No/ non-eligible"
A. TAXONOMY-ELIGIBLE ACTIVITIES							
A.1 Environmentally sustainable activities (taxonomy-aligned)							
Rail freight transport	6.2	206,034	67.9%	Yes	No	No	No
Manufacture of rail rolling stock constituents	3.19	5,409	1.8%	Yes	No	No	No
Infrastructure for rail transport	6.14	602	0.2%	Yes	No	No	No
Turnover from environmentally sustainable activities (A.1)		**212,045**	**69.8%**	**69.8%**	-	-	-
of which supporting		**212,045**	**69.8%**	**69.8%**	-	-	-
of which transitional		-	-	-	-	-	
				eligible/ non-eligible	eligible/ non-eligible	eligible/ non-eligible	eligible/ non-eligible
A.2 Taxonomy-eligible activities but not environmentally sustainable (not aligned with the taxonomy)							
Rail freight transport	6.2	84,317	27.8%	non-eligible	eligible	eligible	non-eligible
Manufacture of rail rolling stock constituents	3.19	3,244	1.1%	non-eligible	eligible	eligible	non-eligible
Infrastructure for rail transport	6.14	0	0.0%	non-eligible	eligible	eligible	eligible
Turnover from taxonomy-eligible activities but not environmentally sustainable (not aligned with the taxonomy) (A.2)		**87,561**	**28.8%**	**0.0%**	-	-	-
Total (A.1) + (A.2)		**299,606**	**98.7%**	**69.8%**	-	-	-
B. TAXONOMY NON-ELIGIBLE ACTIVITIES							
Turnover from taxonomy non-eligible activities (B)		**4,006**	**1.3%**				
Total (A) + (B)		**303,612**	**100.0%**				

2. KPI related to capital expenditure

For the purposes of the EU Taxonomy, capital expenditure includes additions to long-term (non-current) intangible and tangible assets as well as additions to the right to use an asset.

For the year 2023, ZSSK CARGO recognised total additions to long-term assets in the amount of EUR 69,822 thousand, of which intangible assets amount to EUR 1,181 thousand, tangible assets EUR 30,815 thousand, and the right to use an asset EUR 37,826 thousand (Notes 12, 13 and 14 to the financial statements). This value represents the denominator in the KPI calculation.

6.2 Freight rail transport

Of the total capital expenditure, additions in the amount of EUR 63,914 thousand (91.5%) were allocated to economic activity 6.2 and qualify as EU Taxonomy-eligible. The most significant additions include capitalised periodic repairs (major repairs) and modernisation of MPUs and revision repairs of freight wagons.

Of the taxonomy-aligned capital expenditure, EUR 60,918 thousand (87.2% of the total capital expenditure, 95.3% of the additions in activity 6.2) meets the technical criteria for the assessment of a significant contribution to climate change mitigation. With respect to the given activity, the company assessed the technical criteria set out in the Commission Delegated Regulation (EU) 2021/2139 (the so-called Climate Delegated Regulation), where trains and wagons meet the conditions of zero direct CO_2 exhaust emissions in freight transport carried out by electric traction.

When assessing the activity from the point of view of the "do no significant harm" principle, the impact on all environmental objectives was taken into account (see

		Criteria related to “do no significant harm” principle							
Circular economy	**Biodiversity**	**Climate change mitigation**	**Climate change adaptation**	**Water**	**Environ-mental pollution**	**Circular economy**	**Biodiversity**	**Minimum safeguards**	**Proportion of turnover aligned with the 2022 taxonomy**
"Yes/No/ non-eligible"	"Yes/No/ non-eligible"	Yes/No	Yes/No	Yes/No	Yes/No	Yes/No	Yes/No	Yes/No	%
No	No	Yes	Yes	Yes	Yes	Yes	Yes	Yes	68.4%
No	No	Yes	Yes	Yes	Yes	Yes	Yes	Yes	0.5%
No	No	Yes	Yes	Yes	Yes	Yes	Yes	Yes	0.3%
-	-								**69.2%**
-	-								
-	-								
eligible/ non-eligible	eligible/ non-eligible								
eligible	eligible								
eligible	eligible								
eligible	eligible								
-	-								**0.0%**
-	-								**69.2%**

assessment in the section - KPI related to turnover).

Non-taxonomy-aligned capital expenditure (not environmentally sustainable) in the amount EUR 2,996 thousand (4.3% of the total capital expenditure, 4.7% of the additions in activity 6.2) was defined according to the possibility of its real usage for the carriage of fossil fuels and the costs of diesel-electric MPUs. In the case of additions linked to MPUs, the allocation was made according to the achieved net tonne-kilometres in the transport of fossil fuels in proportion to the total transport volume. The allocation of the impact of diesel-electric MPUs was calculated on the basis of their proportion to the total transport volume (according to gross tonne-kilometres). In the case of capital additions to freight wagons, the possibility of their real usage for the carriage of fossil fuels (tanks, high-sided wagons) was also taken into account.

3.19 Manufacture of rail rolling stock constituents

Of the total capital expenditure, additions in the amount of EUR 4,422 thousand (6.3%) were allocated to economic activity 3.19 and qualify as EU Taxonomy-eligible. The main additions are the modernisation and reconstruction of repair facilities, including heating and track yards. Other significant additions are technical and technological equipment for workshops, halls and warehouses, including shunting equipment. From the point of view of the taxonomy, additions to real estate are considered to be fully taxonomy-aligned, as they serve to maintain the operable condition of the economic activity, lead to the reduction of greenhouse gases, and do not harm other environmental objectives. ZSSK CARGO plans to continue reducing the energy consumption of buildings in the future.

Of the Taxonomy-aligned turnover value, EUR 4,024 thousand (5.8% of the total capital expenditure, 91% of the additions in activity 3.19) meets the technical criteria for the assessment of a significant contribution to climate change mitigation (trains and wagons with zero direct CO_2 exhaust emissions). When assessing the activity from the point of view of the “do no significant harm” principle, the impact on all environmental objectives was taken into account (see assessment in the section - KPI related to turnover).

Non-taxonomy-aligned capital expenditure (not environmentally sustainable) in the amount EUR 398 thousand (0.6% of the total capital expenditure, 9.0% of the additions in activity 3.19) was defined according to volumes of goods carried by transport means used for the carriage of fossil fuels and according to volumes of goods transported by diesel-electric MPUs. When allocating additions to those which are not taxonomy-aligned, we used the proportion of services performed for internal and external purposes, as well as the proportion of these repair services on transport means (MPUs, freight wagons) used for the carriage of fossil fuels. When assessing the “do no significant harm” criteria in motor traction, the allocation is based on the proportion of repair services in motor traction to total repair services.

6.14 Infrastructure for rail transport

Of the total capital expenditure, additions in the amount of EUR 22 thousand were allocated to economic

T02 KPI related to capital expenditure

				Significant contribution criteria			
Economic activities	**Code**	**Capital expenditure for 2023**	**Proportion of capital expenditure for 2023**	**Climate change mitigation**	**Climate change adaptation**	**Water**	**Environ-mental pollution**
		in thousand of EUR	%	"Yes/No/ non-eligible"	"Yes/No/ non-eligible"	"Yes/No/ non-eligible"	"Yes/No/ non-eligible"
A. TAXONOMY-ELIGIBLE ACTIVITIES							
A.1 Environmentally sustainable activities (taxonomy-aligned)							
Rail freight transport	6.2	60,918	87.2%	Yes	No	No	No
Manufacture of rail rolling stock constituents	3.19	4,024	5.8%	Yes	No	No	No
Infrastructure for rail transport	6.14	22	0.0%	Yes	No	No	No
Capital expenditure for environmentally sustainable activities (A.1)		**64,964**	**93.0%**	**93.0%**			
of which supporting		**64,964**	**93.0%**	**93.0%**			
of which transitional		-	-	-			
				eligible/ non-eligible	eligible/ non-eligible	eligible/ non-eligible	eligible/ non-eligible
A.2 Taxonomy-eligible activities but not environmentally sustainable (not aligned with the taxonomy)							
Rail freight transport	6.2	2,996	4.3%	non-eligible	eligible	eligible	non-eligible
Manufacture of rail rolling stock constituents	3.19	398	0.6%	non-eligible	eligible	eligible	non-eligible
Infrastructure for rail transport	6.14	0	0.0%	non-eligible	eligible	eligible	eligible
Capital expenditure for taxonomy-eligible activities but not environmentally sustainable (not aligned with the taxonomy) (A.2)		**3,394**	**4.9%**	**0.0%**	-	-	-
Total (A.1) + (A.2)		**68,358**	**97.9%**	**93.0%**	-	-	-
B. TAXONOMY NON-ELIGIBLE ACTIVITIES							
Capital expenditure for taxonomy non-eligible activities (B)		**1,464**	**2.1%**				
Total (A) + (B)		**69,822**	**100.0%**				

activity 6.14 and qualify as EU Taxonomy-eligible. The expenditure related to construction modifications in connection with the reconstruction of platforms. From the point of view of the taxonomy, all capital expenditures are also considered environmentally sustainable.

Of the total capital expenditure for 2023, EUR 1,464 thousand (2.1%) is considered non-taxonomy-eligible.

For all the identified economic activities, of the capital expenditure for 2023, EUR 64,964 thousand (93%) is taxonomy-aligned as shown in the following table (T02).

a		Criteria related to "do no significant harm" principle							
Circular economy	Biodiversity	Climate change mitigation	Climate change adaptation	Water	Environ-mental pollution	Circular economy	Biodiversity	Minimum safeguards	Proportion of capital expenditure aligned with the 2022 taxonomy
"Yes/No/ non-eligible"	"Yes/No/ non-eligible"	Yes/No	Yes/No	Yes/No	Yes/No	Yes/No	Yes/No	Yes/No	%
No	No	Yes	Yes	Yes	Yes	Yes	Yes	Yes	49.3%
No	No	Yes	Yes	Yes	Yes	Yes	Yes	Yes	16.4%
No	No	Yes	Yes	Yes	Yes	Yes	Yes	Yes	1.8%
									67.5%
eligible/ non-eligible	eligible/ non-eligible								
eligible	eligible								
eligible	eligible								
eligible	eligible								
-	**-**								**0.0%**
-	**-**								**67.5%**

T03 KPI related to operating expenditure

Economic activities	Code	Operating expenditure for 2023	Proportion of operating expenditure for 2023	Significant contribution criteria: Climate change mitigation	Climate change adaptation	Water	Environmental pollution
		in thousand of EUR	%	"Yes/No/ non-eligible"	"Yes/No/ non-eligible"	"Yes/No/ non-eligible"	"Yes/No/ non-eligible"
A. TAXONOMY-ELIGIBLE ACTIVITIES							
A.1 Environmentally sustainable activities (taxonomy-aligned)							
Rail freight transport	6.2	17,336	59.8%	No	No	No	No
Manufacture of rail rolling stock constituents	3.19	1,755	6.1%	No	No	No	No
Infrastructure for rail transport	6.14	50	0.2%	No	No	No	No
Operating expenditure for environmentally sustainable activities (A.1)		**19,141**	**66.0%**	**66.0%**			
of which supporting		**19,141**	**66.0%**	**66.0%**			
of which transitional		**-**	**-**	**-**			
				eligible/ non-eligible	eligible/ non-eligible	eligible/ non-eligible	eligible/ non-eligible
A.2 Taxonomy-eligible activities but not environmentally sustainable (not aligned with the taxonomy)							
Rail freight transport	6.2	7,950	27.4%	non-eligible	eligible	eligible	non-eligible
Manufacture of rail rolling stock constituents	3.19	1,446	5.0%	non-eligible	eligible	eligible	non-eligible
Infrastructure for rail transport	6.14	0	0.0%	non-eligible	eligible	eligible	eligible
Operating expenditure for taxonomy-eligible activities but not environmentally sustainable (not aligned with the taxonomy) (A.2)		**9,396**	**32.4%**	**0.0%**			
Total (A.1) + (A.2)		**28,537**	**98.4%**	**66.0%**			
B. TAXONOMY NON-ELIGIBLE ACTIVITIES							
Operating expenditure for taxonomy non-eligible activities (B)		**455**	**1.6%**				
Total (A) + (B)		**28,992**	**100.0%**				

3. KPI related to operating expenditure

For EU Taxonomy purposes, operating expenditure includes short-term rentals, repairs, maintenance and other direct costs associated with ensuring the continuous and efficient functioning of assets used in economic activities. Identified expenditures form a subset of the expenditures listed in Notes 5 and 6 to the financial statements.

The assignment of costs to individual economic activities is based on the same principle as for capital expenditures, i.e. relevant operating costs are linked to the operation of assets that are primarily used in the given economic activity. The total operating expenditure identified for taxonomy purposes amounted to EUR 28,992 thousand in 2023. This value represents the denominator in the KPI calculation.

6.2 Freight rail transport

Of the total operating expenditure, an amount of EUR 25,286 thousand (87.2%) was allocated to economic activity 6.2 and qualifies as EU Taxonomy-eligible. The operating expenditure includes the primary costs of maintaining the operable condition of MPUs and freight wagons, i.e. selected material consumption (excluding liquids) for routine maintenance performed internally, personnel costs of employees performing routine maintenance, cleaning, purchased repairs and maintenance of rolling stock and short-term rentals.

The same allocation principle as for capital expenditure was used to determine the amount of environmentally non-compliant operating expenditure when taking into account the technical criteria for the assessment of a significant contribution to climate change mitigation.

		Criteria related to “do no significant harm” principle							
Circular economy	Biodiversity	Climate change mitigation	Climate change adaptation	Water	Environ-mental pollution	Circular economy	Biodiversity	Minimum safeguards	Proportion of operating expenditure aligned with the 2022 taxonomy
"Yes/No/ non-eligible"	"Yes/No/ non-eligible"	Yes/No	Yes/No	Yes/No	Yes/No	Yes/No	Yes/No	Yes/No	%
No	No	Yes	Yes	Yes	Yes	Yes	Yes	Yes	60.5%
No	No	Yes	Yes	Yes	Yes	Yes	Yes	Yes	5.0%
No	No	Yes	Yes	Yes	Yes	Yes	Yes	Yes	0.2%
									65.7%
eligible/ non-eligible	eligible/ non-eligible								
eligible	eligible								
eligible	eligible								
eligible	eligible								
									65.7%

When assessing the activity from the point of view of the “do no significant harm” principle, the impact on all environmental objectives was taken into account (see assessment in the section - KPI related to turnover).

The allocation to environmentally unsustainable expenditure was carried out according to the achieved net tonne-kilometres of transportation of fossil fuels in proportion to the total transport volume, and in the case of expenditure tied to diesel-electric MPUs, the proportion was calculated on the basis of the total transport services performed (according to “loco” kilometres). The amount of environmentally unsustainable operating expenditure reached EUR 7,950 thousand (27.4% of the total operating expenditure, 31.4% of the expenditure for activity 6.2).

3.19 Manufacture of rail rolling stock constituents

In the framework of activity 3.19, operating expenditure primarily represents the costs of repairs, maintenance and cleaning of buildings and tracks in repair compounds, material consumption and personnel costs for internal repairs of property and equipment, including revision activities. Of the total operating expenditure, EUR 3,201 thousand was allocated to activity 3.19 (11%) and qualifies as eligible.

When assessing the activity from the point of view of the “do no significant harm” principle, the impact on all environmental objectives was taken into account (see assessment in the section - KPI related to turnover).

Similar to capital expenditure, the allocation was made on the basis of the breakdown of repair services for external customers and the internal customer ZSSK

CARGO, with consideration being additionally given to the proportion of repairs made to rolling stock used for the carriage of fossil fuels and the proportion of repairs made to motor traction MPUs (allocation according to the proportion of repairs to the respective MPUs and freight wagons to the total repairs or according to the achieved revenues from repairs). Eligible but environmentally unsustainable operating expenditure amounted to EUR 1,446 thousand (5% of the total operating expenditure, 45.2% of the expenditure for activity 3.19).

6.14 Infrastructure for rail transport

Of the total operating expenditure, an amount of EUR 50 thousand (0.2%) was allocated to economic activity 6.14 and qualifies as eligible and aligned with the EU Taxonomy. The expenditure primarily includes the costs of terminal maintenance and repairs, material consumption and personnel costs for routine maintenance of emergency aid equipment performed internally.

The same method as for capital expenditure was used to determine the amount of environmentally non-compliant operating expenditure when taking into account the technical criteria for the assessment of a significant contribution to climate change mitigation. When assessing the activity from the point of view of the “do no significant harm” principle, the impact on all environmental objectives was taken into account (see assessment in the section - KPI related to turnover).

Of the total operating expenditure for 2023, EUR 455 thousand (1.6%) is considered Taxonomy non-eligible.

For all the identified economic activities, of the operating expenditure for 2023, EUR 28,537 thousand (98.4%) is taxonomy-aligned and expenditure in the amount of EUR 19,141 thousand (66%) is also environmentally sustainable in terms of the assessment of a significant contribution to climate change mitigation as shown in the following table (T03).

Proportion of turnover to total turnover	Taxonomy-aligned by objective	Taxonomy-eligible by objective
Climate change mitigation	69.8%	-
Climate change adaptation	-	-
Water	-	-
Environmental pollution	-	-
Circular economy	-	-
Biodiversity	-	-

Proportion of capital expenditure to total capital expenditure	Taxonomy-aligned by objective	Taxonomy-eligible by objective
Climate change mitigation	93.0%	-
Climate change adaptation	-	-
Water	-	-
Environmental pollution	-	-
Circular economy	-	-
Biodiversity	-	-

Proportion of operating expenditure to total operating expenditure	Taxonomy-aligned by objective	Taxonomy-eligible by objective
Climate change mitigation	66.0%	-
Climate change adaptation	-	-
Water	-	-
Environmental pollution	-	-
Circular economy	-	-
Biodiversity	-	-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ORGANISATIONAL STRUCTURE AS AT 31 DECEMBER 2023

- General Assembly
  - Supervisory Board
    - Board of Directors
      - Project Office and Internal Audit
      - Chief Executive Officer (CEO)
        - CEO Office
          - Control, Inspection and Protection Unit
        - Strategy Section
        - Section of Human Resources Management
          - Education and Development Unit
          - Remuneration and Wages Unit
        - Business and Operations Activities Management Section
        - Trade Division
          - Trade Support and Marketing Section
            - Trade Support Unit
            - Marketing Unit
          - Sales Section
            - Intermodal and Automotive Transportation Unit
        - Operations Division
          - Section of Technical and Technological Preparation of Operations
            - Operations Planning and Analyses Unit
            - Operations Technology and Guidelines Unit
            - Rolling Stock Management Unit - ECM
          - Operations, Transportation and Wagon Service Section
            - Wagon Service Unit
          - Operations and Traction Control Section
            - Transport Dispatching Unit
            - Freight Wagons Control Unit
            - Traction Control Unit
          - East Slovak Transshipment Yards Section
            - Operations Unit
            - Transportation Unit
            - Transport, Wagon Service and Technology Unit
            - Maťovce and EVO Operations Unit
        - Services Division
          - Facility Management Section
            - Facility Efficiency and Contractual Relationships Unit
            - Facility Management and Operation Unit
          - Services Support Section
            - Procurement Unit
            - Road Transport Unit
          - ICT Section
        - Rolling Stock Services Division - Depo Services
          - Inspection Body of Specified Technical Equipment
          - Control and Quality Unit
          - Strategy and Investment Unit
          - Human Resources Management Unit
          - Rolling Stock Maintenance and Repairs Support Section
            - Motive Power Units Maintenance and Repairs Trade Unit
            - Freight Wagons Maintenance and Repairs Trade Unit
            - Back Office
            - Storage and Distribution of Goods Unit
          - Rolling Stock Maintenance and Repairs Section
            - Motive Power Units Maintenance and Repairs Planning and Management Unit
            - Freight Wagons Maintenance and Repairs Planning and Management Unit
            - Rolling Stock Modernization and Special Activities Unit
          - Procurement Section
          - Economy and Services Section
            - Facility Management Unit
        - Economy Division
          - Controlling Section
          - Accounting Taxes and Reporting Section
            - Accounting Unit
          - Rail Clearing Centre Section
            - Revenues Securing from the Main Business Activity Unit
            - Transportation Claiming Unit
            - International Transportation Accounting and Revenues Securing from the Contracting Activities Unit
            - Clearing of International Transportation and the Main Business Activity Accounting Unit

INDEPENDENT AUDITOR'S REPORT AND SEPARATE FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS AS ADOPTED BY THE EUROPEAN UNION

YEAR ENDED 31 DECEMBER 2023

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Independent Auditor's Report

To the Shareholder, Supervisory Board and Board of Directors of Železničná spoločnosť Cargo Slovakia, a.s.:

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Železničná spoločnosť Cargo Slovakia, a.s. (the Company), which comprise the statement of financial position as at 31 December 2023, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including material accounting policy information.

In our opinion, the accompanying financial statements of the Company give a true and fair view of the financial position of the Company as at 31 December 2023, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by EU ("IFRS EU").

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the Act on Statutory Audit No 423/2015 Coll. and on amendments to the Act on Accounting No 431/2002 Coll., as amended by later legislation ("the Act on Statutory Audit") related to ethics, including Auditor's Code of Ethics, that are relevant to our audit of the financial statements, and we have fulfilled other requirements of these provisions related to ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter

We draw attention to Note 22 Provisions to the financial statements. The Company recorded provisions of EUR 17,203 thousand as at 31 December 2023 (EUR 17,302 thousand as at 31 December 2022) for the remediation of environmental burdens. Estimates of the future costs relating to environmental burdens are not necessarily accurate, due to uncertainties concerning the constant development of laws and regulatory requirements on the environment and the methods, timing and extent of corrective action, and so cannot be precisely specified. These costs could have a significant impact on the Company's financial results in future accounting periods.

Our opinion is not modified in respect of this matter.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation of the financial statements that give true and fair view in accordance with IFRS EU, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using

THIS IS A TRANSLATION OF THE ORIGINAL SLOVAK REPORT

Spoločnosť zo skupiny Ernst & Young Global Limited
Ernst & Young Slovakia, spol. s r.o., IČO: 35 840 463, zapísaná v Obchodnom registri Mestského súdu Bratislava III, oddiel: Sro, vložka číslo: 27004/B a v zozname audítorov vedenom Slovenskou komorou audítorov pod č. 257.

the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements including the presented information as well as whether the financial statements captures the underlying transactions and events in a manner that leads to their fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

THIS IS A TRANSLATION OF THE ORIGINAL SLOVAK REPORT

Report on Other Legal and Regulatory Requirements

Report on Information Disclosed in the Annual Report

Management is responsible for the information disclosed in the annual report, prepared based on requirements of the Act on Accounting No 431/2002 Coll., as amended by later legislation ("the Act on Accounting"). Our opinion on the financial statements expressed above does not apply to other information contained in the annual report.

In connection with audit of the financial statements it is our responsibility to understand the information disclosed in the annual report and to consider whether such information is not materially inconsistent with audited financial statements or our knowledge obtained in the audit of the financial statements, or otherwise appears to be materially misstated.

We considered whether the Company's annual report contains information, disclosure of which is required by the Act on Accounting.

Based on procedures performed during the audit of financial statements, in our opinion:

- Information disclosed in the annual report prepared for 2023 is consistent with the financial statements for the relevant year,
- The annual report contains information based on the Act on Accounting.

Additionally, based on our understanding of the Company and its situation, obtained in the audit of the financial statements, we are required to disclose whether material misstatements were identified in the annual report, which we received prior to the date of issue of this auditor's report. In this regard, there are no findings which we should disclose.

24 April 2024
Bratislava, Slovak Republic

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Ing. Tomáš Baláž, statutory auditor
UDVA Licence No. 1265

THIS IS A TRANSLATION OF THE ORIGINAL SLOVAK REPORT

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2023

In thousands of EUR	Note	31 December 2023	31 December 2022
Revenues			
Transportation and related revenues	3	283,461	277,666
Other revenues	4	20,151	20,218
		303,612	**297,884**
Costs and expenses			
Consumables and services	5	(132,323)	(137,632)
Staff costs	6	(94,955)	(84,948)
Depreciation, amortisation and impairment of property, plant and equipment	12, 13, 14	(73,250)	(73,599)
Other operating revenues (expenses), net	7	(1,269)	2,241
		(301,797)	**(293,938)**
Finance costs			
Interest expense	8	(8,377)	(5,267)
Other finance revenues (costs), net	9	7,098	1,810
		(1,279)	**(3,457)**
Income tax	11	(60)	(270)
Profit (Loss) for the period		**476**	**219**
Components of other comprehensive income that will not be subsequently reclassified to profit or loss:			
Actuarial gains (losses) from defined benefit pension plans		(312)	1,601
Other comprehensive income for the period		**(312)**	**1,601**
Total comprehensive income for the period		**164**	**1,820**

The accounting policies and notes form an integral part of the financial statements.

Approved by Ing. Jaroslav Daniška and Ing. Miroslav Hopta on behalf of the Board of Directors on 24 April 2024.

ZSSK CARGO

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2023

In thousands of EUR	Note	31 December 2023	31 December 2022
ASSETS			
Non-current assets			
Property, plant and equipment	13	186,251	182,891
Intangible assets	12	7,415	7,931
Right-of-use assets	14	248,771	238,032
Investment in joint ventures and associates	15	10,073	10,073
Investment in subsidiaries	15	55	28
Other non-current assets	10	107	109
		452,672	**439,064**
Current assets			
Inventories	16	12,282	8,903
Trade and other receivables	17	53,079	48,488
Cash and cash equivalents	18	3,093	3,064
		68,454	**60,455**
TOTAL ASSETS		**521,126**	**499,519**
EQUITY AND LIABILITIES			
Shareholder's equity			
Share capital	19	401,646	401,646
Legal reserve fund	19	730	708
Other funds	19	1,228	1,228
Accumulated losses	19	(314,707)	(314,849)
Total equity		**88,897**	**88,733**
Non-current liabilities			
Interest-bearing loans and borrowings	20	25,275	14,415
Employee benefits	21	8,798	9,719
Provisions	22	24,844	24,763
Lease liabilities	24	209,277	200,825
Other non-current liabilities	23	217	156
		268,411	**249,878**
Current liabilities			
Interest-bearing loans and borrowings	20	62,748	64,298
Employee benefits	21	852	960
Provisions	22	2,023	2,261
Trade and other payables	23	55,463	54,337
Lease liabilities	24	42,732	39,052
		163,818	**160,908**
Total liabilities		**432,229**	**410,786**
TOTAL EQUITY AND LIABILITIES		**521,126**	**499,519**

The accounting policies and notes form an integral part of the financial statements.

Approved by Ing. Jaroslav Daniška and Ing. Miroslav Hopta on behalf of the Board of Directors on 24 April 2024.

STATEMENT OF CHANGES IN EQUITY AS AT 31 DECEMBER 2023

In thousands of EUR	Share capital	Legal reserve fund	Other funds	Accumulated losses	Total
At 1 January 2022	**401,646**	**73**	**1,228**	**(316,034)**	**86,913**
Profit for the period	-	-	-	219	**219**
Other comprehensive income	-	-	-	1,601	**1,601**
Total comprehensive income	-	-	-	1,820	**1,820**
Legal reserve fund	-	635	-	(635)	**-**
At 31 December 2022	**401,646**	**708**	**1,228**	**(314,849)**	**88,733**
Profit for the period	-	-	-	476	**476**
Other comprehensive income	-	-	-	(312)	**(312)**
Total comprehensive income	-	-	-	164	**164**
Legal reserve fund	-	22	-	(22)	**-**
At 31 December 2023	**401,646**	**730**	**1,228**	**(314,707)**	**88,897**

The accounting policies and notes form an integral part of the financial statements.

Approved by Ing. Jaroslav Daniška and Ing. Miroslav Hopta on behalf of the Board of Directors on 24 April 2024.

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2023

In thousands of EUR	Note	31 December 2023	31 December 2022
Cash flows from operating activities			
Profit (Loss) before tax		536	489
Adjustments for:			
Non-cash items			
Depreciation, amortisation and impairment of property, plant and equipment and intangible assets	12, 13, 14	73,250	73,599
Gain on sale of property, plant and equipment		(523)	(3,359)
Allowance of receivables and inventories	16, 17	(369)	152
Interest expense	8	8,377	5,267
Interest income and shares of profits	15	(7,205)	(1,917)
Movements in provisions and employee benefits	21, 22	(1,938)	(495)
Other non-cash adjustments		37	-
		72,165	**73,736**
Working capital changes:			
Decrease (Increase) in inventories		(3,458)	(998)
Decrease (Increase) in trade and other receivables		(4,141)	(3,768)
Increase (Decrease) in trade and other payables		1,393	3,388
Cash flows from operating activities		**65,959**	**72,358**
Income tax paid	11	(266)	(544)
Net cash flows from operating activities		**65,693**	**71,814**
Cash flows from investing activities:			
Purchase of property, plant and equipment	12, 13	(31,996)	(19,807)
Cash deposit to subsidiary Depo Services, a. s.	15	(27)	-
Proceeds from sale of property, plant and equipment		725	4,945
Dividends received	15	7,205	1,917
Net cash flows from investing activities		**(24,093)**	**(12,945)**
Cash flows from financing activities:			
Proceeds from loans and borrowings	20	49,550	8,390
Repayment of loans and borrowings	20	(9,900)	(11,760)
Interest paid	8	(3,582)	(1,229)
Proceeds from lease liabilities	24	-	-
Payments of lease liabilities	24	(47,299)	(47,285)
Net cash flows from financing activities		**(11,231)**	**(51,884)**
Net (decrease) increase in cash and cash equivalents		**30,369**	**6,985**
Cash and cash equivalents at 1 January	**18**	**(52,104)**	**(59,089)**
Cash and cash equivalents at 31 December	**18**	**(21,735)**	**(52,104)**

The accounting policies and notes form an integral part of the financial statements.

Approved by Ing. Jaroslav Daniška and Ing. Miroslav Hopta on behalf of the Board of Directors on 24 April 2024.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

Information on Reporting entity

Železničná spoločnosť Cargo Slovakia, a. s. ("ZSSK CARGO" or "the Company"), a joint stock company registered in the Slovak Republic, was founded on 1 January 2005 as one of two successor companies to Železničná spoločnosť, a. s. ("ŽS"). ZSSK CARGO was incorporated within the Commercial Register of the Okresný súd (District Court) Bratislava I, Section Sa, Insert No. 3496/B at the date of its establishment, Company ID 35 914 921, Tax Identification Number 20 219 200 65.

The Slovak Republic is the sole shareholder of the Company through the Ministry of Transport of the Slovak Republic ("MT") with its registered office on Námestie slobody 6, 811 06 Bratislava. Until 31 December 2022 was valid the original name Ministry of Transport and Construction of the Slovak Republic ("MTC").

ZSSK CARGO will prepare and issue consolidated financial statements for the year ending 31 December 2023. Those consolidated financial statements are issued separately and are not annexed to those separate financial statements of the Company. For a better understanding of the consolidated financial position of the Company and its financial results, it is necessary to study the consolidated financial statements for the year ended 31 December 2023.

The Company is not an unlimited liability partner in any other company.

The Company's predecessor, ŽS, was founded on 1 January 2002 through the demerger of Železnice Slovenskej Republiky ("ŽSR") and assumed responsibility for the provision of freight and passenger rail transport and traffic services within Slovakia, while ŽSR retained responsibility for the operation of the traffic routes. ŽS was dissolved without liquidation effective 31 December 2004 and replaced, following a second demerger, by two newly established successor companies: Železničná spoločnosť Slovensko, a. s. ("ZSSK") for passenger transportation and traffic services and ZSSK CARGO for freight transportation and traffic services.

Principal activities

ZSSK CARGO's main business is the provision of freight transportation and related services. Additionally, the Company rents properties and provides repair and maintenance, cleaning and other support services to ZSSK and other external customers. The Company is organized and managed as a single business unit and is viewed as a single operating unit by the Board of Directors for the purposes of resource allocation and assessing performance.

The registered office of ZSSK CARGO

Tomášikova 28B

821 01 Bratislava – city district Ružinov

Slovakia

These separate financial statements are filed at the Company's registered address and at the Commercial Register of the Mestský súd (City Court) Bratislava III, Medená 22, 811 02 Bratislava, Slovakia.

2.1 BASIS OF PREPARATION AND MEASUREMENT

These separate financial statements were approved and authorized for issue by the Board of Directors on 24 April 2024. The General Meeting held on 8 June 2023 approved the Company's financial statements for the previous accounting period.

The financial statements have been prepared on the historical cost basis. These financial statements constitute the statutory accounts of ZSSK CARGO, prepared in accordance with Article 17a (6) of Slovak Act No. 431/2002 Coll. on Accounting for the accounting period from 1 January 2023 to 31 December 2023.

The financial statements were prepared using the going concern assumption that the Company will continue its operations for the foreseeable future.

The Government of the Slovak Republic approved the resolution No. 390/2013 on 10 July 2013 which sets measures to consolidate rail freight transport and its implementation should allow an economic consolidation and further development of the Company. The measures compensate a late introduction of a new regulatory framework for rail freight companies in the form of reduced fees for the use of railway infrastructure in the years 2014 - 2016 and also allow the Company to establish three subsidiaries in the sector of management of wagons, intermodal transport and repair and maintenance of locomotives and wagons and subsequently allow qualified and reputable partners to enter into those subsidiaries.

The Company established two subsidiaries Cargo Wagon, a. s. and ZSSK CARGO Intermodal, a. s. in 2013. The Company signed a sale and purchase of shares contract with AAE Wagon a. s. (member of VTG/AAE Group), the winner of the international tender on 5 March 2015. According to the contract, AAE Wagon a. s. acquired 66% of share capital of Cargo Wagon, a. s. A shareholders' agreement governing relations between both shareholders AAE and ZSSK CARGO has been also signed.

After an approval from Antimonopoly authorities, registering transfer of shares and the fulfillment of other conditional clauses the final transaction documents were signed in May 2015 – Agreement on transfer of movable assets for consideration and subsequent lease back of means of transport (Agreement on sale of 12,342 railway carriages and lease back of 8,216 railway carriages) and Bank loan agreement between financing banks and Cargo Wagon, a. s. used to finance the purchase of railway carriages. The whole transaction was completed on 10 July 2015, when ZSSK CARGO received a payment for the sale of carriages in amount of EUR 216.6 million (incl. VAT) which was used to decrease the Company´s debt. The Company began to lease a significant part of its freight wagons. The purpose of establishing of the two companies is to decrease the Company's debt as well as gradual achieving of balanced economic results in the mid-term, while at the same time implementing further internal measures to increase productivity and effectivity of internal processes. In 2021, an amendment to lease agreement No. 11 was signed with Cargo Wagon, a. s. to adjust the number and extend the lease of railway wagons until 2029 under favorable conditions compared to the original contract.

Regarding ZSSK CARGO Intermodal, a. s. the Company has closed an international tender without selecting a qualified partner in 2015. The Company will support activities of intermodal transportation within ZSSK CARGO and the future of ZSSK CARGO Intermodal, a. s. will be determined in near period.

The successful future rail freight transport consolidation, with an aim of achieving balanced results in the mid-term while continuing to implement internal measures, which should increase the productivity and effectivity of internal processes, considering a decreasing transports and increasing competition, will depend on additional supporting measures and a new regulatory framework for rail freight transporters and fees set for usage of rail infrastructure after year 2023. In 2024, with outlook for 2025 - 2026, the support for rail freight transport in Slovakia continues in form of reduced network fees.

The financial statements and accompanying notes are presented in thousands of EUR.

The Company's financial year is the same as calendar year.

Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRS"). IFRS comprise standards and interpretations approved by the International Accounting Standards Board ("IASB") and the International Financial Reporting Interpretations Committee ("IFRIC").

At this time, due to the endorsement process of the European Union and the nature of the Company's activities, there is no difference between the IFRS policies applied by the Company and those adopted by the European Union.

Military conflict in Ukraine

In February 2022, a military conflict broke out in Ukraine, which is still ongoing at the time of compiling the financial statements. In connection with this, business in Ukraine and Russia was affected, among others, either as a result of the war or as a result of economic sanctions. At the same time, there was an unforeseen increase in the market prices of raw materials, fuels and energy and increased volatility of currency rates. It is difficult to estimate the further development of market prices and key macroeconomic indicators. The Company has analysed the possible impact of changing micro and macroeconomic conditions on the Company's performance, financial situation and operations and has not identified any uncertainty related to going concern.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

Issued standards, interpretations and amendments to standards that the Company applied for the first time in 2023:

- IAS 1 Presentation of Financial Statements: Amendment related to Disclosure of Accounting Policies (effective for annual periods beginning on or after 1 January 2023). This amendment does not have a significant impact on the Company's financial statements.
- IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors: Amendment related to Definition of Accounting Estimates (effective for annual periods beginning on or after 1 January

2023). This amendment does not have a significant impact on the Company's financial statements.

- IAS 12 Income Taxes: Amendment related to Deferred Tax related to Assets and Liabilities arising from a Single Transaction (effective for annual periods beginning on or after 1 January 2023). This amendment does not have a significant impact on the Company's financial statements.
- IAS 12 Income Taxes: Amendment related to international tax reform – rules of OECD's second pillar (effective for annual periods beginning on or after 1 January 2023). In regards of the issued amendments to IAS 12 "Income taxes", which introduced a temporary exemption from the requirements of IAS 12, according to which the company does not show or disclose information about deferred tax assets and liabilities related to the proposed model rules of the second pillar, the company decided to apply a temporary exemption as of December 31, 2023.

Issued standards, interpretations and amendments to standards that are effective after 31 December 2023 and that the Company has not applied early:

- IAS 1 Presentation of Financial Statements: Amendment related to Liability Classification (effective for annual periods beginning on or after 1 January 2024).
- IFRS 16 Leases: Lease liability in leaseback (Supplement) (effective for annual accounting periods beginning on or after 1 January 2024).

The Company has not opted for earlier adoption of any standard, interpretation or amendment that has been published but has not yet entered into force.

Currently, the Company is assessing the impact of the aforementioned standards on its financial statements.

Issued standards, interpretations and amendments to standards that have not yet been approved by the European Union as of 31 December 2023 and are not in force:

- IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures – Amendment related to Supplier Financing Agreement (effective for annual periods beginning on or after 1 January 2024).
- IAS 21 Effect of Changes in Foreign Currency Exchange Rates - Amendment related to lack of currency convertibility (effective for annual accounting periods beginning on or after January 1, 2025).

The effective dates above have been set in standards published by the IASB. The actual dates of adoption of these standards in the EU may differ from the dates set out in the standards and will be notified as soon as they are approved for application in the EU.

2.3 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

Critical judgments in applying accounting policies

In the process of applying accounting policies, management has made certain judgments that have a significant effect on the amounts recognised in the financial statements (apart from those involving estimates, which are dealt with below). These are detailed in the respective notes, however the most significant judgments relate to the following:

Environmental matters

Existing regulations, especially environmental legislation, do not specify the extent of remediation work required or the technology to be applied in resolving environmental damage. Management uses the work of specialists, its previous experience and its own interpretations of the relevant regulations in determining the need for environmental provisions.

Sources of estimate uncertainty

The preparation of financial statements in conformity with IFRS requires the use of estimates and assumptions that affect the amounts reported in the financial statements and the notes thereto. Although these estimates are based on management's best knowledge of current events, actual results may differ from these estimates. These issues are detailed in the respective notes, however, the most significant estimates comprise the following:

Legal cases

The Company is party to a number of legal proceedings arising in the ordinary course of business. Management uses the work of specialists and its previous experience of similar actions in making an assessment of the most likely outcome of these actions and of the need for legal provisions.

Quantification and timing of environmental liabilities

Management makes estimations as to the future cash outflows associated with environmental liabilities using comparative prices, analogies to previous similar work and other assumptions. Furthermore, the timing of these cash outflows reflects management's current assessment of priorities, technical capabilities and the urgency of such obligations. The estimates made and the assumptions upon which these estimates are made are reviewed at each balance sheet date.

Impairment of property, plant and equipment

The Company determines at each reporting date whether there is an indication that items of property, plant and equipment are impaired. Where such indications exist, the Company makes an estimate as to the recoverable amount of the assets concerned or of the cash-generating unit to which the assets are allocated. In determining value-in-use the Company is required to make an estimate of expected future cash flows and to choose a suitable discount rate in order to calculate the present value of those cash flows, while net selling price is determined by reference to market developments in Slovakia and other central European countries.

Actuarial estimates applied for calculation of retirement benefit obligations

The cost of defined benefit plans is determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, future salary increases and mortality or fluctuation rates. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty.

Depreciable useful lives and residual values of property, plant and equipment

Management assigns depreciable lives and residual values to items of property, plant and equipment by reference to the organisation's latest strategic objectives. Management determines at each reporting date whether the assumptions applied in making such assignations continue to be appropriate.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Functional and presentation currency

These separate financial statements are presented in euro, which is the Company's functional currency.

Foreign currency transactions are translated into EUR using the reference foreign exchange rate pertaining in the day preceding the transaction, as determined and published by the European Central Bank or the National Bank of Slovakia. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the balance sheet date. All differences are recognised in profit or loss. Non-monetary items that are measured based on historical cost in a foreign currency are translated using the exchange rates as at the date of the initial transaction.

Property, plant and equipment

Property, plant and equipment is measured at cost, excluding the costs of day-to-day servicing, less accumulated depreciation and accumulated impairment losses. When parts of an item of property, plant and equipment need to be regularly replaced, they are accounted for as separate items (major components) of property, plant and equipment with a specific useful life and depreciation. Also, general overhaul repairs are measured at cost, if measurement criteria are met.

Ongoing repairs, maintenance and minor renewals are expensed as incurred. Depreciation is calculated on a straight-line basis over the useful life of an asset (8-50 years for buildings, 3-40 years for machines, equipment and other assets). Land is not depreciated.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is recognised in profit or loss in the year the asset is derecognised.

When items of property, plant and equipment meets the criteria to be classified as held for sale, they are measured at the lower of their carrying amount and fair value less costs to sell.

The Company measures an item of property, plant and equipment that ceases to be classified as held for sale at the lower of:

a) its carrying amount before the asset was classified as held for sale, adjusted for any depreciation and amortisation that would have been recognised had the asset not been classified as held for sale, and
b) its recoverable amount at the date of the subsequent decision not to sell.

The residual values, useful lives and depreciation methods of property, plant and equipment are reviewed and adjusted, if appropriate, at each financial year end.

Intangible assets

Intangible assets are measured at cost, less accumulated amortisation and any accumulated impairment losses.

Amortisation is calculated on a straight-line basis over the useful life of the assets (3-8 years).

Intangible assets are derecognised upon disposal or when no future economic benefits are expected from their use or disposal. Any gain or loss arising on derecognition of an asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is recognised in profit and loss in the year the asset is derecognised.

The residual values, useful lives and amortisation methods of intangible assets are reviewed and adjusted, if appropriate, at each financial year end.

Impairment of non-financial assets

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, the Company makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets.

Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Impairment losses are recognised in the statement of comprehensive income within depreciation, amortisation and impairment of property, plant and equipment and intangible assets.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Company makes an estimate of recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the statement of comprehensive income. After such a reversal the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

Inventories

Inventories are measured at the lower of cost and net realisable value. Cost includes the purchase price of inventory and expenses related to the acquisition of inventory (including transportation costs, insurance and customs duties) and are accounted for using the weighted average method.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs necessary to make the sale.

Allowances for old, obsolete and slow-moving items are booked to reduce the carrying value of these items to net realisable value.

Joint venture, associate and subsidiary

Securities and interests in joint venture, associate and subsidiaries that are not classified as held for sale are measured at book value (cost less any accumulated impairment losses).

The cost of securities and interests in joint venture, associate and subsidiaries is the price that was paid for the shares.

Financial assets

Initial recognition and classification of financial assets

A financial asset is recognised in the statement of financial position when, and only when, the Company becomes party to the contractual provisions of the instrument. Financial assets within the scope of IFRS 9 - Financial Instruments are classified as financial assets subsequently measured at amortised cost, financial assets measured at fair value through other comprehensive income or financial assets measured at fair value through profit or loss, depending on the Company´s business model for managing the financial assets and the contractual cash flows characteristics of the financial assets. Financial assets can be designated as hedging instruments in an effective hedging relationship, as appropriate.

The Company determines the classification of its financial assets at initial recognition.

The Company accounts for contracts to buy or sell non-financial items that can be settled net in cash or another financial instrument, or by exchanging financial instruments, as if the contracts were financial instruments, in line with IFRS 9 - Financial Instruments. Contracts that were entered into and continue to be held for the purpose of the receipt or delivery of a non-financial item in accordance with the Company's expected purchase, sale or usage requirements are outside the scope of this standard.

Except for trade receivables, at initial recognition, the Company measures a financial asset at its fair value plus or minus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset. Transaction costs of financial asset carried at fair value through profit or loss are expensed in profit or loss. At initial recognition, the Company measures trade receivables that do not contain a significant financing component at their transaction price.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognised on the trade date, i.e. the date that the Company commits to purchase or sell the asset.

The Company's financial assets include cash and short-term deposits, trade and other receivables, quoted and unquoted financial instruments.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification at initial recognition as follows:

- Financial assets measured at amortised cost

  A financial asset is classified as measured at amortised cost if the objective of the Company is to hold the asset in order to collect contractual cash flows and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. After initial recognition, such financial assets are subsequently measured at amortised cost using the effective interest rate method ("EIR"), less impairment. Amortised cost is calculated by taking into account the fees paid or received between the contractual parties that are an integral part of the EIR, transaction costs and all other premiums and discounts. The EIR amortisation is included in finance income in the income statement. The losses arising from impairment are recognised in the income statement. This category includes cash and cash equivalents, trade and other receivables and other current and non-current assets.

- Financial assets measured at fair value through other comprehensive income

  A financial asset is classified as measured at fair value through other comprehensive income if the Company´s business model objective is achieved by both collecting contractual cash flows and selling financial assets and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Movements in the carrying amount are taken through other comprehensive income, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss. This category includes equity securities which are not held for trading.

- Financial assets measured at fair value through profit or loss

  Financial assets that do not meet the criteria for classification as measured at amortised cost or at fair value through other comprehensive income are measured at fair value through profit or loss.

  Financial assets measured at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term.

  After the initial recognition, financial assets at fair value through profit or loss are carried in the balance sheet at fair value with changes in fair value recognised in the income statement.

Impairment of financial assets

The Company considered a loss allowance for expected credit losses on a financial asset that is measured at amortised cost or at fair value through other comprehensive income, a lease receivable, a contract asset, a loan commitment or a financial guarantee contract to which the impairment requirements apply in accordance with IFRS 9 - Financial Instruments.

The Company assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. For trade and lease receivables, the Company applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised since initial recognition of the receivables.

For all financial assets other than trade receivables and lease receivables, the Company applies the general approach under IFRS 9, based on the assessment of a significant increase in credit risk since initial recognition. Under such approach, loss allowance on financial assets is recognised at an amount equal to the lifetime expected credit losses, if the credit risk on those financial assets has increased significantly, since initial recognition, considering all reasonable and supportable information, including also forward-looking inputs. If at the reporting date, the credit risk on financial assets has not increased significantly since initial recognition, the Company measures the loss allowance at an amount equal to 12-month expected credit losses. Lifetime expected credit losses represent the expected credit losses that result from all possible default events over the expected life of a financial instrument.

As at 31 December 2023 and 2022, the Company recognised allowance for doubtful debts only in respect of trade and lease receivables. There has been no significant increase in credit risk identified for other financial assets recognised in the balance sheet, nor have any historical credit losses been experienced for other financial assets, except for the trade receivables.

The Company recognises in profit or loss, as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognised as at the balance sheet date in line with IFRS 9 - Financial Instruments. The loss allowance for the financial assets measured at fair value through other comprehensive income is recognised in other comprehensive income and shall not reduce the carrying amount of the financial asset in the statement of financial position.

Financial assets together with the related allowance are written off when there is no reasonable expectation of recovering the financial asset in its entirety or a portion thereof. A write-off constitutes a derecognition event.

Derecognition

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- The contractual rights to the cash flows from the financial asset expire;
- The Company has transferred the financial asset and the transfer qualifies for derecognition in line with requirements of IFRS 9 - Financial Instruments.

Financial liabilities

Initial recognition and measurement

A financial liability is recognised in the statement of financial position when, and only when, the Company becomes party to the contractual provisions of the instrument. Financial liabilities within the scope of IFRS 9 are classified as financial liabilities subsequently measured at amortised cost, except for financial liabilities at fair value through profit or loss, financial guarantee contracts, financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition, commitments to provide a loan at a below-market interest rate and contingent consideration recognised by an acquirer in a business combination in scope of IFRS 3 - Business Combinations.

The Company determines the classification of its financial liabilities at initial recognition.

Financial liabilities may be designated as hedging instruments in a hedging relationship.

The Company accounts for contracts to buy or sell non-financial items that can be settled net in cash or another financial instrument, or by exchanging financial instruments, as if the contracts were financial instruments, in line with IFRS 9 Financial instruments. Contracts that were entered into and continue to be held for the purpose of the receipt or delivery of a non-financial item in accordance with the Company's expected purchase, sale or usage requirements are outside the scope of IFRS 9.

At initial recognition, the Company measures a financial liability at its fair value plus or minus, in the case of a financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial liability.

The Company's financial liabilities include trade and other payables, loans and borrowings, and derivative financial instruments.

Subsequent measurement

After initial recognition, the financial liabilities are measured according to their classification determined at initial recognition. Reclassifications of financial liabilities are not permitted in any circumstances. The Company classified its financial liabilities as financial liabilities at fair value through profit or loss and financial liabilities subsequently measured at amortised costs.

- Financial liabilities at fair value through profit or loss statement

  Financial liabilities at fair value through profit or loss statement include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss. Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term.

- Financial liabilities measured at amortised cost

  This category includes loans and borrowings, finance lease payables, trade and other payables. Amortised cost of a financial liability is the amount at which the financial liability is measured at initial recognition minus the principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount. The calculation of EIR includes the fees paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs, and all other premiums or discounts. The EIR amortisation is recognised in finance cost in the income statement.

Derecognition

A financial liability is derecognised when it is extinguished, i.e. when the obligation under the liability is discharged or cancelled or expires.

A substantial modification of the terms of an existing financial liability or a part of it is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. On derecognition of a financial liability, the difference between the carrying amount of a financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, shall be recognised in profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the balance sheet if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously. In accordance with IAS 32, Amendments to IAS 32: Offsetting Financial Assets and Financial Liabilities, the right to offset must not be contingent on a future event and it has to be legally enforceable both in the normal course of business and in case of default, insolvency or bankruptcy.

Fair value of financial instruments

The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market prices or dealer price quotations, without any deduction for transaction costs.

For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques may include using recent arm's length market transactions, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis or other valuation models.

Derivative financial instruments and hedging activities

The Company uses derivative financial instruments such as forwards, options and swaps to hedge its risks related to foreign currency fluctuations. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative. Any gains or losses arising from changes in the fair value of derivatives are taken directly to the statement of comprehensive income as finance income or costs.

The fair value of forward currency contracts is calculated by reference to current forward exchange rates for contracts with similar maturity profiles.

An embedded derivative is separated from the host contract and accounted for as a derivative if all of the following conditions are met:

- The economic characteristics and the risks of the embedded derivative are not closely related to the economic characteristics of the host contract.
- A separate instrument with the same terms as the embedded derivative would meet the definition of a derivative.
- A hybrid (combined) instrument is not measured at fair value with changes in fair value reported in current period net profit.

Hedging

Hedge accounting recognises the offsetting effects of changes in the fair values of the hedging instrument and the hedged item in profit/loss for the period. For the purpose of hedge accounting, hedges are classified as:

- Fair value hedge,
- Cash flow hedge.

At the inception of the hedge the Company formally designates and documents the hedging relationship to which it wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and the method by which the Company will assess the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedge is expected to be highly effective in achieving offsetting of changes in fair value or cash flows attributable to the hedged risk and is assessed on an ongoing basis to determine that it has been highly effective throughout the financial reporting periods for which it was designated.

Hedges which meet the strict criteria for hedge accounting are accounted for as follows:

Fair value hedge

Fair value hedge is a hedge of the Company's exposure to changes in fair value of a recognised asset or liability or an unrecognised firm commitment, or an identified portion of such an asset, liability or firm commitment, that is attributable to a particular risk and could affect profit/loss for the period.

The gain or loss from remeasuring the hedging instrument at fair value (for a derivative hedging instrument) or the foreign currency component of its carrying amount measured in accordance with IAS 21 (for a non-derivative hedging instrument) is recognised in profit/loss for the period. The gain or loss on the hedged item attributable to the hedged risk adjusts the carrying amount of the hedged item and is recognised in profit/loss for the period. The same method is used when the hedged item is an available-for-sale financial asset.

The adjustment to the carrying amount of a hedged financial instrument for which the effective interest method is used is amortized to profit/loss for the period over the remaining term to maturity of the financial instrument. Amortization may begin as soon as an adjustment exists and shall begin no later than when the hedged item ceases to be adjusted for changes in fair value attributable to the risk being hedged.

When an unrecognised firm commitment is designated as a hedged item, the subsequent cumulative change in the fair value of the firm commitment attributable to the hedged risk is recognised as an asset or liability with a corresponding gain or loss recognised in profit/loss for the period. The changes in the fair value of the hedging instrument are also recognised in profit/loss for the period.

The Company discontinues fair value hedge accounting if the hedging instrument expires, the hedging instrument is sold, terminated or exercised, the hedge no longer meets the criteria for hedge accounting or the Company revokes the designation.

Cash flow hedge

Cash flow hedge is a hedge of the Company's exposure to variability in cash flows that is attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction and could affect profit/loss for the period.

The portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised in other comprehensive income. The ineffective portion of the gain or loss on the hedging instrument is recognised in profit/loss for the period.

If a hedge of a forecast transaction subsequently results in the recognition of a financial asset or a financial liability, the associated gains or losses that were recognised in other comprehensive income are reclassified from other comprehensive income to profit/loss in the same period or periods during which the asset acquired or liability assumed affects profit/loss for the period. If a hedge of a forecast transaction subsequently results in the recognition of a non-financial asset or a non-financial liability, or a forecast transaction for non-financial asset or non-financial liability becomes a firm commitment for which fair value hedge accounting is applied, the associated gains and losses that were recognised in other comprehensive income are transferred to the initial cost or other carrying amount of the non-financial asset or liability.

As at 31 December 2023 and 2022, no financial liabilities have been designated as derivative financial instruments.

Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less and that are subject to an insignificant risk of change in value.

For the purposes of the cash flow statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

Employee benefits

The Company makes contributions to the State health, retirement benefit and unemployment schemes at the statutory rates in force during the year, based on gross salary payments. The cost of these payments is charged to the statement of comprehensive income in the same period as the related salary cost. The Company has no obligation to contribute to these schemes beyond the statutory rates in force.

Also, the Company operates unfunded long-term defined benefit programmes comprising lump-sum post-employment, jubilee and disability benefits. The cost of providing these employee benefits is assessed separately for each programme using the projected unit credit method, by which the costs incurred in providing such benefits are charged to the statement of comprehensive income so as to spread the cost over the service lives of the Company's employees. The benefit obligation is measured as the present value of the estimated future cash outflows.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to the statement of comprehensive income when incurred. Amendments to these long-term defined benefit programmes are charged or credited to the statement of comprehensive income over the average remaining service lives of the related employees.

Termination payments

The employees of the Company are eligible, immediately upon termination due to organizational changes, for redundancy payments pursuant to the Slovak law and the terms of the Collective Agreement between the Company and its employees. The amount of such a liability is recorded as a provision in the balance sheet when the workforce reduction program is defined, announced and the conditions for its implementation are met.

Provisions

A provision is recognised if the Company has a present obligation (legal or constructive) as a result of a past event and it is probable (i.e. more likely than not) that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. The amount of the provision is the present value of the risk adjusted expenditures expected to be required to settle the obligation, determined using the estimated risk-free interest rate as discount rate. Where discounting is used, the carrying amount of the provision increases in each period to reflect the unwinding of the discount by the passage of time. This increase is recognised as interest expense.

Environmental matters

Liabilities for environmental costs are recognised when environmental clean-ups are probable and the associated costs can be reliably estimated. Generally, the timing of these provisions coincides with the commitment to a formal plan of action or, if earlier, on divestment or on closure of inactive sites. The amount recognised is the best estimate of the expenditure required.

Legal claims

Liabilities arising from litigation and disputes, which are calculated by using available information and assumptions, are recognised when an outflow of resources embodying economic benefits is probable and when such outflows can be reliably measured.

Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at inception date. An arrangement is considered to contain a lease if the contract conveys the right to control the use of an identified asset for a period in exchange for consideration.

This applies when the Company has both of the following:

- the right to obtain substantially all of the economic benefits from use of the identified asset,
- the right to direct the use of the identified asset.

Company as a lessee

At the commencement date, the Company recognises a right-of-use asset and a lease liability. Right-of-use asset represents the Company's right to use an underlying asset for the lease term and is measured at cost.

The cost of the right-of-use asset comprises the following:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Company; and
- an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories.

After the commencement date, the Company measures the right-of-use assets in a way consistent with the measurement of the assets owned by the Company. The depreciation policy for depreciable leased assets is also consistent with that for depreciable assets that are owned by the Company.

Company as a lessor

The Company classifies each of its leases as either an operating lease or a finance lease.

Finance lease is a lease that transfers substantially all the risks and rewards incidental to ownership of an underlying asset.

Operating lease is a lease that does not transfer substantially all the risks and rewards incidental to ownership of an underlying asset.

Lease classification is made at the inception date and is reassessed only if there is a lease modification. Changes in estimates (e.g. economic life or residual value of the underlying asset) or changes in circumstances (e.g. default) do not give rise to a new classification of a lease.

Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates and sales taxes.

Revenue from transport and related services and from repair and maintenance and other such services is recognised in the period in which the services are provided, net of discounts and deductions.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset are recognised as part of the cost of a given asset. Other related expenses are recognised as an expense in the period in which they are incurred.

Income tax

Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the balance sheet date.

In accordance with Act No. 235/2012 Coll., on a Special Levy on Business in Regulated Industries and on the Amendment to and Supplementation of Certain Acts, the Company is obliged to pay a monthly special levy effective from September 2012. This levy is based on the profit before tax and is presented as a part of the current income tax pursuant to the IFRS requirements.

Deferred income tax

Deferred income tax is provided using the liability method on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax credits and unused tax losses to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax credits and unused tax losses can be utilised.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised. Unrecognised deferred income tax assets are reassessed at each balance sheet date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Deferred income tax relating to items recognised directly in equity is recognised directly in equity and not in income.

3. TRANSPORTATION AND RELATED REVENUES

In thousands of EUR	31 December 2023	31 December 2022
Inland transport		
Transport of goods	38,165	34,518
Wagon deposition	14,167	12,395
Haulage fees	1,328	1,007
	53,660	**47,920**
International transport		
Import	114,540	110,204
Export	96,784	90,606
Transit	9,461	10,928
	220,785	**211,738**
Other transport related revenues		
Usage of wagons under RIV, PGV and AVV regimes	(928)	6,370
Wagon rentals	4,977	5,344
Cross-border services	2,015	2,507
Other	2,952	3,787
	9,016	**18,008**
	283,461	**277,666**

4. OTHER REVENUES

In thousands of EUR	31 December 2023	31 December 2022
Repairs and maintenance	8,652	6,756
Operational performance	1,411	1,336
Asset rentals	7,500	8,765
Other	2,588	3,361
	20,151	**20,218**

5. CONSUMABLES AND SERVICES

In thousands of EUR	31 December 2023	31 December 2022
Traction electricity	(28,359)	(32,978)
Foreign segments	(24,693)	(23,346)
Third party transhipment services	(17,488)	(15,702)
Network fees	(12,117)	(15,037)
Material	(10,321)	(9,241)
Traction diesel oil	(7,877)	(10,862)
Repair and maintenance	(7,044)	(5,431)
IT services and telecommunication charges	(5,929)	(6,215)
Cross-border services	(3,728)	(3,785)
Other energy costs	(3,611)	(2,845)
Wagon rentals	(1,612)	(2,331)
Travelling and representation expenses	(1,504)	(1,268)
Rentals	(1,267)	(1,456)
Security services	(1,109)	(1,026)
Cleaning of cars, property, waste disposal	(848)	(817)
Advisory and consultancy fees	(518)	(289)
Training	(418)	(378)
Medical care	(241)	(222)
Other	(3,639)	(4,403)
	(132,323)	**(137,632)**

Consumables and services include amounts charged by ŽSR of EUR 45,643 thousand (2022: EUR 52,595 thousand), primarily relating to the usage of ŽSR's network (the Company has a one-year contract with ŽSR which specifies planned kilometres and charge rates for different types of transport) and to the purchase of traction energy (refer to Note 25).

6. STAFF COSTS

In thousands of EUR	31 December 2023	31 December 2022
Wages and salaries	(66,142)	(59,037)
Social security costs	(27,346)	(24,621)
Employee benefits (Note 21)	(408)	36
Termination payments (Note 22)	(1,059)	(1,326)
	(94,955)	**(84,948)**

The number of employees at 31 December 2023 was 3,771 (2022: 4,028), there of five were members of management (as members of the Board of Directors or directors of individual departments). The average number of employees as at 31 December 2023 was 4,005 (2022: 4,082).

The average salary in 2023 amounted to EUR 1,458 (2022: EUR 1,288).

7. OTHER OPERATING REVENUES (EXPENSES), NET

In thousands of EUR	31 December 2023	31 December 2022
Profit on sale of property, plant, equipment and inventories	1,078	4,144
Release (Creation) of allowance for doubtful debts	(155)	(127)
Insurance of tangible fixed assets	(1,026)	(1,009)
Release (Creation) of provision for legal cases and other provisions (Note 22)	(202)	(414)
Other	(964)	(353)
	(1,269)	**2,241**

8. INTEREST EXPENSE

In thousands of EUR	31 December 2023	31 December 2022
Interest on loans and borrowings	(3,545)	(1,185)
Interest charges on lease liabilities	(28)	(33)
Unwinding of discount on provisions and employee benefits (Note 21)	(440)	(143)
Interest expense on the right to use the asset	(4,354)	(3,895)
Other	(10)	(11)
	(8,377)	**(5,267)**

9. OTHER FINANCE REVENUES (COSTS), NET

In thousands of EUR	31 December 2023	31 December 2022
Dividends received (Note 15)	7,205	1,917
Foreign exchange gains (losses), net	(57)	(72)
Other revenues (costs), net	(50)	(35)
	7,098	**1,810**

10. OTHER NON-CURRENT ASSETS

In thousands of EUR	31 December 2023	31 December 2022
Deferred expenses	107	109
	107	**109**

11. INCOME TAX

The reported income tax represents a withholding tax paid abroad in the amount of EUR 60 thousand (2022: EUR 145 thousand) and specific business tax in the amount of EUR 0 thousand (2022: EUR 125 thousand).

A reconciliation between the reported income tax expense and the theoretical amount that would arise using the standard rates is as follows:

In thousands of EUR	31 December 2023	31 December 2022
(Profit) Loss before tax	(536)	(489)
Tax charge at statutory tax rate of 21% (2022: 21%)	(113)	(103)
Tax paid abroad	(60)	(145)
Forfeit tax loss carry forwards	41	37
Unrecognised deferred tax asset	2,139	710
Non-deductible expenses	(2,067)	(644)
Specific business tax	-	(125)
Total income tax	**(60)**	**(270)**

Deferred tax assets and liabilities are related to the following (for the year ended 31 December 2023 an income tax rate of 21% applicable in future accounting period was used, for the year ended 31 December 2022: 21%):

In thousands of EUR	31 December 2023	31 December 2022
Deferred tax assets		
Tax loss carried forward	2,795	3,090
Provision for environmental matters	3,613	3,633
Provision for employee benefits	2,027	2,243
Allowance for trade and other receivables	561	655
Allowance for inventories	171	154
Provision for legal cases	1,675	1,641
Termination payments	351	398
Customer discounts	742	488
Other liabilities overdue over 3 years	8	1
Property, plant and equipment and intangible assets	16,404	13,725
Other	3,551	3,731
	31,897	**29,760**
Deferred tax liabilities		
Other	(30)	(32)
	(30)	**(32)**
Valuation allowance	**(31,867)**	**(29,728)**
Net deferred tax assets (liabilities)	**-**	**-**

A valuation allowance of EUR 31,867 thousand (2022: EUR 29,728 thousand) has been recognised for temporary deductible differences due to uncertainty as to the realization of tax benefits in future years. The Company will continue to assess the valuation allowance and, to the extent it is determined that such allowance is no longer required, the tax benefits of the remaining deferred tax assets will be recognised at that time.

Other tax liabilities as advances on employee income tax, property tax, etc. are reported under other liabilities in Note 23.

The Company reported a tax base of EUR 1,208 thousand in 2023 and amortized part of the loss reported in 2020.

12. INTANGIBLE ASSETS

In thousands of EUR	Software	Assets under construction	Total
Acquisition cost			
At 1 January 2023	**38,696**	**69**	**38,765**
Additions	-	1,181	1,181
Disposals	(24)	-	(24)
Transfers	1,190	(1,190)	-
At 31 December 2023	**39,862**	**60**	**39,922**
Accumulated amortization			
At 1 January 2023	**(30,834)**	**-**	**(30,834)**
Charge for the period	(1,697)	-	(1,697)
Disposals	24	-	24
At 31 December 2023	**(32,507)**	**-**	**(32,507)**
Net book value at 31 December 2023	**7,355**	**60**	**7,415**

In thousands of EUR	Software	Assets under construction	Total
Acquisition cost			
At 1 January 2022	**37,368**	**83**	**37,451**
Additions	-	1,295	1,295
Disposals	(18)	-	(18)
Transfers	1,347	(1,310)	37
At 31 December 2022	**38,696**	**69**	**38,765**
Accumulated amortization			
At 1 January 2022	**(28,851)**	**-**	**(28,851)**
Charge for the period	(2,001)	-	(2,001)
Disposals	18	-	18
At 31 December 2022	**(30,834)**	**-**	**(30,834)**
Net book value at 31 December 2022	**7,862**	**69**	**7,931**

13. PROPERTY, PLANT AND EQUIPMENT

In thousands of EUR	Land and buildings	Machines, equipment, other assets	Assets under construction	Total
Acquisition cost				
At 1 January 2023	**77,630**	**466,849**	**5,903**	**550,382**
Additions	78	451	30,286	30,815
Disposals	(3)	(3,580)	(35)	(3,619)
Transfers	2,512	28,830	(31,342)	-
At 31 December 2023	**80,217**	**492,550**	**4,812**	**577,579**
Accumulated depreciation				
At 1 January 2023	**(34,661)**	**(332,296)**	**(534)**	**(367,490)**
Additions	(1,833)	(23,174)		(25,007)
Disposals	-	3,193	-	3,193
Impairment loss	(913)	(1,111)	-	(2,024)
At 31 December 2023	**(37,407)**	**(353,387)**	**(534)**	**(391,328)**
Net book value at 31 December 2023	**42,810**	**139,163**	**4,278**	**186,251**

In thousands of EUR	Land and buildings	Machines, equipment, other assets	Assets under construction	Total
Acquisition cost				
At 1 January 2022	**77,234**	**464,377**	**5,306**	**546,917**
Additions	15	270	18,227	18,512
Disposals	(2,285)	(12,713)	(12)	(15,011)
Transfers	2,666	14,916	(17,619)	(37)
At 31 December 2022	**77,629**	**466,849**	**5,903**	**550,381**
Accumulated depreciation				
At 1 January 2022	**(33,923)**	**(319,757)**	**(534)**	**(354,214)**
Additions	(1,787)	(23,638)	-	(25,424)
Disposals	836	12,159	-	12,995
Impairment loss	213	(994)	-	(780)
Transfers	-	(66)	-	(66)
At 31 December 2022	**(34,661)**	**(332,296)**	**(534)**	**(367,490)**
Net book value at 31 December 2022	**42,968**	**134,554**	**5,369**	**182,891**

Land and buildings consist of halls used in the repair of locomotives and wagons, depots, stores, workshops and administrative buildings, machines, equipment and other assets include locomotives and wagons, cranes, trucks, cars and other vehicles, tools and equipment used in repair and maintenance, boilers and other heating equipment and office equipment, including computers, printers and other IT equipment.

The Company recorded impairment losses on assets individually assessed as damaged or not capable for further use. The impairment losses were recorded to reflect the amount of actual damage, respectively, the net book value of an asset component at 31 December 2023.

The impairment test required by IAS 36 was performed by management of the Company as at 31 December 2023. The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use. The fair value less cost to sell of an asset was determined as its selling price adjusted for costs associated with the sale of the asset. The value in use of the asset was determined by discounted cash flows method. The Company as a whole is considered as a single cash generating unit. No impairment losses have been identified based on the impairment test when comparing the recoverable amounts of the assets and carrying values after considering impairment losses of selected assets.

The relevant cash flows were estimated based on the 2024 business plan updated to the latest available information at the balance sheet date and on forecasts of future periods based on best estimates using all available information. The future cash flows were estimated for the next 10 years which is an average remaining useful life of the cash generating unit 's assets. The cash flows include unavoidable investment expenditures required to maintain the ability of the cash generating unit to generate revenues and proceeds from scrap value at the end of the useful life. Discount rate of 9.70% used in the calculation was determined based on interest rates for incremental financing of fixed assets purchases by the Company as at the day of preparation of financial statements and was adjusted for factors of time, risk and liquidity.

As a result of the procedures described above, the Company has increased an impairment loss by EUR 2,024 thousand (2022: increase in impairment loss by EUR 780 thousand) due to a higher usage of Company's assets and their market potential. As part of the tests, there is expected increase in net cash flows resulting mainly from the increase in the expected use of assets (especially in diesel traction) and the growth of transport performance in the following period was also taken into account.

Property, plant and equipment in the ownership of the Company with a total acquisition value of EUR 653 thousand (EUR 612 thousand at 31 December 2022) and with a net book value of EUR 375 thousand (EUR 337 thousand at 31 December 2022) is registered as heritage-protected areas, immovable cultural monuments or protective zones of immovable cultural monuments.

Since 1 January 2014 the Company´s property, plant and equipment and inventories have not been insured. Motor vehicles have third party and accident insurance cover, the cost of which is immaterial.

The gross carrying amount of any fully depreciated property, plant and equipment that is still in use, is EUR 20,625 thousand.

14. RIGHT-OF-USE ASSETS

With the application of IFRS 16 as of 1 January 2019, the Company recognised the right-of-use assets related to assets leased in the form of a lease.

The following table shows the amount of the right to use the leased assets in the years ended 31 December 2023 and 2022:

In thousands of EUR	Land and buildings	Wagons	Locomotives	Others	Total
Net book value at 1 January 2023	**5,671**	**196,045**	**35,670**	**646**	**238,032**
Additions	63	37,475	-	288	37,826
Modifications	1,950	12,206	3,133	37	17,326
Disposals	(58)	-	-	(18)	(76)
Transfers	-	(29)	-	29	-
Depreciation	(1,743)	(36,083)	(6,215)	(296)	(44,337)
Net book value at 31 December 2023	**5,883**	**209,614**	**32,588**	**686**	**248,771**

In thousands of EUR	Land and buildings	Wagons	Locomotives	Others	Total
Net book value at 1 January 2022	**3,581**	**227,942**	**39,739**	**604**	**271,866**
Additions	4,191	-	-	363	4,554
Modifications	69	5,110	2,274	12	7,465
Disposals	(303)	-	(570)	-	(873)
Transfers	-	-	-	(49)	(49)
Depreciation	(1,867)	(37,007)	(5,773)	(283)	(44,931)
Net book value at 31 December 2022	**5,671**	**196,045**	**35,670**	**646**	**238,032**

One of the contracts contain an extension option, which grants additional 4 years of lease term, with specified conditions. Lessor does not have such option. Since the Company cannot estimate future use of the option, the extended lease term beyond December 2029 is not included in Right-of-use asset. The option maturity date is 2 years prior to the end of lease period, i.e. December 2027. The Company has estimated that the full usage of option would result in additional liability from lease of EUR 105.211 million.

Other lease contracts, which were recorded as operating lease contracts in prior periods, do not contain lease term extension option. For all lease contracts, which were recorded as financial leasing contracts in prior periods, the Company plans to utilize options for purchase of underlying assets after the end of lease term.

15. INVESTMENT IN JOINT VENTURE, ASSOCIATE AND SUBSIDIARIES

The Company has a 40% share in BULK TRANSSHIPMENT SLOVAKIA, a. s. which is involved in the transhipment of iron ore in Čierna nad Tisou in the east of Slovakia. The shareholders of the company BULK TRANSSHIPMENT SLOVAKIA, a. s. signed a new shareholder agreement on 30 October 2019. Based on contractual arrangements with the other shareholder, the management of the Company decided to consider this investment as an associate.

The Company has 34% share in Cargo Wagon, a. s. This investment is presented as a joint venture based on the agreed conditions of shareholder agreement.

Values presented below are in accordance with International Financial Reporting Standards.

Details of the Company's joint venture, associate and subsidiaries at 31 December 2023 are as follows:

Corporate name	Registration country	Ownership 2023	Carrying amount of investment 2023	Equity 2023	Profit/Loss 2023
Investment in joint venture					
Cargo Wagon, a. s.	Slovakia	34%	3,403	52,957	10,772
Investment in associate					
BULK TRANSSHIPMENT SLOVAKIA, a. s.	Slovakia	40%	6,660	25,372	2,104
Total investments			**10,063**		
Investments in subsidiaries					
ZSSK CARGO Intermodal, a. s.	Slovakia	100%	27,5	19,5	(0,5)
Depo Services, a. s.	Slovakia	100%	27,5	26,0	(1,5)

BULK TRANSSHIPMENT SLOVAKIA, a. s. paid dividends to Company in the total amount EUR 4,400 thousand and Cargo Wagon, a. s. paid dividends to Company in the total amount EUR 2,805 thousand during 2023.

Subsidiary Depo Services, a. s. was registered in business register with basic capital in amount of EUR 25 thousand on 18 January 2023.

Subsidiaries ZSSK CARGO Intermodal, a. s. and Depo Services, a. s., have no activity as at 31 December 2023.

Details of the Company's joint venture, associate and subsidiary at 31 December 2022 are as follows:

Corporate name	Registration country	Ownership 2022	Carrying amount of investment 2022	Equity 2022	Profit/Loss 2022
Investment in joint venture					
Cargo Wagon, a. s.	Slovakia	34%	3,403	50,747	7,679
Investment in associate					
BULK TRANSSHIPMENT SLOVAKIA, a. s.	Slovakia	40%	6,660	34,318	918
Total investments			**10,063**		
Investments in subsidiary					
ZSSK CARGO Intermodal, a. s.	Slovakia	100%	27,5	21	(0,5)

BULK TRANSSHIPMENT SLOVAKIA, a. s. paid dividends to Company in the total amount EUR 387 thousand during 2022 and Cargo Wagon, a. s. paid dividends to Company in the total amount EUR 1,530 thousand during 2022.

Assets, liabilities, revenues and expenses of the joint venture and associate were as follows:

2023 In thousands of EUR	Non-current assets	Current assets	Total assets	Equity	Non-current liabilities	Current liabilities	Total liabilities	Revenues	Profit
BULK TRANSSHIPMENT SLOVAKIA, a. s.*	37,523	7,212	**44,736**	25,372	12,277	7,087	**19,364**	23,307	**2,104**
Cargo Wagon, a. s.	86,509	41,139	**127,648**	52,957	62,448	12,243	**74,691**	42,188	**10,772**
Total	**124,032**	**48,351**	**172,384**	**78,329**	**74,725**	**19,330**	**94,055**	**65,495**	**12,876**

2022 In thousands of EUR	Non-current assets	Current assets	Total assets	Equity	Non-current liabilities	Current liabilities	Total liabilities	Revenues	Profit
BULK TRANSSHIPMENT SLOVAKIA, a. s.*	37,330	5,970	**43,300**	34,318	3,898	5,084	**8,982**	19,686	**918**
Cargo Wagon, a. s.	95,353	48,653	**144,006**	50,747	69,905	23,354	**93,259**	37,710	**7,679**
Total	**132,683**	**54,623**	**187,306**	**85,065**	**73,803**	**28,438**	**102,241**	**57,396**	**8,597**

*In accordance with IFRS 12 paragraph B15, the financial information of the associate is presented in accordance with Slovak accounting standards. As at the date of preparation of the separate financial statements, the associate does not prepare financial statements in accordance with IFRS and preparation on this basis would be impracticable or would cause disproportionate costs.

The Company sold 66% of shares in subsidiary Cargo Wagon, a. s., on 5 March 2015, to the winner of international competition, which was consequently completed in May 2015 after the approval from relevant regulators.

16. INVENTORIES

In thousands of EUR	At cost 2023	At lower of cost or net realizable value 2023	At cost 2022	At lower of cost or net realizable value 2022
Machine and metal-working materials	8,049	7,684	5,190	4,858
Electrical materials	2,586	2,196	2,149	1,775
Chemicals and rubber	1,192	1,179	989	975
Diesel fuel	632	632	779	779
Protective tools	247	239	218	214
Other	390	352	313	302
Total	**13,096**	**12,282**	**9,638**	**8,903**

The Company expects to use up stocks amounted to EUR 18,724 thousand (2022: EUR 23,567 thousand) in a period of more than twelve months after the date of creation these financial statements.

17. TRADE AND OTHER RECEIVABLES

In thousands of EUR	31 December 2023	31 December 2022
Domestic trade receivables	44,686	39,782
Foreign trade receivables	7,340	8,689
VAT receivables	1,322	939
Other receivables	2,401	2,196
Allowance for impaired trade and other receivables	(2,670)	(3,118)
	53,079	**48,488**

At 31 December 2023 overdue receivables amounted to EUR 4,457 thousand (EUR 5,949 thousand at 31 December 2022).

Trade receivables are non-interest bearing and are generally due within 30-90 days.

For details of related party receivables, refer to Note 25.

As at 31 December, the ageing analysis of trade receivables is as follows:

		Neither past due	Past due but not impaired				
Year	Total	nor impaired	< 90 days	90 – 180 days	180 – 270 days	270 – 365 days	> 365 days
2023	**53,079**	49,762	3,317	-	-	-	-
2022	**48,488**	44,581	3,907	-	-	-	-

18. CASH AND CASH EQUIVALENTS

For the purposes of the cash flow statement, cash and cash equivalents comprise the following:

In thousands of EUR	31 December 2023	31 December 2022
Cash at banks and on hand and cash equivalents	3,093	3,064
Bank overdrafts	(24,828)	(55,168)
	(21,735)	**(52,104)**

Cash and cash equivalents reported as at 31 December 2023 contains restricted cash of EUR 3,030 thousand (31 December 2022: EUR 3,030 thousand).

Cash at banks earns interest at floating rates based on daily bank deposit rates.

Bank overdrafts as of 31 December are as follows:

In thousands of EUR	31 December 2023		31 December 2022	
	Overdraft limit	Drawn down	Overdraft limit	Drawn down
ING Bank N.V., pob. zahr. banky	*20,000*	**9,844**	*20,000*	**10,457**
Slovenská sporiteľňa, a. s.	*15,000*	**5,913**	*15,000*	**4,850**
Československá obchodná banka, a. s.	*10,000*	**5,263**	*10,000*	**803**
Tatra banka, a. s.	*35,000*	**1,474**	*35,000*	**26,420**
Všeobecná úverová banka, a. s.	*22,500*	**1,438**	*22,500*	**11,605**
Citibank Europe plc, pob. zahr. banky	*15,000*	**896**	*15,000*	**1,033**
	117,500	**24,828**	*117,500*	**55,168**

19. SHAREHOLDER'S EQUITY

Share capital

Share capital represents the State's investment in the Company, held through MT, made through the contribution of certain assets and liabilities of the Company's predecessor, ŽS, and comprises 121 registered ordinary shares, each with a nominal value of EUR 3,319,391.8874. All of these shares are issued and fully paid.

Legal reserve fund

On the Company's incorporation, in accordance with Slovak legislation, a legal reserve fund was established at 10% of the Company's registered capital, again through an in-kind contribution. Slovak legislation requires that the legal reserve fund will be increased by amounts of at least equal to 10% of annual net profit up to an amount equal to 20% of the Company's registered capital. Under the Company's Articles of Association, the legal reserve fund is not available for distribution and can only be used to cover losses or increase registered capital.

Based on the decision of the sole shareholder of 9 November 2010, the statutory reserve fund was utilized to cover the losses of the Company.

Other funds

Other funds represent the difference between the value of the assets and liabilities contributed by the State on the Company's incorporation and through an additional capital contribution made on 2 November 2005 and that of the Company's registered capital and legal reserve fund, adjusted by an amount of EUR 4,216 thousand to restate an error in the initial valuation of the assets contributed by the State identified in 2006.

During 2008 the Company received an additional capital contribution of EUR 12,149 thousand from MT, this being a previously unpaid part of the initial equity contribution made on the Company's incorporation. In addition, the Company was awarded penalty interest of EUR 8,830 thousand to compensate for the late payment of this contribution.

Distribution of profit from previous accounting period

The distribution of profit of the 2022 statutory result was approved by the Company's General Meeting on 8 June 2023 and was transferred in the amount of EUR 22 thousand to legal reserve fund and the amount of EUR 197 thousand was transferred to accumulated losses.

20. INTEREST-BEARING LOANS AND BORROWINGS

In thousands of EUR	Maturity date	31 December 2023	31 December 2022
Long-term loans			
Secured			
Slovenská sporiteľňa, a. s.	31 December 2024	2,500	7,750
Všeobecná úverová banka, a. s.	30 April 2028	17,220	13,670
Tatra-Leasing, s. r. o.	30 November 2029	11,850	-
Unsecured			
Československá obchodná banka, a. s.	31 March 2027	1,625	2,125
Total		**33,195**	**23,545**
Short-term portion of loans		**7,920**	**9,130**
Long-term portion of loans		**25,275**	**14,415**
Short-term loans			
Secured			
Tatra banka, a. s.		20,000	-
Všeobecná úverová banka, a. s.		10,000	-
Total		**30,000**	**-**
Short-term portion of loans (see above)		**7,920**	**9,130**
Overdrafts (Note 18)		**24,828**	**55,168**
Short-term portion of loans		**62,748**	**64,298**
Total		**88,023**	**78,713**

All loans presented in the table above are secured by promissory notes with a value of EUR 47,811 thousand (EUR 49,365 thousand at 31 December 2022), and with a nominal value of EUR 132,060 thousand (EUR 123,590 thousand as of 31 December 2022) except for long-term loan from Československá obchodná banka, a. s., short-term loan from Československá obchodná banka, a. s., and short-term loan from Tatra banka, a. s.

The long-term loan provided by Slovenská sporiteľňa, a. s. is secured by a promissory note (principal) as well as by a lien on 4 locomotives (interest).

The long-term loan provided by Všeobecná úverová banka, a. s. is secured by a promissory note (blank promissory note with a value EUR 9,020 thousand, blank promissory note with a value EUR 9,570 thousand and blank promissory note with a value EUR 8,470 thousand) as well as by a lien on 37 locomotives.

Long-term loan from Tatra-Leasing, s. r. o. is secured by a lien on 6 locomotives.

At 31 December 2023 and 2023, the Company complied with all financial and non-financial covenants arising from loan agreements.

The fair value of interest-bearing loans and borrowings amounts to EUR 88,023 thousand (EUR 78,713 thousand at 31 December 2022).

All interest-bearing loans and borrowings bear floating interest which range from 4.675% p.a. to 5.439% p.a. (2.778% p.a. to 3.502% p.a in 2022).

21. EMPLOYEE BENEFITS

In thousands of EUR	Retirement benefits	Jubilee payments	Disability benefits	Total
At 1 January 2023	**9,111**	**1,569**	**-**	**10,680**
Current service cost	323	51	-	**374**
Interest expense	375	65	-	**440**
Actuarial gains and losses	312	7	1	**320**
Utilization of benefits	(1,929)	(260)	(1)	**(2,190)**
Past service cost	19	6	1	**26**
At 31 December 2023	**8,211**	**1,438**	**1**	**9,650**
Current 31 December 2023	621	231	-	**852**
Non-current 31 December 2023	7,590	1,207	1	**8,798**
At 31 December 2023	**8,211**	**1,438**	**1**	**9,650**

In thousands of EUR	Retirement benefits	Jubilee payments	Disability benefits	Total
At 1 January 2022	**10,588**	**2,103**	**2**	**12,693**
Current service cost	386	76	-	**462**
Interest expense	120	24	-	**144**
Actuarial gains and losses	(1,601)	(316)	(1)	**(1,918)**
Utilization of benefits	(382)	(318)	(1)	**(701)**
At 31 December 2022	**9,111**	**1,569**	**-**	**10,680**
Current 31 December 2022	708	252	-	**960**
Non-current 31 December 2022	8,402	1,317	-	**9,719**
At 31 December 2022	**9,111**	**1,569**	**-**	**10,680**

The principal actuarial assumptions used were as follows:

	2023	2022
Discount rate (% p.a.)	3.49	4.12
Future salary increases (%)	5.00	10.00
Mortality probability (male) (%)	0.04 – 2.46	0.04 – 2.46
Mortality probability (female) (%)	0.02 – 0.10	0.02 – 0.10

Sensitivity analysis

A sensitivity analysis of the provision to changes in significant assumptions is shown in the table below:

In thousands of EUR	31 December 2023	Discount rate (1.00%)	Average income (1.00%)	Mortality (-10.00%)
Net liability from employee benefits	9,650	(665)	325	83

In thousands of EUR	31 December 2022	Discount rate (1.00%)	Average income (1.00%)	Mortality (-10.00%)
Net liability from employee benefits	10,680	(736)	360	92

22. PROVISIONS

In thousands of EUR	Environmental	Legal	Terminations	Other	Total
At 1 January 2023	**17,302**	**7,816**	**1,893**	**12**	**27,023**
Additions	-	202	1,673	-	1,875
Actuarial gains and losses	-	-	(812)	-	(812)
Utilization	(99)	(40)	(1,081)	-	(1,220)
At 31 December 2023	**17,203**	**7,978**	**1,673**	**12**	**26,866**
Current 31 December 2023	337	-	1,673	12	2,023
Non-current 31 December 2023	16,866	7,978	-	-	24,844
At 31 December 2023	**17,203**	**7,978**	**1,673**	**12**	**26,866**

In thousands of EUR	Environmental	Legal	Terminations	Other	Total
At 1 January 2022	**17,450**	**7,402**	**2,099**	**12**	**26,963**
Additions	-	414	1,893	-	2,307
Actuarial gains and losses	-	-	(1,041)		(1,041)
Utilization	(148)	-	(1,058)	-	(1,206)
At 31 December 2022	**17,302**	**7,816**	**1,893**	**12**	**27,023**
Current 31 December 2022	355	-	1,893	12	2,260
Non-current 31 December 2022	16,947	7,816	-	-	24,763
At 31 December 2022	**17,302**	**7,816**	**1,893**	**12**	**27,023**

Environmental matters

In 2023, the Company updated its analysis of potential breaches of environmental regulations at its various sites, with the support of an environment specialist, Centrum environmentálnych služieb, s. r. o. As a result of this analysis, and based on the findings of Centrum environmentálnych služieb, s. r. o., the Company has estimated that costs of EUR 17,203 thousand (EUR 17,302 thousand at 31 December 2022) are required to remedy the significant environmental issues relating to water, oil and fuel management identified in the past.

Their exact estimates are not necessarily accurate due to several uncertainties involving continuous development of laws and regulatory requirements in the areas of environment and methods, timing and extent of corrective actions which could have a potentially significant impact on the economic results of the company in future periods. A discount rate of 4.00 % p.a. was used in the calculation.

Legal cases

The Board of the Antimonopoly Office of the Slovak Republic confirmed the first-instance decision of the Antimonopoly Office of the Slovak Republic, which was the imposed fine to the Company in the amount of EUR 2,991 thousand for abusing a dominant position in the market for the sale and rental of electric locomotives. The fine imposed was confirmed by a decision of Krajský súd (Regional Court) Bratislava against the Company. A cassation complaint was filed on 28 December 2021. Okresný súd (District Court) Banská Bystrica rejected complaint of Antimonopoly Office of Slovak Republic against decision of a higher court on 31 January 2024 and confirmed the suspension of execution.

23. TRADE AND OTHER PAYABLES, AND OTHER NON-CURRENT LIABILITIES

In thousands of EUR	31 December 2023	31 December 2022
Domestic trade payables	28,910	31,271
Foreign trade payables	8,095	6,287
Payables due to employees	8,702	7,317
Payables due to social institutions	4,646	3,955
Other payables	5,110	5,507
	55,463	**54,337**

At 31 December 2023 overdue trade payables amounted to EUR 523 thousand (EUR 907 thousand at 31 December 2022). For details of related party payables, refer to Note 25.

The social fund payable is included in other non-current liabilities. Movements in the social fund during the period are shown in the table below:

In thousands of EUR	2023	2022
At 1 January	**156**	**191**
Creation	620	512
Utilization	559	547
At 31 December	**217**	**156**

24. COMMITMENTS AND CONTINGENCIES

Lease liabilities

As at 31 December 2023, the Company has concluded fixed-term contracts that were previously reported as operating leases, mainly relating to the lease of wagons, road motor vehicles and other equipment. All leases are on a fixed repayment basis with floating interest rates derived from EURIBOR. Present value of net lease payments is as follows:

In thousands of EUR	31 December 2023	31 December 2022
Within one year	42,732	39,052
From one to five years	161,426	139,569
Over five years	47,851	61,256
Present value of lease payments	**252,009**	**239,877**

In valuing lease liabilities that were previously classified as operating leases, the Company used an incremental interest rate to discount. The weighted interest rate used was 1.97% as at 31 December 2022 (1.52% in 2022).

Note 26 summarizes the lease liabilities based on contractual undiscounted payments (according to repayment schedules) when summarizing the maturity of financial liabilities as at 31 December 2023.

Investing commitments

The Company's investment expenditure for the period from 1 January 2024 to 31 December 2024 (1 January 2023 to 31 December 2023) is as follows:

In thousands of EUR	31 December 2023	31 December 2022
Land and buildings	3,566	332
Machines, equipment and other assets	16,335	13,034
Intangible assets	31	50
	19,932	**13,416**

Expenditures of EUR 19,932 thousand (EUR 13,416 thousand at 31 December 2022) are committed under contractual arrangements.

25. RELATED PARTY DISCLOSURES

Related parties of the Company comprise of all companies under same ownership (meaning under the control of the State), the Company's joint venture, associate and the Board of Directors.

The following tables provide the total amount of transactions which have been entered into with related parties for the years ended 31 December 2023 and 2022:

In thousands of EUR	31 December 2023			
Related party	Sales to related parties	Purchases from related parties	Amounts owed by related parties	Amounts owed to related parties
ŽSR	1,122	45,643	248	1,020
ZSSK	11,685	2,385	842	198
Slovenský plynárenský priemysel	-	867	-	245
Cargo Wagon, a. s. (joint venture)	4,651	33,661	195	3,816
BTS (associate)	6,456	17,455	431	2,292
Other related parties	1,113	783	162	1

In thousands of EUR	31 December 2022			
Related party	Sales to related parties	Purchases from related parties	Amounts owed by related parties	Amounts owed to related parties
ŽSR	635	52,595	112	2,355
ZSSK	17,718	3,125	768	308
Slovenský plynárenský priemysel	-	871	-	201
Cargo Wagon, a. s. (joint venture)	2,160	34,654	403	4,778
BTS (associate)	1,471	15,490	334	2,369
Other related parties	1,065	665	56	3

The Company's major contractual relationships with ŽSR and ZSSK are for fixed one-year periods and are subject to an annual renewal process. Purchases from ŽSR include primarily network fees and traction electricity. Sales to ŽSR comprise of transport services, while sales to ZSSK include gains on sale of property, plant, equipment, the repair of passenger wagons and track vehicles and the sale of diesel.

Statutory and supervisory bodies

Members of the Company's statutory and supervisory bodies as registered in the Commercial Register at the Mestský súd (City Court) Bratislava III at 31 December 2023 and 2022 are as follows:

Board of Directors:	Ing. Jaroslav Daniška, chairman of the board (since 15 November 2023)
	Mgr. Matej Hambálek, vice-chairman (since 15 November 2023)
	Ing. Miroslav Hopta, member (since 15 November 2023)
	Ing. Roman Gono, chairman of the board (since 24 April 2020 to 14 November 2023)
	Ing. Jaroslav Daniška, vice-chairman (since 7 April 2021 to 14 November 2023)
	Ing. Ľubomír Kuťka, member (since 7 April 2021 to 14 November 2023)
Supervisory Board:	Ing. Ján Lupták, chairman of the board (since 12 October 2017)
	Peter Pikna, member (since 1 January 2020)
	Jozef Róbert Šmigalla, member (since 1 January 2020)
	Mgr. Lukáš Parízek, member (since 4 February 2021)

Emoluments of the members of the Board of Directors and Supervisory Board

The Board of Directors' total remuneration approximated EUR 51 thousand (EUR 44 thousand in 2022). The total remuneration of members of the Supervisory Board amounted to EUR 41 thousand (EUR 35 thousand in 2022).

Loans granted

No loans have been granted to key management and members of the Board of Directors and Supervisory Board.

26. FINANCIAL RISK MANAGEMENT

The Company's principal financial liabilities comprise of interest-bearing loans and borrowings, overdrafts and trade payables. The main purpose of these financial liabilities is to raise financing for the Company's operations. The Company has various financial assets such as trade and other receivables and short-term deposits, which arise directly from its operations.

The main risks arising from the Company's financial instruments are interest rate risk, liquidity risk and credit risk. The Board of Directors reviewed and agreed policies for managing each of these risks which are summarised below.

Interest rate risk

The Company's exposure to the risk of changes in market interest rates relates to the Company's long-term and short-term borrowings and overdrafts with floating interest rates. The Company has a broad portfolio of borrowings bearing a range of fixed and floating interest rates.

The following table demonstrates the sensitivity of the Company's profit before taxes for the period of 12 months after the reporting date to a reasonable change in interest rates of 50 basis points higher/lower, with all other variables held constant. There is no expected impact on the Company's equity.

In thousands of EUR	31 December 2023	31 December 2022
EURIBOR (+0.5%)	324	223
EURIBOR (-0.5%)	(324)	(223)

Liquidity risk

The Company's policy is to maintain sufficient cash and cash equivalents or have available funding through an adequate number of credit facilities to cover the liquidity risk in accordance with its financing strategy.

The amounts available in the form of credit facilities as at 31 December 2023 and 2022 consist of the following:

In thousands of EUR	31 December 2023	31 December 2022
Long-term loan facilities available	28,498	7,700
Short-term loan facilities available	60,831	62,340
Total loan facilities available	**89,329**	**70,040**

As at 31 December 2023 and at 31 December 2022 the Company did not use any bank guarantee.

The table below summarises the maturity profile of the Company's financial liabilities at 31 December 2023 based on contractual undiscounted payments:

In thousands of EUR	On demand	Less than 3 months	From 3 to 12 months	From 1 to 5 years	Over 5 years	Total
Long-term loans	-	-	-	15,795	9,480	25,275
Trade and other payables	523	54,940	-	-	-	55,463
Obligations under leases	-	11,800	35,563	172,396	50,060	269,819
Short-term loans	-	2,875	59,873	-	-	62,748
	523	**69,615**	**95,436**	**188,191**	**59,540**	**413,305**

The table below summarises the maturity profile of the Company's financial liabilities at 31 December 2022 based on contractual undiscounted payments:

In thousands of EUR	On demand	Less than 3 months	From 3 to 12 months	From 1 to 5 years	Over 5 years	Total
Long-term loans	-	-	-	14,415	-	14,415
Trade and other payables	907	53,423	7	-	-	54,337
Obligations under leases	-	11,312	31,079	147,448	62,154	251,993
Short-term loans	-	14,928	49,370	-	-	64,298
	907	**79,663**	**80,456**	**161,863**	**62,154**	**385,043**

The following table summarizes the changes in financial obligations as at 31 December 2023:

In thousands of EUR	1 January 2023	Cash flows	Others	31 December 2023
Long-term loans	14,415	19,550	(8,690)	25,275
Obligations under leases	239,877	(47,299)	59,431	252,009
Short-term loans	64,298	(10,240)	8,690	62,748
	318,590	**(37,989)**	**59,431**	**340,031**

The following table summarizes the changes in financial obligations as at 31 December 2022:

In thousands of EUR	1 January 2022	Cash flows	Others	31 December 2022
Long-term loans	16,025	-	(1,610)	14,415
Obligations under leases	272,169	(47,285)	14,993	239,877
Short-term loans	70,020	(8,524)	2,802	64,298
	358,214	**(55,809)**	**16,185**	**318,590**

Credit risk

The Company provides a variety of customers with products and services, none of whom, based on volume and creditworthiness, present a significant credit risk, individually or in aggregate. The Company has three major customers: U. S. Steel Košice s. r. o., BUDAMAR LOGISTICS, a. s. and Railtrans International, a. s. (U. S. Steel Košice, s. r. o., BUDAMAR LOGISTICS, a. s. and Railtrans International, a. s. in 2022), sales to which represent 63 % of transport and related revenues (58 % in 2022), but management is confident, based on historic experience, projections for the future and contracts in place, that the Company is not overly exposed to credit risk in respect of these three customers. The Company's procedure is to ensure that sales are made to customers with appropriate credit histories and that acceptable credit limits are not exceeded.

The value of financial assets, recognised in the balance sheet reduced by impairment losses reflects the Company's maximum exposure to credit risk.

Capital management

The primary objective of the Company's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholder value.

The Company manages its capital structure, and makes adjustments to it, in light of changes in economic conditions. No changes were made in the objectives, policies or processes during the years ended 31 December 2023 and 31 December 2022.

The Company monitors indebtedness using a debt to equity ratio, by which debt consists of external interest-bearing loans and borrowings and excludes financial lease obligations, divided by total equity.

In thousands of EUR	31 December 2023	31 December 2022
Long-term debt, net of current portion (excluding lease obligations)	25,275	14,415
Short-term debt, including current portion of long-term debt (excluding lease obligations)	62,748	64,298
Debt	**88,023**	**78,713**
Equity	**88,897**	**88,733**
Debt to equity ratio (%)	**99%**	**89%**

27. EVENTS AFTER THE BALANCE SHEET DATE

No events occurred subsequent to 31 December 2023 that might have a material effect on the fair presentation of the matters disclosed in these financial statements.

Approved by Ing. Jaroslav Daniška and Ing. Miroslav Hopta on behalf of the Board of Directors on 24 April 2024.

INDEPENDENT AUDITOR'S REPORT AND CONSOLIDATED FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS AS ADOPTED BY THE EUROPEAN UNION

YEAR ENDED 31 DECEMBER 2023

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Independent Auditor's Report

To the Shareholder, Supervisory Board and Board of Directors of Železničná spoločnosť Cargo Slovakia, a.s.:

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Železničná spoločnosť Cargo Slovakia, a.s. and its subsidiaries ("the Group"), which comprise the consolidated statement of financial position for the year ended 31 December 2023, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the accompanying consolidated financial statements of the Group give a true and fair view of the financial position of the Group as at 31 December 2023, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by EU ("IFRS EU").

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the Act on Statutory Audit No 423/2015 Coll. and on amendments to the Act on Accounting No 431/2002 Coll., as amended by later legislation ("the Act on Statutory Audit") related to ethics, including Auditor's Code of Ethics, that are relevant to our audit of the consolidated financial statements, and we have fulfilled other requirements of these provisions related to ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter

We draw attention to Note 22 Provisions to the consolidated financial statements. The Group recorded provisions of EUR 17,203 thousand as at 31 December 2023 (EUR 17,302 thousand as at 31 December 2022) for remediation of environmental burdens. Estimates of the future costs relating to environmental burdens are not necessarily accurate, due to uncertainties concerning the constant development of laws and regulatory requirements on the environment and the methods, timing and extent of corrective action, and so cannot be precisely specified. These costs could have a significant impact on the Group's financial results in future accounting periods.

Our opinion is not modified in respect of this matter.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management responsible for the preparation of the consolidated financial statements that give true and fair view in accordance with IFRS EU, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements including the presented information as well as whether the consolidated financial statements captures the underlying transactions and events in a manner that leads to their fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Report on Other Legal and Regulatory Requirements

Report on Information Disclosed in the Annual Report

Management is responsible for the information disclosed in the annual report, prepared based on requirements of the Act on Accounting No 431/2002 Coll., as amended by later legislation ("the Act on Accounting"). Our opinion on the consolidated financial statements expressed above does not apply to other information contained in the annual report.

In connection with audit of the consolidated financial statements it is our responsibility to understand the information disclosed in the annual report and to consider whether such information is not materially inconsistent with audited consolidated financial statements or our knowledge obtained in the audit of the consolidated financial statements, or otherwise appears to be materially misstated.

We considered whether the Group's annual report contains information, disclosure of which is required by the Act on Accounting.

Based on procedures performed during the audit of consolidated financial statements, in our opinion:

- Information disclosed in the annual report prepared for 2023 is consistent with the consolidated financial statements for the relevant year,
- The annual report contains information based on the Act on Accounting.

Additionally, based on our understanding of the Group and its situation, obtained in the audit of the consolidated financial statements, we are required to disclose whether material misstatements were identified in the annual report, which we received prior to the date of issue of this auditor's report. In this regard, there are no findings which we should disclose.

24 April 2024
Bratislava, Slovak Republic

Ernst & Young Slovakia, spol. s r.o.
SKAU Licence No. 257

Tomáš Baláž

Ing. Tomáš Baláž, statutory auditor
UDVA Licence No. 1265

THIS IS A TRANSLATION OF THE ORIGINAL SLOVAK REPORT

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2023

In thousands of EUR	Note	31 December 2023	31 December 2022
Revenues			
Transportation and related revenues	3	283,461	277,666
Other revenues	4	20,151	20,218
		303,612	**297,884**
Costs and expenses			
Consumables and services	5	(132,325)	(137,632)
Staff costs	6	(94,955)	(84,948)
Depreciation, amortisation and impairment of property, plant and equipment	12, 13, 14	(73,250)	(73,599)
Other operating revenues (expenses), net	7	(1,270)	2,241
		(301,800)	**(293,938)**
Finance costs			
Interest expense	8	(8,377)	(5,267)
Other finance revenues (costs), net	9	(107)	(107)
Share of the profit of associates and joint ventures	15	4,378	3,354
		(4,106)	**(2,020)**
Income tax	**11**	**(60)**	**(270)**
Profit (Loss) for the period		**(2,354)**	**1,656**
Components of other comprehensive income that will not be subsequently reclassified to profit or loss:			
Actuarial gains (losses) from defined benefit pension plans		(312)	1,601
Other comprehensive income for the period		**(312)**	**1,601**
Total comprehensive income for the period		**(2,666)**	**3,257**
Profit attributable to:			
Shareholder of the Company		(2,666)	3,257
Non-controlling interest of other owners of subsidiaries		-	-

The accounting policies and notes form an integral part of the financial statements.

Approved by Ing. Jaroslav Daniška and Ing. Miroslav Hopta on behalf of the Board of Directors on 24 April 2024.

ZSSK CARGO

CONSOLIDATED STATEMENT OF FINANCIAL POSITION FOR THE YEAR ENDED 31 DECEMBER 2023

In thousands of EUR	Note	31 December 2023	31 December 2022
ASSETS			
Non-current assets			
Property, plant and equipment	13	186,251	182,891
Intangible assets	12	7,415	7,931
Right-of-use assets	14	248,771	238,032
Investment in associates and joint ventures	15	28,163	30,991
Other non-current assets	10	107	109
		470,707	**459,954**
Current assets			
Inventories	16	12,282	8,903
Trade and other receivables	17	53,078	48,488
Cash and cash equivalents	18	3,140	3,084
		68,500	**60,475**
TOTAL ASSETS		**539,207**	**520,429**
EQUITY AND LIABILITIES			
Shareholder's equity			
Share capital	19	401,646	401,646
Legal reserve fund	19	730	708
Other funds	19	1,228	1,228
Accumulated losses	19	(296,626)	(293,938)
TOTAL EQUITY		**106,978**	**109,644**
Non-current liabilities			
Interest-bearing loans and borrowings	20	25,275	14,415
Employee benefits	21	8,798	9,719
Provisions	22	24,844	24,763
Lease liabilities	24	209,277	200,825
Other non-current liabilities	23	217	156
		268,411	**249,878**
Current liabilities			
Interest-bearing loans and borrowings	20	62,748	64,298
Employee benefits	21	852	960
Provisions	22	2,023	2,261
Trade and other payables	23	55,463	54,336
Lease liabilities	24	42,732	39,052
		163,818	**160,907**
Total liabilities		**432,229**	**410,785**
TOTAL EQUITY AND LIABILITIES		**539,207**	**520,429**

The accounting policies and notes form an integral part of the financial statements.

Approved by Ing. Jaroslav Daniška and Ing. Miroslav Hopta on behalf of the Board of Directors on 24 April 2024.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2023

In thousands of EUR	Share capital	Legal reserve fund	Other funds	Accumulated losses	Total
At 1 January 2022	**401,646**	**73**	**1,228**	**(296,560)**	**106,387**
Loss for the period	-	-	-	1,656	1,656
Other comprehensive income	-	-	-	1,601	1,601
Total comprehensive income	-	-	-	3,257	3,257
Legal reserve fund	-	635	-	(635)	-
At 31 December 2022	**401,646**	**708**	**1,228**	**(293,938)**	**109,644**
Profit for the period	-	-	-	(2,354)	(2,354)
Other comprehensive income	-	-	-	(312)	(312)
Total comprehensive income	-	-	-	(2,666)	(2,666)
Legal reserve fund	-	22	-	(22)	-
At 31 December 2023	**401,646**	**730**	**1,228**	**(296,626)**	**(106,978)**

The accounting policies and notes form an integral part of the financial statements.
Approved by Ing. Jaroslav Daniška and Ing. Miroslav Hopta on behalf of the Board of Directors on 24 April 2024.

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2023

In thousands of EUR	Note	31 December 2023	31 December 2022
Cash flows from operating activities			
Profit (Loss) before tax		(2,294)	1,926
Adjustments for:			
Non-cash items			
Depreciation, amortisation and impairment of property, plant and equipment and intangible assets	12, 13, 14	73,250	73,599
Gain on sale of property, plant and equipment	7	(523)	(3,359)
Allowance of receivables and inventories	16, 17	(369)	152
Interest expense	8	8,377	5,267
Share of the profit of the joint ventures		(4,378)	(3,354)
Movements in provisions and employee benefits	21, 22	(1,938)	(495)
Other non-cash adjustments		37	-
		72,162	**73,735**
Working capital changes:			
Decrease (Increase) in inventories		(3,458)	(998)
Decrease (Increase) in trade and other receivables		(4,141)	(3,768)
Increase (Decrease) in trade and other payables		1,396	3,388
Cash flows from operating activities		**65,959**	**72,357**
Income tax paid	11	(266)	(544)
Net cash flows from operating activities		**65,693**	**71,813**
Cash flows from investing activities			
Purchase of fixed assets	12, 13	(31,996)	(19,807)
Proceeds from sale of property, plant and equipment		725	4,945
Dividends received	15	7,205	1,917
Net cash flows from investing activities		**(24,066)**	**(12,945)**
Cash flows from financing activities			
Proceeds from loans and borrowings	20	49,550	8,390
Repayment of loans and borrowings	20	(9,900)	(11,760)
Interest paid	8	(3,582)	(1,229)
Proceeds from lease liabilities	24	-	-
Payments of lease liabilities	24	(47,299)	(47,285)
Net cash flows from financing activities		**(11,231)**	**(51,884)**
Net increase (decrease) in cash and cash equivalents		**30,396**	**6,984**
Cash and cash equivalents at 1 January	**18**	**(52,084)**	**(59,068)**
Cash and cash equivalents at 31 December	**18**	**(21,688)**	**(52,084)**

The accounting policies and notes form an integral part of the financial statements.

Approved by Ing. Jaroslav Daniška and Ing. Miroslav Hopta on behalf of the Board of Directors on 24 April 2024.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

Information on group and parent company

Železničná spoločnosť Cargo Slovakia, a. s. ("ZSSK CARGO" or "the Company"), a joint stock company registered in the Slovak Republic, was founded on 1 January 2005 as one of two successor companies to Železničná spoločnosť, a. s. ("ŽS"). ZSSK CARGO was incorporated with the Commercial Register of the Okresný súd (District Court) Bratislava I, Section Sa, Insert No. 3496/B at the date of its establishment, Company ID 35 914 921, Tax Identification Number 20 219 200 65.

The Slovak Republic is the sole shareholder of the Company through the Ministry of Transport of the Slovak Republic ("MT") with its registered office on Námestie slobody 6, 810 05 Bratislava. Until 31 December 2022 was valid the original name Ministry of Transport and Construction of the Slovak Republic ("MTC").

As of December 31, 2023, ZSSK CARGO provided consolidated financial data as a consolidated accounting unit to higher consolidation to the Ministry of Transport and Construction of the Slovak Republic, with registered office at Námestie slobody 6, 810 05 Bratislava. The highest accounting unit that consolidates ZSSK CARGO as of December 31, 2023 is the Ministry of Finance of the Slovak Republic.

The Company is not an unlimited liability partner in any other company.

The Company's predecessor, ŽS, was founded on 1 January 2002 through the demerger of Železnice Slovenskej Republiky ("ŽSR") and assumed responsibility for the provision of freight and passenger rail transport and traffic services within Slovakia, while ŽSR retained responsibility for the operation of the traffic routes. ŽS was dissolved without liquidation effective 31 December 2004 and replaced, following a second demerger, by two newly established successor companies: Železničná spoločnosť Slovensko, a. s. ("ZSSK") for passenger transportation and traffic services and ZSSK CARGO for freight transportation and traffic services.

Principal activities

ZSSK CARGO's main business is the provision of freight transportation and related services. Additionally, the Group rents properties and provides repair and maintenance, cleaning and other support services to ZSSK and other external customers. The Group is organized and managed as a single business unit and is viewed as a single operating unit by the Board of Directors for the purposes of resource allocation and assessing performance.

The registered office of ZSSK CARGO

Tomášikova 28B

821 01 Bratislava – city district Ružinov

Slovakia

The Group consists of the Company, joint venture, associate and subsidiaries.

These consolidated financial statements are filed at the Company's registered address and at the Commercial Register of the Mestský súd (City Court) Bratislava III, Medená 22, 811 02 Bratislava, Slovakia.

2.1 BASIS OF PREPARATION AND MEASUREMENT

These consolidated financial statements were approved and authorized for issue by the Board of Directors on 24 April 2024. The General Meeting held on 8 June 2023 approved the Group's financial statements for the previous accounting period.

The consolidated financial statements have been prepared on the historical cost basis. These financial statements constitute the statutory accounts of ZSSK CARGO, prepared in accordance with Article 17a (6) of Slovak Act No. 431/2002 Coll. on Accounting for the accounting period from 1 January 2023 to 31 December 2023. Joint venture and associate are consolidated using the equity method and subsidiaries using the full consolidation method.

The Government of the Slovak Republic approved the resolution No. 390/2013 on 10 July 2013 which sets measures to consolidate rail freight transport and its implementation should allow an economic consolidation and further development of the Group. The measures compensate a late introduction of a new regulatory framework for rail freight companies in the form of reduced fees for the use of railway infrastructure in the years 2014 - 2016 and also allow the Group to establish three subsidiaries in the sector of management of wagons, intermodal transport and repair and maintenance of locomotives and wagons and subsequently allow qualified and reputable partners to enter into those subsidiaries.

The Group established two subsidiaries Cargo Wagon, a. s. and ZSSK CARGO Intermodal, a. s. in 2013. The Group signed a sale and purchase of shares contract with AAE Wagon, a. s. (member of VTG/AAE Group), the winner of the international tender on 5 March 2015. According to the contract AAE Wagon, a. s. acquired 66% of share capital of Cargo Wagon, a. s. A shareholder`s agreement governing relations between both shareholders AAE and ZSSK CARGO has been also signed.

After an approval of the Antimonopoly authorities, registering transfer of share and the fulfillment of other conditional clauses the final transaction documents were signed in May 2015 – Agreement on transfer of movable assets for consideration and subsequent lease back of means of transport (Agreement on sale of 12,342 railway carriages and lease back of 8,216 railway carriages) and Bank loan agreement between financing banks and Cargo Wagon, a. s. used to finance the purchase of railway carriages. Whole transaction was completed on 10 July 2015, when ZSSK CARGO received a payment for the sale of carriages of EUR 216.6 million (incl. VAT) which was used to decrease Group´s debt. The Group began to lease a significant part of its freight wagons. The purpose of establishing of the two companies is to decrease the Company's debt as well as gradual achieving of balanced economic results in the mid-term, while at the same time implementing further internal measures to increase productivity and effectivity of internal processes. In 2021, an amendment to lease agreement No. 11 was signed with Cargo Wagon, a. s. to adjust the number and extend the lease of railway wagons until 2029 under favorable conditions compared to the original contract.

Regarding ZSSK CARGO Intermodal, a. s. the Group has closed the international tender without selecting a qualified partner in 2015. The Group will support intermodal activities within ZSSK CARGO and the future of ZSSK CARGO Intermodal, a. s. will be determined in near period.

The successful future rail freight transport consolidation, with the goal being the achievement of balanced results in the mid-term while continuing to implement internal measures, which should increase the productivity and effectivity of internal processes, considering the decreasing transports and fiercer competition will depend on additional supporting measures and a new regulatory framework for rail freight transporters and the fee set for the usage of rail infrastructure after the year 2023. In 2024 with outlook for 2025 - 2026 the support for rail freight transport in Slovakia continues in form of reduced network fees.

The consolidated financial statements and accompanying notes are presented in thousands of euro.

The Group's financial year is the same as the calendar year.

Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRS"). IFRS comprise standards and interpretations approved by the International Accounting Standards Board ("IASB") and the International Financial Reporting Interpretations Committee ("IFRIC").

At this time, due to the endorsement process of the European Union and the nature of the Group's activities, there is no difference between the IFRS policies applied by the Group and those adopted by the European Union.

Military conflict in Ukraine

In February 2022, a military conflict broke out in Ukraine, which is still ongoing at the time of compiling the financial statements. In connection with this, business in Ukraine and Russia was affected, among others, either as a result of the war or as a result of economic sanctions. At the same time, there was an unforeseen increase in the market prices of raw materials, fuels and energy and increased volatility of currency rates. It is difficult to estimate the further development of market prices and key macroeconomic indicators. The Group has analysed the possible impact of changing micro and macroeconomic conditions on the Company's performance, financial situation and operations and has not identified any uncertainty related to going concern.

Issued standards, interpretations and amendments to standards that the Company applied for the first time in 2023:

- IAS 1 Presentation of Financial Statements: Amendment related to Disclosure of Accounting Policies (effective for annual periods beginning on or after 1 January 2023). This amendment does not have a significant impact on the Company's financial statements.
- IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors: Amendment related to Definition of Accounting Estimates (effective for annual periods beginning on or after 1 January 2023). This amendment does not have a significant impact on the Company's financial statements.
- IAS 12 Income Taxes: Amendment related to Deferred Tax related to Assets and Liabilities arising

from a Single Transaction (effective for annual periods beginning on or after 1 January 2023). This amendment does not have a significant impact on the Company's financial statements.

- IAS 12 Income Taxes: Amendment related to international tax reform – rules of OECD's second pillar (effective for annual periods beginning on or after 1 January 2023). In regards of the issued amendments to IAS 12 "Income taxes", which introduced a temporary exemption from the requirements of IAS 12, according to which the company does not show or disclose information about deferred tax assets and liabilities related to the proposed model rules of the second pillar, the company decided to apply a temporary exemption as of December 31, 2023.

Issued standards, interpretations and amendments to standards that are effective after 31 December 2023 and that the Company has not applied early:

- IAS 1 Presentation of Financial Statements: Amendment related to Liability Classification (effective for annual periods beginning on or after 1 January 2024).
- IFRS 16 Leases: Lease liability in leaseback (Supplement) (effective for annual accounting periods beginning on or after 1 January 2024).

The Group has not opted for earlier adoption of any standard, interpretation or amendment that has been published but has not yet entered into force.

Currently, the Group is assessing the impact of the aforementioned standards on its financial statements.

Issued standards, interpretations and amendments to standards that have not yet been approved by the European Union as of 31 December 2023 and are not in force:

- IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures – Amendment related to Supplier Financing Agreement (effective for annual periods beginning on or after 1 January 2024).
- IAS 21 Effect of Changes in Foreign Currency Exchange Rates - Amendment related to lack of currency convertibility (effective for annual accounting periods beginning on or after January 1, 2025).

The effective dates above have been set in standards published by the IASB. The actual dates of adoption of these standards in the EU may differ from the dates set out in the standards and will be notified as soon as they are approved for application in the EU.

2.3 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

Critical judgments in applying accounting policies

In the process of applying accounting policies, management of the Group has made certain judgments that have a significant effect on the amounts recognised in the financial statements (apart from those involving estimates, which are dealt with below). These are detailed in the respective notes, however the most significant judgments relate to the following:

Environmental matters

Existing regulations, especially environmental legislation, do not specify the extent of remediation work required or the technology to be applied in resolving environmental damage. Management of the Group uses the work of specialists, its previous experience and its own interpretations of the relevant regulations in determining the need for environmental provisions.

Sources of estimate uncertainty

The preparation of financial statements in conformity with IFRS requires the use of estimates and assumptions that affect the amounts reported in the financial statements and the notes thereto. Although these estimates are based on management's best knowledge of current events, actual results may differ from these estimates. These issues are detailed in the respective notes, however, the most significant estimates comprise the following:

Legal cases

The Group is party to a number of legal proceedings arising in the ordinary course of business. Management uses the work of specialists and its previous experience of similar actions in making an assessment of the most likely outcome of these actions and of the need for legal provisions.

Quantification and timing of environmental liabilities

Management makes estimations as to the future cash outflows associated with environmental liabilities using comparative prices, analogies to previous similar work and other assumptions. Furthermore, the timing of these cash outflows reflects management's current assessment of priorities, technical capabilities and the urgency of such obligations. The estimates made and the assumptions upon which these estimates are made are reviewed at each balance sheet date.

Impairment of property, plant and equipment

The Group determines at each reporting date whether there is an indication that items of property, plant and equipment are impaired. Where such indications exist, the Group makes an estimate as to the recoverable amount of the assets concerned or of the cash-generating unit to which the assets are allocated. In determining value in use the Group is required to make an estimate of expected future cash flows and to choose a suitable discount rate in order to calculate the present value of those cash flows, while net selling price is determined by reference to market developments in Slovakia and other central European countries.

Actuarial estimates applied for calculation of retirement benefit obligations

The cost of defined benefit plans is determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, future salary increases and mortality or fluctuation rates. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty.

Depreciable useful lives and residual values of property, plant and equipment

Management of the Group assigns depreciable lives and residual values to items of property, plant and equipment by reference to the organisation's latest strategic objectives. Management of the Group determines at each reporting date whether the assumptions applied in making such assignations continue to be appropriate.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Functional and presentation currency

These consolidated financial statements are presented in euro, which is the Group's functional currency.

Foreign currency transactions are translated into EUR using the reference foreign exchange rate pertaining in the day preceding the transaction, as determined and published by the European Central Bank or the National Bank of Slovakia. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the balance sheet date. All differences are recognised in profit or loss. Non-monetary items that are measured based on historical cost in a foreign currency are translated using the exchange rates as at the date of the initial transaction.

Property, plant and equipment

Property, plant and equipment is measured at cost, excluding the costs of day-to-day servicing, less accumulated depreciation and accumulated impairment losses. When parts of an item of property, plant and equipment need to be regularly replaced, they are accounted for as separate items (major components) of property, plant and equipment with a specific useful life and depreciation. Also, general overhaul repairs are measured at cost, if measurement criteria are met.

Ongoing repairs, maintenance and minor renewals are expensed as incurred. Depreciation is calculated on a straight-line basis over the useful life of an asset (8-50 years for buildings, 3-40 years for machines, equipment and other assets). Land is not depreciated.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is recognised in profit or loss in the year the asset is derecognised.

When items of property, plant and equipment meets the criteria to be classified as held for sale, they are measured at the lower of their carrying amount and fair value less costs to sell. The Group measures an item of property, plant and equipment that ceases to be classified as held for sale at the lower of:

a) its carrying amount before the asset was classified as held for sale, adjusted for any depreciation and amortisation that would have been recognised had the asset not been classified as held for sale, and
b) its recoverable amount at the date of the subsequent decision not to sell.

The residual values, useful lives and depreciation methods of property, plant and equipment are reviewed and adjusted, if appropriate, at each financial year end.

Intangible assets

Intangible assets are measured at cost, less accumulated amortisation and any accumulated impairment losses.

Amortisation is calculated on a straight-line basis over the useful life of the assets (3-8 years).

Intangible assets are derecognised upon disposal or when no future economic benefits are expected from their use or disposal. Any gain or loss arising on derecognition of an asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is recognised in profit and loss in the year the asset is derecognised.

The residual values, useful lives and amortisation methods of intangible assets are reviewed and adjusted, if appropriate, at each financial year end.

Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets.

Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Impairment losses are recognised in the statement of comprehensive income within depreciation, amortisation and impairment of property, plant and equipment and intangible assets.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group makes an estimate of recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the statement of comprehensive income. After such a reversal the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

Inventories

Inventories are measured at the lower of cost and net realisable value. Cost includes the purchase price of inventory and expenses related to the acquisition of inventory (including transportation costs, insurance and customs duties) and are accounted for using the weighted average method.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs necessary to make the sale.

Allowances for old, obsolete and slow-moving items are booked to reduce the carrying value of these items to net realisable value.

Joint venture, associate and subsidiaries

Securities and interests in joint venture, associate and subsidiaries that are not classified as held for sale are measured at book value (cost less any accumulated impairment losses).

The cost of securities and interests in joint venture, associate and subsidiaries is the price that was paid for the shares.

Financial assets

Initial recognition and classification of financial assets

A financial asset is recognised in the statement of financial position when, and only when, the Group becomes party to the contractual provisions of the instrument. Financial assets within the scope of IFRS 9 - Financial Instruments are classified as financial assets subsequently measured at amortised cost, financial assets measured at fair value through other comprehensive income or financial assets measured at fair value through profit or loss, depending on the Group´s business model for managing the financial assets and the contractual cash flows characteristics of the financial assets. Financial assets can be designated as hedging instruments in an effective hedging relationship, as appropriate.

The Group determines the classification of its financial assets at initial recognition.

The Group accounts for contracts to buy or sell non-financial items that can be settled net in cash or another financial instrument, or by exchanging financial instruments, as if the contracts were financial instruments, in line with IFRS 9 - Financial Instruments. Contracts that were entered into and continue to be held for the purpose of the receipt or delivery of a non-financial item in accordance with the Group's expected purchase, sale or usage requirements are outside the scope of this standard.

Except for trade receivables, at initial recognition, the Group measures a financial asset at its fair value plus or minus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset. Transaction costs of financial asset carried at fair value through profit or loss are expensed in profit or loss. At initial recognition, the Group measures trade receivables that do not contain a significant financing component at their transaction price.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognised on the trade date, i.e. the date that the Group commits to purchase or sell the asset.

The Group's financial assets include cash and short-term deposits, trade and other receivables, quoted and unquoted financial instruments.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification at initial recognition as follows:

- Financial assets measured at amortised cost

  A financial asset is classified as measured at amortised cost if the objective of the Group is to hold the asset in order to collect contractual cash flows and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. After initial recognition, such financial assets are subsequently measured at amortised cost using the effective interest rate method ("EIR"), less impairment. Amortised cost is calculated by taking into account the fees paid or received between the contractual parties that are an integral part of the EIR, transaction costs and all other premiums and discounts. The EIR amortisation is included in finance income in the income statement. The losses arising from impairment are recognised in the income statement. This category includes cash and cash equivalents, trade and other receivables and other current and non-current assets.

- Financial assets measured at fair value through other comprehensive income

  A financial asset is classified as measured at fair value through other comprehensive income if the Group´s business model objective is achieved by both collecting contractual cash flows and selling financial assets and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Movements in the carrying amount are taken through other comprehensive income, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss. This category includes equity securities which are not held for trading.

- Financial assets measured at fair value through profit or loss

  Financial assets that do not meet the criteria for classification as measured at amortised cost or at fair value through other comprehensive income are measured at fair value through profit or loss.

  Financial assets measured at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term.

  After the initial recognition, financial assets at fair value through profit or loss are carried in the balance sheet at fair value with changes in fair value recognised in the income statement.

Impairment of financial assets

The Group considered a loss allowance for expected credit losses on a financial asset that is measured at amortised cost or at fair value through other comprehensive income, a lease receivable, a contract asset, a loan commitment or a financial guarantee contract to which the impairment requirements apply in accordance with IFRS 9 - Financial Instruments.

The Group assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. For trade and lease receivables, the Group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised since initial recognition of the receivables.

For all financial assets other than trade receivables and lease receivables, the Group applies the general approach under IFRS 9, based on the assessment of a significant increase in credit risk since initial recognition. Under such approach, loss allowance on financial assets is recognised at an amount equal to the lifetime expected credit losses, if the credit risk on those financial assets has increased significantly, since initial recognition, considering all reasonable and supportable information, including also forward-looking inputs. If at the reporting date, the credit risk on financial assets has not increased significantly since initial recognition, the Group measures the loss allowance at an amount equal to 12-month expected credit losses. Lifetime expected credit losses represent the expected credit losses that result from all possible default events over the expected life of a financial instrument.

As at 31 December 2023 and 2022, the Group recognised allowance for doubtful debts only in respect of trade and lease receivables. There has been no significant increase in credit risk identified for other financial assets recognised in the balance sheet, nor have any historical credit losses been experienced for other financial assets, except for the trade receivables.

The Group recognises in profit or loss, as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognised as at the balance sheet date in line with IFRS 9 - Financial Instruments. The loss allowance for the financial assets measured at fair value through other comprehensive income is recognised in other comprehensive income and shall not reduce the carrying amount of the financial asset in the statement of financial position.

Financial assets together with the related allowance are written off when there is no reasonable expectation of recovering the financial asset in its entirety or a portion thereof. A write-off constitutes a derecognition event.

Derecognition

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- The contractual rights to the cash flows from the financial asset expire;
- The Group has transferred the financial asset and the transfer qualifies for derecognition in line with requirements of IFRS 9 Financial Instruments.

Financial liabilities

Initial recognition and measurement

A financial liability is recognised in the statement of financial position when, and only when, the Group becomes party to the contractual provisions of the instrument. Financial liabilities within the scope of IFRS 9 are classified as financial liabilities subsequently measured at amortised cost, except for financial liabilities at fair value through profit or loss, financial guarantee contracts, financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition, commitments to provide a loan at a below-market interest rate and contingent consideration recognised by an acquirer in a business combination in scope of IFRS 3 - Business Combinations.

The Group determines the classification of its financial liabilities at initial recognition.

Financial liabilities may be designated as hedging instruments in a hedging relationship.

The Group accounts for contracts to buy or sell non-financial items that can be settled net in cash or another financial instrument, or by exchanging financial instruments, as if the contracts were financial instruments, in line with IFRS 9 - Financial instruments. Contracts that were entered into and continue to be held for the purpose of the receipt or delivery of a non-financial item in accordance with the Group’s expected purchase, sale or usage requirements are outside the scope of IFRS 9.

At initial recognition, the Group measures a financial liability at its fair value plus or minus, in the case of a financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial liability.

The Group’s financial liabilities include trade and other payables, loans and borrowings, and derivative financial instruments.

Subsequent measurement

After initial recognition, the financial liabilities are measured according to their classification determined at initial recognition. Reclassifications of financial liabilities are not permitted in any circumstances. The Group classified its financial liabilities as financial liabilities at fair value through profit or loss and financial liabilities subsequently measured at amortised costs.

- Financial liabilities at fair value through profit or loss statement

  Financial liabilities at fair value through profit or loss statement include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss. Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term.

- Financial liabilities measured at amortised cost

  This category includes loans and borrowings, finance lease payables, trade and other payables. Amortised cost of a financial liability is the amount at which the financial liability is measured at initial recognition minus the principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount. The calculation of EIR includes the fees paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs, and all other premiums or discounts. The EIR amortisation is recognised in finance cost in the income statement.

Derecognition

A financial liability is derecognised when it is extinguished, i.e. when the obligation under the liability is discharged or cancelled or expires.

A substantial modification of the terms of an existing financial liability or a part of it is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. On derecognition of a financial liability, the difference between the carrying amount of a financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, shall be recognised in profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the balance sheet if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously. In accordance with IAS 32, Amendments to IAS 32: Offsetting Financial Assets and Financial Liabilities, the right to offset must not be contingent on a future event and it has to be legally enforceable both in the normal course of business and in case of default, insolvency or bankruptcy.

Fair value of financial instruments

The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market prices or dealer price quotations, without any deduction for transaction costs.

For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques may include using recent arm's length market transactions, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis or other valuation models.

Derivative financial instruments

The Group uses derivative financial instruments such as forwards, options and swaps to hedge its risks related to foreign currency fluctuations. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative. Any gains or losses arising from changes in the fair value of derivatives are taken directly to the statement of comprehensive income as finance income or costs.

The fair value of forward currency contracts is calculated by reference to current forward exchange rates for contracts with similar maturity profiles.

An embedded derivative is separated from the host contract and accounted for as a derivative if all of the following conditions are met:

- The economic characteristics and the risks of the embedded derivative are not closely related to the economic characteristics of the host contract:
- A separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and
- A hybrid (combined) instrument is not measured at fair value with changes in fair value reported in current period net profit.

Hedging

Hedge accounting recognises the offsetting effects of changes in the fair values of the hedging instrument and the hedged item in profit/loss for the period. For the purpose of hedge accounting, hedges are classified as:

- Fair value hedge,
- Cash flow hedge.

At the inception of the hedge the Group formally designates and documents the hedging relationship to which it wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and the method by which the Group will assess the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedge is expected to be highly effective in achieving offsetting of changes in fair value or cash flows attributable to the hedged risk and is assessed on an ongoing basis to determine that it has been highly effective throughout the financial reporting periods for which it was designated.

Hedges which meet the strict criteria for hedge accounting are accounted for as follows:

Fair value hedge

Fair value hedge is a hedge of the Group's exposure to changes in fair value of a recognised asset or liability or an unrecognised firm commitment, or an identified portion of such an asset, liability or firm commitment, that is attributable to a particular risk and could affect profit/loss for the period.

The gain or loss from remeasuring the hedging instrument at fair value (for a derivative hedging instrument) or the foreign currency component of its carrying amount measured in accordance with IAS 21 (for a non-derivative hedging instrument) is recognised in profit/loss for the period. The gain or loss on the hedged item attributable to the hedged risk adjusts the carrying amount of the hedged item and is recognised in profit/loss for the period. The same method is used when the hedged item is an available-for-sale financial asset.

The adjustment to the carrying amount of a hedged financial instrument for which the effective interest method is used is amortized to profit/loss for the period over the remaining term to maturity of the financial instrument. Amortization may begin as soon as an adjustment exists and shall begin no later than when the hedged item ceases to be adjusted for changes in fair value attributable to the risk being hedged.

When an unrecognised firm commitment is designated as a hedged item, the subsequent cumulative change in the fair value of the firm commitment attributable to the hedged risk is recognised as an asset or liability with a corresponding gain or loss recognised in profit/loss for the period. The changes in the fair value of the hedging instrument are also recognised in profit/loss for the period.

The Group discontinues fair value hedge accounting if the hedging instrument expires, the hedging instrument is sold, terminated or exercised, the hedge no longer meets the criteria for hedge accounting or the Group revokes the designation.

Cash flow hedge

Cash flow hedge is a hedge of the Group's exposure to variability in cash flows that is attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction and could affect profit/loss for the period.

The portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised in other comprehensive income. The ineffective portion of the gain or loss on the hedging instrument is recognised in profit/loss for the period.

If a hedge of a forecast transaction subsequently results in the recognition of a financial asset or a financial liability, the associated gains or losses that were recognised in other comprehensive income are reclassified from other comprehensive income to profit/loss in the same period or periods during which the asset acquired or liability assumed affects profit/loss for the period. If a hedge of a forecast transaction subsequently results in the recognition of a non-financial asset or a non-financial liability, or a forecast transaction for non-financial asset or non-financial liability becomes a firm commitment for which fair value hedge accounting is applied, the associated gains and losses that were recognised in other comprehensive income are transferred to the initial cost or other carrying amount of the non-financial asset or liability.

As at 31 December 2023 and 2022, no financial liabilities have been designated as derivative financial instruments.

Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less and that are subject to an insignificant risk of change in value.

For the purposes of the cash flow statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

Employee benefits

The Group makes contributions to the State health, retirement benefit and unemployment schemes at the statutory rates in force during the year, based on gross salary payments. The cost of these payments is charged to the statement of comprehensive income in the same period as the related salary cost. The Group has no obligation to contribute to these schemes beyond the statutory rates in force.

Also, the Group operates unfunded long-term defined benefit programmes comprising lump-sum post-employment, jubilee and disability benefits. The cost of providing these employee benefits is assessed separately for each programme using the projected unit credit method, by which the costs incurred in providing such benefits are charged to the statement of comprehensive income to spread the cost over the service lives of the Group's employees. The benefit obligation is measured as the present value of the estimated future cash outflows.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to the statement of comprehensive income when incurred. Amendments to these long-term defined benefit programmes are charged or credited to the statement of comprehensive income over the average remaining service lives of the related employees.

Termination payments

The employees of the Group are eligible, immediately upon termination due to organizational changes, for redundancy payments pursuant to the Slovak law and the terms of the Collective Agreement between the Group and its employees. The amount of such a liability is recorded as a provision in the balance sheet when the workforce reduction program is defined, announced and the conditions for its implementation are met.

Provisions

A provision is recognised if the Group has a present obligation (legal or constructive) as a result of a past event and it is probable (i.e. more likely than not) that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. The amount of the provision is the present value of the risk adjusted expenditures expected to be required to settle the obligation, determined using the estimated risk-free interest rate as discount rate. Where discounting is used, the carrying amount of the provision increases in each period to reflect the unwinding of the discount by the passage of time. This increase is recognised as interest expense.

Environmental matters

Liabilities for environmental costs are recognised when environmental clean-ups are probable and the associated costs can be reliably estimated. Generally, the timing of these provisions coincides with the commitment to a formal plan of action or, if earlier, on divestment or on closure of inactive sites. The amount recognised is the best estimate of the expenditure required.

Legal cases

Liabilities arising from litigation and disputes, which are calculated by using available information and assumptions, are recognised when an outflow of resources embodying economic benefits is probable and when such outflows can be reliably measured.

Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at inception date. An arrangement is considered to contain a lease if the contract conveys the right to control the use of an identified asset for a period in exchange for consideration.

This applies when the Group has both of the following:

- the right to obtain substantially all of the economic benefits from use of the identified asset,
- the right to direct the use of the identified asset.

Group as a lessee

At the commencement date, the Group recognises a right-of-use asset and a lease liability. Right-of-use asset represents the Group’s right to use an underlying asset for the lease term and is measured at cost.

The cost of the right-of-use asset comprises the following:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories.

After the commencement date, the Group measures the right-of-use assets in a way consistent with the measurement of the assets owned by the Group. The depreciation policy for depreciable leased assets is also consistent with that for depreciable assets that are owned by the Group.

Group as a lessor

The Group classifies each of its leases as either an operating lease or a finance lease.

Finance lease is a lease that transfers substantially all the risks and rewards incidental to ownership of an underlying asset.

Operating lease is a lease that does not transfer substantially all the risks and rewards incidental to ownership of an underlying asset.

Lease classification is made at the inception date and is reassessed only if there is a lease modification. Changes in estimates (e.g. economic life or residual value of the underlying asset) or changes in circumstances (e.g. default) do not give rise to a new classification of a lease.

Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates and sales taxes.

Revenue from transport and related services and from repair and maintenance and other such services is recognised in the period in which the services are provided, net of discounts and deductions.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset are recognised as part of the cost of a given asset. Other related expenses are recognised as an expense in the period in which they are incurred.

Income tax

Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the balance sheet date.

In accordance with Act No. 235/2012 Coll., on a Special Levy on Business in Regulated Industries and on the Amendment to and Supplementation of Certain Acts, the Group is obliged to pay a monthly special levy effective from September 2012. This levy is based on the profit before tax and is presented as a part of the current income tax pursuant to the IFRS requirements.

Deferred income tax

Deferred income tax is provided using the liability method on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax credits and unused tax losses to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax credits and unused tax losses can be utilised.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised. Unrecognised deferred income tax assets are reassessed at each balance sheet date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Deferred income tax relating to items recognised directly in equity is recognised directly in equity and not in income.

ZSSK CARGO

3. TRANSPORTATION AND RELATED REVENUES

In thousands of EUR	31 December 2023	31 December 2022
Inland transport		
Transport of goods	38,165	34,518
Wagon deposition	14,167	12,395
Haulage fees	1,328	1,007
	53,660	**47,920**
International transport		
Import	114,540	110,204
Export	96,784	90,606
Transit	9,461	10,928
	220,785	**211,738**
Other transport related revenues		
Usage of wagons under RIV, PGV and AVV regimes	(928)	6,370
Wagon rentals	4,977	5,344
Cross-border services	2,015	2,507
Other	2,952	3,787
	9,016	**18,008**
	283,461	**277,666**

4. OTHER REVENUES

In thousands of EUR	31 December 2023	31 December 2022
Repairs and maintenance	8,652	6,756
Operational performance	1,411	1,336
Asset rentals	7,500	8,765
Other	2,588	3,361
	20,151	**20,218**

5. CONSUMABLES AND SERVICES

In thousands of EUR	31 December 2023	31 December 2022
Traction electricity	(28,359)	(32,978)
Foreign segments	(24,693)	(23,346)
Third party transhipment services	(17,488)	(15,702)
Network fees	(12,117)	(15,037)
Material	(10,321)	(9,241)
Traction diesel oil	(7,877)	(10,862)
Repair and maintenance	(7,044)	(5,431)
IT services and telecommunication charges	(5,929)	(6,215)
Cross-border services	(3,728)	(3,785)
Other energy costs	(3,611)	(2,845)
Wagon rentals	(1,612)	(2,331)
Travelling and representation expenses	(1,504)	(1,268)
Rentals	(1,267)	(1,456)
Security services	(1,109)	(1,026)
Cleaning of cars, property, waste disposal	(848)	(817)
Advisory and consultancy fees	(518)	(289)
Training	(418)	(378)
Medical care	(241)	(222)
Other	(3,639)	(4,403)
	(132,323)	**(137,632)**

Consumables and services include amounts charged by ŽSR of EUR 45,643 thousand (2022: EUR 52,595 thousand), primarily relating to the usage of ŽSR's network (the Company has a one-year contract with ŽSR which specifies planned kilometres and charge rates for different types of transport) and to the purchase of traction energy (refer to Note 25).

6. STAFF COSTS

In thousands of EUR	31 December 2023	31 December 2022
Wages and salaries	(66,142)	(59,037)
Social security costs	(27,346)	(24,621)
Employee benefits (Note 21)	(408)	36
Termination payments (Note 22)	(1,059)	(1,326)
	(94,955)	**(84,948)**

Number of employees at 31 December 2023 was 3,771 (2022: 4,028), there of five were members of management (as members of the Board of Directors or directors of individual departments). Average number of employees as at 31 December 2023 were 4,005 (2022: 4,082).

The average salary in 2023 amounted to EUR 1,458 (2022: EUR 1,288).

7. OTHER OPERATING REVENUES (EXPENSES), NET

In thousands of EUR	31 December 2023	31 December 2022
Profit on sale of property, plant, equipment and inventories	1,078	4,144
Release (Creation) of allowance for doubtful debts	(155)	(127)
Insurance of tangible fixed assets	(1,026)	(1,009)
Release (Creation) of provision for legal cases and other provisions (Note 22)	(202)	(414)
Other	(964)	(353)
	(1,269)	**2,241**

8. INTEREST EXPENSE

In thousands of EUR	31 December 2023	31 December 2022
Interest on loans and borrowings	(3,545)	(1,185)
Interest charges on lease liabilities	(28)	(33)
Unwinding of discount on provisions and employee benefits (Note 21)	(440)	(143)
Interest expense on the right to use the asset	(4,354)	(3,895)
Other	(10)	(11)
	(8,377)	**(5,267)**

9. OTHER FINANCE REVENUES (COSTS), NET

In thousands of EUR	31 December 2023	31 December 2022
Foreign exchange gains (losses), net	(57)	(72)
Other revenues (costs), net	(50)	(35)
	(107)	**(107)**

10. OTHER NON-CURRENT ASSETS

In thousands of EUR	31 December 2023	31 December 2022
Deffered expenses	107	109
	107	**109**

11. INCOME TAX

The reported income tax represents a withholding tax paid abroad in the amount of EUR 60 thousand (2022: EUR 145 thousand) and specific business tax in the amount of EUR 0 thousand (2022: EUR 125 thousand).

A reconciliation between the reported income tax expense and the theoretical amount that would arise using the standard rates is as follows:

In thousands of EUR	31 December 2023	31 December 2022
(Profit) Loss before tax	2,294	(1,926)
Tax charge at statutory tax rate of 21% (2021: 21%)	482	(404)
Tax paid abroad	(60)	(145)
Forfeit tax loss carry forwards	41	37
Unrecognised deferred tax asset	2,139	710
Non-deductible expenses	(2,662)	(343)
Specific business tax	-	(125)
Total income tax	**(60)**	**(270)**

Deferred tax assets and liabilities are related to the following (for the year ended 31 December 2023 an income tax rate of 21% applicable in future accounting period was used, for the year ended 31 December 2022: 21%):

In thousands of EUR	31 December 2023	31 December 2022
Deferred tax assets		
Tax loss carried forward	2,795	3,090
Provision for environmental matters	3,613	3,633
Provision for employee benefits	2,027	2,243
Allowance for trade and other receivables	561	655
Allowance for inventories	171	154
Provision for legal cases	1,675	1,641
Termination payments	351	398
Customer discounts	742	488
Other liabilities overdue over 3 years	8	1
Property, plant and equipment and intangible assets	16,404	13,725
Other	3,551	3,731
	31,897	**29,760**
Deferred tax liabilities		
Other	(30)	(32)
	(30)	**(32)**
Deferred tax liabilities	**(31,867)**	**(29,728)**
Other	**-**	**-**

A valuation allowance of EUR 31,867 thousand (2022: EUR 29,728 thousand) has been recognised for temporary deductible differences due to uncertainty as to the realization of tax benefits in future years. The Group will continue to assess the valuation allowance and, to the extent it is determined that such allowance is no longer required, the tax benefits of the remaining deferred tax assets will be recognised at that time.

Other tax liabilities as advances on employee income tax, property tax, etc. are reported under other liabilities in Note 23.

The Group reported a tax base of EUR 1,208 thousand in 2023 and amortized part of the loss reported in 2020.

12. INTANGIBLE ASSETS

In thousands of EUR	Software	Assets under construction	Total
Acquisition cost			
At 1 January 2023	**38,696**	**69**	**38,765**
Additions	-	1,181	1,181
Disposals	(24)	-	(24)
Transfers	1,190	(1,190)	-
At 31 December 2023	**39,862**	**60**	**39,922**
Accumulated amortization			
At 1 January 2023	**(30,834)**	**-**	**(30,834)**
Charge for the period	(1,697)	-	(1,697)
Disposals	24	-	24
At 31 December 2023	**(32,507)**	**-**	**(32,507)**
Net book value at 31 December 2023	**7,355**	**60**	**7,415**

In thousands of EUR	Software	Assets under construction	Total
Acquisition cost			
At 1 January 2022	**37,368**	**83**	**37,451**
Additions	-	1,295	1,295
Disposals	(18)	-	(18)
Transfers	1,347	(1,310)	37
At 31 December 2022	**38,696**	**69**	**38,765**
Accumulated amortization			
At 1 January 2022	**(28,851)**	**-**	**(28,851)**
Charge for the period	(2,001)	-	(2,001)
Disposals	18	-	18
At 31 December 2022	**(30,834)**	**-**	**(30,834)**
Net book value at 31 December 2022	**7,862**	**69**	**7,931**

13. PROPERTY, PLANT AND EQUIPMENT

In thousands of EUR	Land and buildings	Machines, equipment and other assets	Assets under construction	Total
Acquisition cost				
At 1 January 2023	**77,630**	**466,849**	**5,903**	**550,382**
Additions	78	451	30,286	30,815
Disposals	(3)	(3,580)	(35)	(3,619)
Transfers	2,512	28,830	(31,342)	-
At 31 December 2023	**80,217**	**492,550**	**4,812**	**577,579**
Accumulated depreciation				
At 1 January 2023	**(34,661)**	**(332,296)**	**(534)**	**(367,490)**
Additions	(1,833)	(23,174)		(25,007)
Disposals	-	3,193	-	3,193
Impairment loss	(913)	(1,111)	-	(2,024)
At 31 December 2023	**(37,407)**	**(353,387)**	**(534)**	**(391,328)**
Net book value at 31 December 2023	**42,810**	**139,163**	**4,278**	**186,251**

In thousands of EUR	Land and buildings	Machines, equipment and other assets	Assets under construction	Total
Acquisition cost				
At 1 January 2022	**77,234**	**464,377**	**5,306**	**546,917**
Additions	15	270	18,227	18,512
Disposals	(2,285)	(12,713)	(12)	(15,011)
Transfers	2,666	14,916	(17,619)	(37)
At 31 December 2022	**77,629**	**466,849**	**5,903**	**550,381**
Accumulated depreciation				
At 1 January 2022	**(33,923)**	**(319,757)**	**(534)**	**(354,214)**
Additions	(1,787)	(23,638)	-	(25,424)
Disposals	836	12,159	-	12,995
Impairment loss	213	(994)	-	(780)
Transfers	-	(66)	-	(66)
At 31 December 2022	**(34,661)**	**(332,296)**	**(534)**	**(367,490)**
Net book value at 31 December 2022	**42,968**	**134,554**	**5,369**	**182,891**

Land and buildings consist of halls used in the repair of locomotives and wagons, depots, stores, workshops and administrative buildings, machines, equipment and other assets include locomotives and wagons, cranes, trucks, cars and other vehicles, tools and equipment used in repair and maintenance, boilers and other heating equipment and office equipment, including computers, printers and other IT equipment.

The Group recorded impairment losses on assets individually assessed as damaged or not capable for further use. The impairment losses were recorded to reflect the amount of actual damage, respectively, the net book value of an asset component at 31 December 2023.

The impairment test required by IAS 36 was performed by management of the Group as at 31 December 2023. The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use. The fair value less cost to sell of an asset was determined as its selling price adjusted for costs associated with the sale of the asset. The value in use of the asset was determined by discounted cash flows method. The Group as a whole is considered as a single cash generating unit. No impairment losses have been identified based on the impairment test when comparing the recoverable amounts of the assets and carrying values after considering impairment losses of selected assets.

The relevant cash flows were estimated based on the 2024 business plan updated to the latest available information at the balance sheet date and on forecasts of future periods based on best estimates using all available information. The future cash flows were estimated for the next 10 years which is an average remaining useful life of the cash generating unit ‘s assets. The cash flows include unavoidable investment expenditures required to maintain the ability of the cash generating unit to generate revenues and proceeds from scrap value at the end of the useful life. Discount rate of 9.70% used in the calculation was determined based on interest rates for incremental financing of fixed assets purchases by the Group as at the day of preparation of financial statements and was adjusted for factors of time, risk and liquidity.

As a result of the procedures described above, the Group has increased an impairment loss by EUR 2,024 thousand (2022: increase in impairment loss by EUR 780 thousand) due to a lower usage of Group’s assets and their market potential. As part of the tests, there is expected increase in net cash flows resulting mainly from the increase in the expected use of assets (especially in diesel traction) and the growth of transport performance in the following period was also taken into account.

Property, plant and equipment in the ownership of the Group with a total acquisition value of EUR 653 thousand (EUR 612 thousand at 31 December 2022) and with a net book value of EUR 375 thousand (EUR 337 thousand at 31 December 2022) is registered as heritage-protected areas, immovable cultural monuments or protective zones of immovable cultural monuments.

Since 1 January 2014 the Group´s property, plant and equipment and inventories have not been insured. Motor vehicles have third party and accident insurance cover, the cost of which is immaterial.

The gross carrying amount of any fully depreciated property, plant and equipment that is still in use, is EUR 20,625 thousand.

14. RIGHT-OF-USE ASSETS

With the application of IFRS 16 as of 1 January 2019, the Group recognised the right-of-use assets related to assets leased in the form of a lease.

The following table shows the amount of the right to use the leased assets in the years ended 31 December 2023 and 2022:

In thousands of EUR	Land and buildings	Wagons	Locomotives	Others	Total
Net book value at 1 January 2023	**5,671**	**196,045**	**35,670**	**646**	**238,032**
Additions	63	37,475	-	288	37,826
Modifications	1,950	12,206	3,133	37	17,326
Disposals	(58)	-	-	(18)	(76)
Transfers	-	(29)	-	29	-
Depreciation	(1,743)	(36,083)	(6,215)	(296)	(44,337)
Net book value at 31 December 2023	**5,883**	**209,614**	**32,588**	**686**	**248,771**

In thousands of EUR	Land and buildings	Wagons	Locomotives	Others	Total
Net book value at 1 January 2022	**3,581**	**227,942**	**39,739**	**604**	**271,866**
Additions	4,191	-	-	363	4,554
Modifications	69	5,110	2,274	12	7,465
Disposals	(303)	-	(570)	-	(873)
Transfers	-	-	-	(49)	(49)
Depreciation	(1,867)	(37,007)	(5,773)	(283)	(44,931)
Net book value at 31 December 2022	**5,671**	**196,045**	**35,670**	**646**	**238,032**

One of the contracts contain an extension option, which grants additional 4 years of lease term, with specified conditions. Lessor does not have such option. Since the Group cannot estimate future use of the option, the extended lease term beyond December 2029 is not included in Right-of-use asset. The option maturity date is 2 years prior to the end of lease period, i.e. December 2027. The Group has estimated that the full usage of option would result in additional liability from lease of EUR 105.211 million.

Other lease contracts, which were recorded as operating lease contracts in prior periods, do not contain lease term extension option. For all lease contracts, which were recorded as financial leasing contracts in prior periods, the Group plans to utilize options for purchase of underlying assets after the end of lease term.

15. INVESTMENT IN JOINT VENTURE, ASSOCIATE AND SUBSIDIARIES

The Group has a 40% share in BULK TRANSSHIPMENT SLOVAKIA, a. s. which is involved in the transhipment of iron ore in Čierna nad Tisou in the east of Slovakia. Based on contractual arrangements with the other shareholder, the management of the Group decided to consider this investment as an associate and is consolidated using the equity method.

The Group has 34% share in Cargo Wagon, a. s. This investment is presented as a joint venture based on the agreed conditions of shareholder agreement and is consolidated using the equity method.

Assets and liabilities as at 31 December 2023 and 2022 and income and expenses for the years then ended of the BULK TRANSSHIPMENT SLOVAKIA, a. s. are as follows:

In thousands of EUR	31 December 2023	31 December 2022
Current assets	7,212	5,970
Non-current assets	37,523	37,330
Total assets	**44,736**	**43,300**
Current liabilities	7,087	5,084
Non-current liabilities	12,277	3,898
Total liabilities	**19,364**	**8,982**
Total equity	**25,372**	**34,318**
Investment value as the Group's share of equity	**10,149**	**13,727**

In thousands of EUR	31 December 2023	31 December 2022
Revenues	23,307	19,686
Costs	(20,859)	(18,432)
Profit before income tax	**2,448**	**1,254**
Other changes	(344)	(336)
Income tax expense	**2,104**	**918**
Group share of profit (loss)	**841**	**367**

In accordance with IFRS 12 paragraph B15, the financial information of the associated company is presented according to Slovak accounting standards. As of the date of preparation of the individual financial statements, the associated company does not prepare financial statements according to IFRS standards and preparation on this basis would be impracticable or would cause disproportionate costs.

BULK TRANSSHIPMENT SLOVAKIA, a. s. paid dividends to Group in the total amount EUR 4,400 thousand for years 2012 – 2017 (2022: EUR 387 thousand).

Assets and liabilities as at 31 December 2023 and 2022 and income and expenses for the years then ended of the Cargo Wagon, a. s. are as follows:

In thousands of EUR	31 December 2023	31 December 2022
Current assets	41,139	48,653
Thereof Cash and cash equivalents	*34,712*	*42,030*
Non-current assets	86,509	94,585
Total assets	**127,648**	**143,238**
Current liabilities	12,243	23,072
Thereof Interest-bearing loans and borrowings	*7,454*	*18,706*
Non-current liabilities	62,448	69,730
Interest-bearing loans and borrowings	*57,454*	*64,898*
Total liabilities	**74,691**	**92,802**
Total equity	**52,957**	**50,436**
Investment value as the Group's share of equity	**18,005**	**17,148**

In thousands of EUR	31 December 2023	31 December 2022
Revenues	42,188	39,605
Costs	(28,545)	(29,498)
Depreciation, amortisation and impairment of property, plant and equipment and intangible assets	*(24,069)*	*(22,623)*
Profit before income tax	**13,643**	**10,107**
Income tax expense	(2,872)	(1,991)
Profit (Loss) for the period	**10,772**	**8,117**
Group share of profit (loss)	**3,662**	**2,760**

Values presented above are in accordance with International Financial Reporting Standards.

Cargo Wagon, a. s. paid dividends to Company in the total amount EUR 2,805 during 2023 (2022: EUR 1,530 thousand).

In 2013 ZSSK CARGO Intermodal, a. s. was founded with registered capital of EUR 25 thousand which composes 100% of company shares held by the Group and is recognised as a subsidiary and consolidated through the full consolidation.

As of 31 December 2023, the company is dormant with no operation.

The Company founded the Subsidiary Depo Services, a. s. in 2023 with basic capital in amount of EUR 25 thousand which composes 100% of company shares held by the Company and is recognised as a subsidiary and consolidated through the full consolidation.

As of 31 December 2023, the company is dormant with no operation.

16. INVENTORIES

In thousands of EUR	At cost 2023	At lower of cost or net realizable value 2023	At cost 2022	At lower of cost or net realizable value 2022
Machine and metal-working materials	8,049	7,684	5,190	4,858
Electrical materials	2,586	2,196	2,149	1,775
Chemicals and rubber	1,192	1,179	989	975
Diesel fuel	632	632	779	779
Protective tools	247	239	218	214
Other	390	352	313	302
Total	**13,096**	**12,282**	**9,638**	**8,903**

The Group expects to use up stocks amounted to EUR 18,724 thousand (2022: EUR 23,567 thousand) in a period of more than twelve months after the date of creation these financial statements.

17. TRADE AND OTHER RECEIVABLES

In thousands of EUR	31 December 2023	31 December 2022
Domestic trade receivables	44,686	39,782
Foreign trade receivables	7,340	8,689
VAT receivables	1,322	939
Other receivables	2,401	2,196
Allowance for impaired trade and other receivables	(2,670)	(3,118)
	53,079	**48,488**

At 31 December 2023 overdue receivables amounted to EUR 4,457 thousand (EUR 5,949 thousand at 31 December 2022).

Trade receivables are non-interest bearing and are generally due within 30-90 days.

For details of related party receivables, refer to Note 25.

As at 31 December, the ageing analysis of trade receivables is as follows:

Year	Total	Neither past due nor impaired	Past due but not impaired				
			< 90 days	90 – 180 days	180 – 270 days	270 – 365 days	> 365 days
2023	**53,079**	49,762	3,317	-	-	-	-
2022	**48,488**	44,581	3,907	-	-	-	-

18. CASH AND CASH EQUIVALENTS

For the purposes of the cash flow statement, cash and cash equivalents comprise the following:

In thousands of EUR	31 December 2023	31 December 2022
Cash at banks and on hand and cash equivalents	3,140	3,084
Bank overdrafts	(24,828)	(55,168)
	(21,688)	**(52,084)**

Cash and cash equivalents reported as at 31 December 2023 contains restricted cash of EUR 3,030 thousand (31 December 2022: EUR 3,030 thousand).

Cash at banks earns interest at floating rates based on daily bank deposit rates.

Bank overdrafts as of 31 December are as follows:

In thousands of EUR	31 December 2023		31 December 2022	
	Overdraft limit	Drawn down	Overdraft limit	Drawn down
ING Bank N.V., pob. zahr. banky	*20,000*	**9,844**	*20,000*	**10,457**
Slovenská sporiteľňa, a. s.	*15,000*	**5,913**	*15,000*	**4,850**
Československá obchodná banka, a. s.	*10,000*	**5,263**	*10,000*	**803**
Tatra banka, a. s.	*35,000*	**1,474**	*35,000*	**26,420**
Všeobecná úverová banka, a. s.	*22,500*	**1,438**	*22,500*	**11,605**
Citibank Europe plc, pob. zahr. banky	*15,000*	**896**	*15,000*	**1,033**
	117,500	**24,828**	*117,500*	**55,168**

19. SHAREHOLDER'S EQUITY

Share capital

Share capital represents the State's investment in the Group, held through MT, made through the contribution of certain assets and liabilities of the Company's predecessor, ŽS, and comprises 121 registered ordinary shares, each with a nominal value of EUR 3,319,391.8874. All of these shares are issued and fully paid.

Legal reserve fund

On the Company's incorporation, in accordance with Slovak legislation, a legal reserve fund was established at 10% of the Company's registered capital, again through an in-kind contribution. Slovak legislation requires that the legal reserve fund will be increased by amounts of at least equal to 10% of annual net profit up to an amount equal to 20% of the Company's registered capital. Under the Company's Articles of Association, the legal reserve fund is not available for distribution and can only be used to cover losses or increase registered capital.

Based on the decision of the sole shareholder of 9 November 2010, the statutory reserve fund was utilized to cover the losses of the Group.

Other funds

Other funds represent the difference between the value of the assets and liabilities contributed by the State on the Company's incorporation and through an additional capital contribution made on 2 November 2005 and that of the Company's registered capital and legal reserve fund, adjusted by an amount of EUR 4,216 thousand to restate an error in the initial valuation of the assets contributed by the State identified in 2006.

During 2008 the Group received an additional capital contribution of EUR 12,149 thousand from MT, this being a previously unpaid part of the initial equity contribution made on the Group's incorporation. In addition, the Group was awarded penalty interest of EUR 8,830 thousand to compensate for the late payment of this contribution.

Distribution of profit from previous accounting period

The distribution of profit of the 2022 statutory result was approved by the Company's General Meeting on 8 June 2023 and was transferred in the amount of EUR 22 thousand to legal reserve fund and the amount of EUR 197 thousand was transferred to accumulated losses.

20. INTEREST-BEARING LOANS AND BORROWINGS

In thousands of EUR	Maturity date	31 December 2023	31 December 2022
Long-term loans			
Secured			
Slovenská sporiteľňa, a. s.	31 December 2024	2,500	7,750
Všeobecná úverová banka, a. s.	30 April 2028	17,220	13,670
Tatra-Leasing, s. r. o.	30 November 2029	11,850	-
Unsecured			
Československá obchodná banka, a. s.	31 March 2027	1,625	2,125
Total		**33,195**	**23,545**
Short-term portion of loans		**7,920**	**9,130**
Long-term portion of loans		**25,275**	**14,415**
Short-term loans			
Secured			
Tatra banka, a. s.		20,000	-
Všeobecná úverová banka, a. s.		10,000	-
Total		**30,000**	**-**
Short-term portion of loans (see above)		**7,920**	**9,130**
Overdrafts (Note 18)		**24,828**	**55,168**
Short-term portion of loans		**62,748**	**64,298**
Total		**88,023**	**78,713**

All loans presented in the table above are secured by promissory notes with a value of EUR 47,811 thousand (EUR 49,365 thousand at 31 December 2022), and with a nominal value of EUR 132,060 thousand (EUR 123,590 thousand as of 31 December 2022) except for long-term loan from Československá obchodná banka, a. s., short-term loan from Československá obchodná banka, a. s., and short-term loan from Tatra banka, a. s.

The long-term loan provided by Slovenská sporiteľňa, a. s. is secured by a promissory note (principal) as well as by a lien on 4 locomotives (interest).

The long-term loan provided by Všeobecná úverová banka, a. s. is secured by a promissory note (blank promissory note with a value EUR 9,020 thousand, blank promissory note with a value EUR 9,570 thousand and blank promissory note with a value EUR 8,470 thousand) as well as by a lien on 37 locomotives.

Long-term loan from Tatra-Leasing, s. r. o. is secured by a lien on 6 locomotives.

At 31 December 2023 and 2022, the Group complied with all financial and non-financial covenants arising from loan agreements. The fair value of interest-bearing loans and borrowings amounts to EUR 88,023 thousand (EUR 78,713 thousand at 31 December 2022).

All interest-bearing loans and borrowings bear floating interest which range from 4.675% p.a. to 5.439% p.a. (2.778% p.a. to 3.502% p.a in 2022).

21. EMPLOYEE BENEFITS

In thousands of EUR	Retirement benefits	Jubilee payments	Disability benefits	Total
At 1 January 2023	**9,111**	**1,569**	**-**	**10,680**
Current service cost	323	51	-	**374**
Interest expense	375	65	-	**440**
Actuarial gains and losses	312	7	1	**320**
Utilization of benefits	(1,929)	(260)	(1)	**(2,190)**
Past service cost	19	6	1	**26**
At 31 December 2023	**8,211**	**1,438**	**1**	**9,650**
Current 31 December 2023	621	231	-	**852**
Non-current 31 December 2023	7,590	1,207	1	**8,798**
At 31 December 2023	**8,211**	**1,438**	**1**	**9,650**

In thousands of EUR	Retirement benefits	Jubilee payments	Disability benefits	Total
At 1 January 2022	**10,588**	**2,103**	**2**	**12,693**
Current service cost	386	76	-	**462**
Interest expense	120	24	-	**144**
Actuarial gains and losses	(1,601)	(316)	(1)	**(1,918)**
Utilization of benefits	(382)	(318)	(1)	**(701)**
At 31 December 2022	**9,111**	**1,569**	**-**	**10,680**
Current 31 December 2022	708	252	-	**960**
Non-current 31 December 2022	8,402	1,317	-	**9,719**
At 31 December 2022	**9,111**	**1,569**	**-**	**10,680**

The principal actuarial assumptions used were as follows:

	2023	2022
Discount rate (% p.a.)	3.49	4.12
Future salary increases (%)	5.00	10.00
Mortality probability (male) (%)	0.04 – 2.46	0.04 – 2.46
Mortality probability (female) (%)	0.02 – 0.10	0.02 – 0.10

Sensitivity analysis

A sensitivity analysis of the provision to changes in significant assumptions is shown in the table below:

In thousands of EUR	31 December 2023	Discount rate (1.00%)	Average income (1.00%)	Mortality (-10.00%)
Net liability from employee benefits	9,650	(665)	325	83

In thousands of EUR	31 December 2022	Discount rate (1.00%)	Average income (1.00%)	Mortality (-10.00%)
Net liability from employee benefits	10,680	(736)	360	92

22. PROVISIONS

In thousands of EUR	Environmental	Legal	Terminations	Other	Total
At 1 January 2023	**17,302**	**7,816**	**1,893**	**12**	**27,023**
Additions	-	202	1,673	-	1,875
Actuarial gains and losses	-	-	(812)	-	(812)
Utilization	(99)	(40)	(1,081)	-	(1,220)
At 31 December 2023	**17,203**	**7,978**	**1,673**	**12**	**26,866**
Current 31 December 2023	337	-	1,673	12	2,023
Non-current 31 December 2023	16,866	7,978	-	-	24,844
At 31 December 2023	**17,203**	**7,978**	**1,673**	**12**	**26,866**

In thousands of EUR	Environmental	Legal	Terminations	Other	Total
At 1 January 2022	**17,450**	**7,402**	**2,099**	**12**	**26,963**
Additions	-	414	1,893	-	2,307
Actuarial gains and losses	-	-	(1,041)	-	(1,041)
Utilization	(148)	-	(1,058)	-	(1,206)
At 31 December 2022	**17,302**	**7,816**	**1,893**	**12**	**27,023**
Current 31 December 2022	355	-	1,893	12	2,260
Non-current 31 December 2022	16,947	7,816	-	-	24,763
At 31 December 2022	**17,302**	**7,816**	**1,893**	**12**	**27,023**

Environmental matters

In 2023, the Group updated its analysis of potential breaches of environmental regulations at its various sites, with the support of an environment specialist, Centrum environmentálnych služieb, s. r. o. As a result of this analysis, and based on the findings of Centrum environmentálnych služieb, s. r. o., the Group has estimated that costs of EUR 17,203 thousand (EUR 17,302 thousand at 31 December 2022) are required to remedy the significant environmental issues relating to water, oil and fuel management identified in the past.

Their exact estimates are not necessarily accurate due to several uncertainties involving continuous development of laws and regulatory requirements in the areas of environment and methods, timing and extent of corrective actions which could have a potentially significant impact on the economic results of the company in future periods. A discount rate of 4.00 % p.a. was used in the calculation.

Legal cases

The Board of the Antimonopoly Office of the Slovak Republic confirmed the first-instance decision of the Antimonopoly Office of the Slovak Republic, which was the imposed fine to the Company in the amount of EUR 2,991 thousand for abusing a dominant position in the market for the sale and rental of electric locomotives. The fine imposed was confirmed by a decision of Krajský súd (Regional Court) Bratislava against the Company. A cassation complaint was filed on 28 December 2021. Okresný súd (District Court) Banská Bystrica on 31 January 2024 rejected complaint of Antimonopoly Office of Slovak Republic against decision of a higher court and confirm the suspension of execution.

23. TRADE AND OTHER PAYABLES, AND OTHER NON-CURRENT LIABILITIES

In thousands of EUR	31 December 2023	31 December 2022
Domestic trade payables	28,910	31,271
Foreign trade payables	8,095	6,287
Payables due to employees	8,702	7,317
Payables due to social institutions	4,646	3,955
Other payables	5,110	5,507
	55,463	**54,337**

At 31 December 2023 overdue trade payables amounted to EUR 523 thousand (EUR 907 thousand at 31 December 2022). For details of related party payables, refer to Note 25.

The social fund payable is included in other non-current liabilities. Movements in the social fund during the period are shown in the table below:

In thousands of EUR	2023	2022
At 1 January	**156**	**191**
Creation	620	512
Utilization	559	547
At 31 December	**217**	**156**

24. COMMITMENTS AND CONTINGENCIES

Lease liabilities

At 31 December 2023 the Group has concluded fixed-term contracts that were previously reported as operating leases, mainly relating to the lease of wagons, road motor vehicles and other equipment.

All leases are on a fixed repayment basis with floating interest rates derived from EURIBOR. Present value of net lease payments is as follows:

In thousands of EUR	31 December 2023	31 December 2022
Within one year	42,732	39,052
From one to five years	161,426	139,569
Over five years	47,851	61,256
Present value of lease payments	**252,009**	**239,877**

In valuing lease liabilities that were previously classified as operating leases, the Group used an incremental interest rate to discount. The weighted interest rate used was 1.97% as at 31 December 2023 (2022: 1.52%).

Note 26 summarizes the lease liabilities based on contractual undiscounted payments (according to repayment schedules) when summarizing the maturity of financial liabilities as at 31 December 2023.

Investing commitments

The Group's investment expenditure for the period from 1 January 2024 to 31 December 2024 (1 January 2023 to 31 December 2023) is as follows:

In thousands of EUR	31 December 2023	31 December 2022
Land and buildings	3,566	332
Machines, equipment and other assets	16,335	13,034
Intangible assets	31	50
	19,932	**13,416**

Expenditures of EUR 19,932 thousand (EUR 13,416 thousand at 31 December 2022) are committed under contractual arrangements.

25. RELATED PARTY DISCLOSURES

Related parties of the Group comprise of all companies under same ownership (meaning under the control of the State), the Group's joint venture, associate and the Board of Directors.

The following tables provide the total amount of transactions which have been entered into with related parties for the years ended 31 December 2023 and 2022:

In thousands of EUR	31 December 2023			
Related party	Sales to related parties	Purchases from related parties	Amounts owed by related parties	Amounts owed to related parties
ŽSR	1,122	45,643	248	1,020
ZSSK	11,685	2,385	842	198
Slovenský plynárenský priemysel	-	867	-	245
Cargo Wagon, a. s. (joint venture)	4,651	33,661	195	3,816
BTS (associate)	6,456	17,455	431	2,292
Other related parties	1,113	783	162	1

In thousands of EUR	31 December 2022			
Related party	Sales to related parties	Purchases from related parties	Amounts owed by related parties	Amounts owed to related parties
ŽSR	635	52,595	112	2,355
ZSSK	17,718	3,125	768	308
Slovenský plynárenský priemysel	-	871	-	201
Cargo Wagon, a. s. (joint venture)	2,160	34,654	403	4,778
BTS (associate)	1,471	15,490	334	2,369
Other related parties	1,065	665	56	3

The Group's major contractual relationships with ŽSR and ZSSK are for fixed one-year periods and are subject to an annual renewal process. Purchases from ŽSR include primarily network fees and traction electricity. Sales to ŽSR comprise of transport services, while sales to ZSSK include gains on sale of property, plant, equipment, the repair of passenger wagons and track vehicles and the sale of diesel.

Statutory and supervisory bodies

Members of the Group's statutory and supervisory bodies as registered in the Commercial Register at the Mestský súd (City Court) Bratislava III at 31 December 2023 and 2022 are as follows:

Board of Directors:
Ing. Jaroslav Daniška, chairman of the board (since 15 November 2023)
Mgr. Matej Hambálek, vice-chairman (since 15 November 2023)
Ing. Miroslav Hopta, member (since 15 November 2023)
Ing. Roman Gono, chairman of the board (since 24 April 2020 to 14 November 2023)
Ing. Jaroslav Daniška, vice-chairman (since 7 April 2021 to 14 November 2023)
Ing. Ľubomír Kuťka, member (since 7 April 2021 to 14 November 2023)

Supervisory Board:
Ing. Ján Lupták, chairman of the board (since 12 October 2017)
Peter Pikna, member (since 1 January 2020)
Jozef Róbert Šmigalla, member (since 1 January 2020)
Mgr. Lukáš Parízek, member (since 4 February 2021)

Emoluments of the members of the Board of Directors and Supervisory Board

The Board of Directors' total remuneration approximated EUR 51 thousand (EUR 44 thousand in 2022). The total remuneration of members of the Supervisory Board amounted to EUR 41 thousand (EUR 35 thousand in 2022).

Loans granted

No loans have been granted to key management and members of the Board of Directors and Supervisory Board.

26. FINANCIAL RISK MANAGEMENT

The Group's principal financial liabilities comprise of interest-bearing loans and borrowings, overdrafts and trade payables. The main purpose of these financial liabilities is to raise financing for the Group's operations. The Group has various financial assets such as trade and other receivables and short-term deposits, which arise directly from its operations.

The main risks arising from the Group's financial instruments are interest rate risk, liquidity risk and credit risk. The Board of Directors reviewed and agreed policies for managing each of these risks which are summarised below.

Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates to the Group's long-term and short-term borrowings and overdrafts with floating interest rates. The Group has a broad portfolio of borrowings bearing a range of fixed and floating interest rates.

The following table demonstrates the sensitivity of the Group's profit before taxes for the period of 12 months after the reporting date to a reasonable change in interest rates of 50 basis points higher/lower, with all other variables held constant. There is no expected impact on the Group's equity.

In thousands of EUR	31 December 2023	31 December 2022
EURIBOR (+0.5%)	324	223
EURIBOR (-0.5%)	(324)	(223)

Liquidity risk

The Group's policy is to maintain sufficient cash and cash equivalents or have available funding through an adequate number of credit facilities to cover the liquidity risk in accordance with its financing strategy.

The amounts available in the form of credit facilities as at 31 December 2023 and 2022 consist of the following:

In thousands of EUR	31 December 2023	31 December 2022
Long-term loan facilities available	28,498	7,700
Short-term loan facilities available	60,831	62,340
Total loan facilities available	**89,329**	**70,040**

As at 31 December 2023 and at 31 December 2022 the Group did not use any banks guarantee.

The table below summarises the maturity profile of the Company's financial liabilities as at 31 December 2023 based on contractual undiscounted payments

In thousands of EUR	On demand	Less than 3 months	From 3 to 12 months	From 1 to 5 years	Over 5 years	Total
Long-term loans	-	-	-	15,795	9,480	25,275
Trade and other payables	523	54,940	-	-	-	55,463
Obligations under leases	-	11,800	35,563	172,396	50,060	269,819
Short-term loans	-	2,875	59,873	-	-	62,748
	523	**69,615**	**95,436**	**188,191**	**59,540**	**413,305**

The table below summarises the maturity profile of the Group's financial liabilities as at 31 December 2022 based on contractual undiscounted payments:

In thousands of EUR	On demand	Less than 3 months	From 3 to 12 months	From 1 to 5 years	Over 5 years	Total
Long-term loans	-	-	-	14,415	-	14,415
Trade and other payables	907	53,423	7	-	-	54,337
Obligations under leases	-	11,312	31,079	147,448	62,154	251,993
Short-term loans	-	14,928	49,370	-	-	64,298
	907	**79,663**	**80,456**	**161,863**	**62,154**	**385,043**

The following table summarizes the changes in financial obligations as at 31 December 2023:

In thousands of EUR	1 January 2023	Cash flows	Others	31 December 2023
Long-term loans	14,415	19,550	(8,690)	25,275
Obligations under leases	239,877	(47,299)	59,431	252,009
Short-term loans	64,298	(10,240)	8,690	62,748
	318,590	**(37,989)**	**59,431**	**340,031**

The following table summarizes the changes in financial obligations as at 31 December 2022:

In thousands of EUR	1 January 2022	Cash flows	Others	31 December 2022
Long-term loans	16,025	-	(1, 610)	14,415
Obligations under leases	272,169	(47,285)	14,993	239,877
Short-term loans	70,020	(8,524)	2,802	64,298
	358,214	**(55,809)**	**16,185**	**318,590**

Credit risk

The Group provides a variety of customers with products and services, none of whom, based on volume and creditworthiness, present a significant credit risk, individually or in aggregate. The Group has three major customers: U. S. Steel Košice s. r. o. , BUDAMAR LOGISTICS, a. s. and Railtrans International, a. s. (U. S. Steel Košice, s. r. o. , BUDAMAR LOGISTICS, a. s. and Railtrans International, a. s. in 2022), sales to which represent 63 % of transport and related revenues (58 % in 2022), but management is confident, based on historic experience, projections for the future and contracts in place, that the Group is not overly exposed to credit risk in respect of these three customers. The Group's procedure is to ensure that sales are made to customers with appropriate credit histories and that acceptable credit limits are not exceeded.

The value of financial assets, recognised in the balance sheet reduced by impairment losses reflects the Group's maximum exposure to credit risk.

Capital management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholder value.

The Group manages its capital structure, and makes adjustments to it, in light of changes in economic conditions. No changes were made in the objectives, policies or processes during the years ended 31 December 2023 and 31 December 2022.

The Group monitors indebtedness using a debt to equity ratio, by which debt consists of external interest-bearing loans and borrowings and excludes financial lease obligations, divided by total equity.

In thousands of EUR	31 December 2023	31 December 2022
Long-term debt, net of current portion (excluding lease obligations)	25,275	14,415
Short-term debt, including current portion of long-term debt (excluding finance lease obligations)	62,748	64,298
Debt	**88,023**	**78,713**
Equity	**106,978**	**109,644**
Debt to equity ratio (%)	**82%**	**72%**

27. EVENTS AFTER THE BALANCE SHEET DATE

No events occurred subsequent to 31 December 2023 that might have a material effect on the fair presentation of the matters disclosed in these financial statements.

Approved by Ing. Jaroslav Daniška and Ing. Miroslav Hopta on behalf of the Board of Directors on 24 April 2024.

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