ZSSK CARGO Železničná spoločnosť Cargo Slovakia, a. s.

ANNUAL REPORT 2018

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FOREWORD BY THE CHAIRMAN OF THE BOARD OF DIRECTORS

In 2018, ZSSK CARGO achieved a profit of EUR 120 thousand with total revenues of EUR 289 million. Transport revenues amounted to almost EUR 275 million.

Among the most important factors that influenced the company's economic results in 2018 were the rising prices of traction electric power and traction diesel, the implementation of the amended Labour Code and the new collective agreement, as well as a decline in the volumes of goods from Ukraine and Russia via the Ukrainian-Slovak border. The unit price of electric power increased on a year-over-year basis by more than 10% (11 EUR/MWh), diesel by 8.5% (0.08 EUR/litre). In 2018, the overall impact of the so-called government's social package meant an increase of EUR 1.4 million for the company, which together with the average wage increase of 4.9%, caused the staff costs to rise by EUR 5.6 million on a year-over-year basis. On the other hand, in line with its adopted strategy of penetration into foreign markets, ZSSK CARGO recorded an increase in the volume of shipments on foreign route sections, which also increased its revenues. I also appreciate the results achieved in the rolling stock repair and maintenance services for third parties. Last year we saw an increase in efficiency, volumes and revenues in this area. The same is true about leases of wagons and locomotives, where the achieved revenues were higher than the plan expected.

The rail freight market developed very unusually in 2018. At the beginning of the year, there was continued demand for shipments of loose substrates for steel production factories in Slovakia, the Czech Republic, Hungary and Austria. However, since February, numerous closures on the Ukrainian infrastructure, a lack of locomotives and other internal problems faced by the Ukrainian railways had caused a decline especially in the volume of imports of iron ore into the SR, with subsequent transits to the Czech Republic, Austria, and Hungary. The total decline in the transport of iron ore through the East Slovak Transshipment Yards was 1.4 million tonnes at the end of the year, compared to the plan. The overall decline in the east – west shipments was lower, at about 750,000 tonnes, as coal shipments increased. In the aggregate, ZSSK CARGO transported 34.385 million tonnes of goods in 2018, which, as it needs to be conceded, has been the lowest volume over the past few years.

ZSSK CARGO had to cope with the issue of offsetting such a significant decline in the volume of imports from Ukraine. The decline was partly eliminated mainly by ensuring shipments of goods on alternative routes or from other sources. These were mainly shipments from ports at the Baltic, Adriatic and Black Seas and transit through Belarus. Especially owing to shipments in Poland, the largest Slovak carrier managed to double its volume of goods transported on foreign route sections. We performed these shipments through our subsidiary, with the total volume of goods transported abroad exceeding 1 million tonnes, almost exclusively with the use of its own locomotives and wagons. However, as these were a replacement for shipments across our eastern border, the employment of our personnel and technical capacities, especially in commercial services and transshipment operations, was also reduced.

The modernisation of motive power units (MPUs) was an important milestone in 2018. The ZSSK CARGO locomotive fleet is one of the oldest in the region, although it is also one of the best maintained. New series and models of locomotives provide flexibility, speed, performance and reliability. These qualities are required today, especially due to the growing volumes of transport on longer international routes and the problems with the handover of trains at the borders. Currently, ZSSK CARGO uses more than 450 locomotives, of which 225 are electric. However, only 23 of them are capable of passing through multiple traction voltage systems. The main series of locomotives at ZSSK CARGO - 131-series and 363-series are, on average, 37 year and 30 year old, respectively. Unlike the neighbouring countries, the unrealised modernisation of the rolling stock fleet significantly reduced our ability to compete in the market, and in many cases, it prevented us engaging in longer, more interesting shipments. These were also the reasons for starting the modernisation needed to sustain our position in the European transport market. In May 2018, a tender for the lease of ten multi-system locomotives was announced. The successful tenderer S Rail Lease, s. r. o., Bratislava, supplied the first two of them - of the Vectron series - to us on 9 December. In the course of the first quarter of 2019 we also took over the other locomotives. Today, all ten locomotives support a new transport model, which is based primarily on trouble-free cross-border shipments and the ability to make shipments along the whole transport route from the place of loading to the place of unloading.

To ensure the further development of the company, it is also necessary to invest in the digitisation of services and processes. Last year, ZSSK CARGO began to offer the possibility of electronic submission and delivery of consignments, and my colleagues improved and simplified the user environment of applications designed for sending an electronic consignment note. The aim is to replace a paper consignment note with an electronic one, thus simplifying the billing process and communication towards customers, not to mention faster and better handling of orders. The digitisation of processes and more efficient use of data will enable us to better manage the processes, accelerate the flows and make them run more smoothly while employing our capacities more efficiently.

Like many other companies, we are also faced with the shortage of skilled labour. The greatest shortage of labour can be seen in operational positions, which require not only technical education, but also excellent health condition. We are lacking especially in employees with electrical engineering, mechanical engineering or transport qualifications. We miss the engine drivers, freight conductors, wagon masters, but there are also workers missing in repair functions, such as an electronics worker, electrician, locksmith or welder. In order to fill the missing staff positions in the company, we have several projects through which we do recruitment. We started to provide recruitment and stabilisation allowances in selected core professions. We cooperate actively with selected secondary schools, whose students are enabled to have work experience in our company during their studies. We also cooperate with the University of Žilina, especially in the exchange of knowledge as well as in solving projects.

I am glad that last year ZSSK CARGO joined the project Rail Freight Forward - a rail freight coalition for the future of Europe. It is a coalition of European rail freight companies that are committed to reducing the negative impact of freight transport on our environment through various innovations. The coalition aims to increase the aggregate rail freight market share from the current 18% to 30% by 2030. It is important to offer the highest quality of rail transport, at a good price, and to direct rail freight innovations towards making it as simple as road haulage. It is not a simple resolution, but it is important to realise that putting off the environmental problems only escalates the consequences and increases the cost of eliminating them. It should be noted that the further growth of rail freight in Slovakia depends largely on the participation of the state in the implementation of its transport policy, which, of course, also applies on a wider European scale.

Ing. Martin Vozár, MBA
Chairman of the Board of Directors and CEO
Železničná spoločnosť Cargo Slovakia, a. s.

LIST OF USED ABBREVIATIONS

AEOC	Authorised Economic Operator Certificate
AVV	General Contract of Use for Wagons (GCU)
BI	Business Intelligence
BTS	BULK TRANSSHIPMENT SLOVAKIA, a.s.
CEO	Chief Executive Officer
ČD	Czech Railways (České dráhy)
DB	German Railways (Deutsche Bahn)
ECM	Entity in Charge of Maintenance
EIR	Effective Interest Rate
EVO	Vojany Power Station (Elektrárne Vojany)
EU	European Union
GDPR	General Data Protection Regulation
HR	Human Resources
IAS	International Accounting Standards
IASB	International Accounting Standards Board
IFRIC	International Financial Reporting Interpretations Committee
IFRS	International Financial Reporting Standards
ISO	International Organization for Standardization
IT	Information Technologies
MPU	Motive Power Unit
MTC SR	Ministry of Transport and Construction of the Slovak Republic
OHSAS	Occupational Health and Safety Assessment Series
PGV	Regulation on Use of Wagons in International Rail Transport of Goods
RIV	Agreement Governing the Exchange and Use of Wagons between Railway Undertakings
SR	Slovak Republic
STN	Slovak Technical Standards
SW	Software
TMN	Traction motor diesel
USSK	U. S. Steel Košice, s.r.o.
VAT	Value Added Tax
ŽS	Železničná spoločnosť, a.s.
ŽSR	Železnice Slovenskej republiky
ZSSK	Železničná spoločnosť Slovensko, a.s.
ZSSK CARGO	Železničná spoločnosť Cargo Slovakia, a.s.

MILESTONES

- Entering into a general agreement with USSK for 2018 - 2020
- Entering into a framework agreement for the performance of services with the carrier DB Cargo AG based on the “Purchase/Sale” business model
- Entering into a three-plus-one-year contract for coal shipments, siding track operations and the supply of coal to the Vojany thermal power plant
- Procuring 10 locomotives of the series 383 SIEMENS VECTRON and their deployment reflecting the needs of ZSSK CARGO (hauling trains in the Czech Republic and Poland)
- Increasing energy efficiency in the operation of buildings by reconstructing the heating of the workplaces at the Zvolen, Haniska pri Košiciach and Plešivec locomotive depots
- Change of diesel fuel dispensers to self-service dispensers with temperature conversion of diesel volume and deployment of SW solution to central inventory management
- Improving the sanitary conditions for employees at the workplaces of the East Slovak Transshipment Yards
- Introducing a new information system for the measurement of traction diesel consumption, which allows continuous monitoring and efficient management of TMN
- Implementing personal data protection measures (GDPR)
- Renewing the central hardware for operating information systems and changeover to cloud-based services that provide infrastructure as a service (IaaS)
- Launching the 1st stage of the BI platform to measure and evaluate efficiency in the key business and operating processes (revenues, freight wagons and locomotive crews)
- Obtaining an AEOC certificate that allows taking advantage of an authorised economic operator
- Conducting recertification audits of the product “East Slovak Transshipment Yards” according to the new standard STN EN ISO 9001: 2016 and ECM (Entity in Charge of Maintenance)

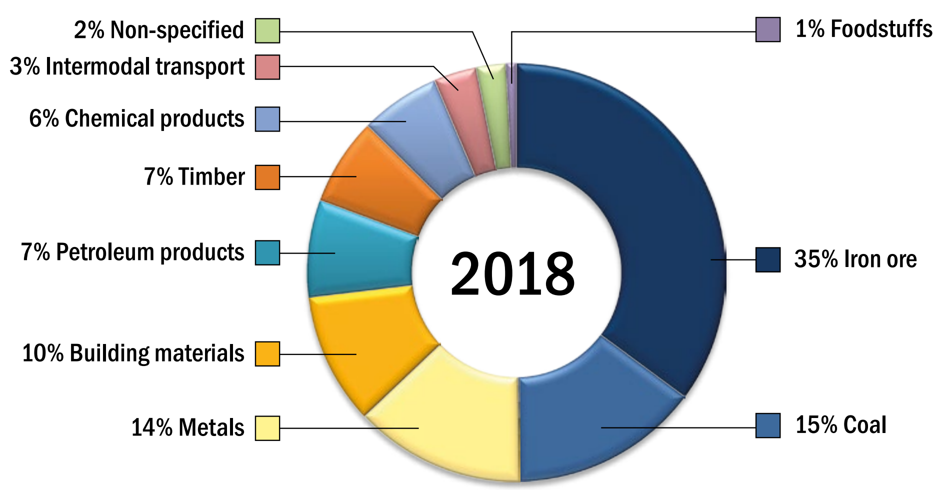
FREIGHT TRANSPORT

In 2018, ZSSK CARGO transported almost 34.4 million tonnes of goods, which represents a decrease of 1.3 million tonnes (-3.6%), compared to 2017. Freight traffic reached a value of 6,729.2 million net tonne-kilometres, representing a year-over-year decline of 279.2 million net tonne-kilometres (-4.0%). Average transport distance was 195.7 km, which was almost a kilometre (-0.8 km) shorter than in 2017.

The largest year-over-year increases were seen in coal imports (+764 thousand tonnes), where we again regained the transport of Czech coal for the Slovak steel plant, and in timber imports (+134 thousand tonnes) for the Slovak paper industry. On the contrary, we recorded significant year-over-year declines in metal exports (-319 thousand tonnes) due to reduced exports of metallurgical products by rail, in exports of petroleum products (-208 thousand tonnes) mainly owing to the reconstruction of tracks and a technological shutdown on the consignor's part, in imports of petroleum products (-187 thousand tonnes) because of a customer reducing its contracts. Other significant declines were seen in iron ore shipments (-178 thousand tonnes in transit, -174 thousand tonnes in imports) for steel companies not only in the Slovak Republic, but also in the neighbouring countries, due to the technical and operational problems on the part of the Ukrainian Railways (shipments in the east-west direction dropped by about 810 thousand tonnes, compared to 2017). This decline was partially eliminated by using other sources or alternative routes. These were mainly shipments from ports on the Baltic, Adriatic and Black Seas and transit through Belarus. Our company acted actively in these changes and, for example, in the transport of iron ore from the Polish ports, it provided a complete logistics-transport process, including additional services.

Freight transport by commodities:

In thousands of tonnes	2018	2017	2016	2015	2014	2013	2012	2011	2010	2018/2017
Iron ore	12,121	12,533	12,764	12,497	12.918	12,589	11,924	12,253	12,268	0.97
Coal	5,123	4,717	4,674	4,279	4.772	5,028	5,516	5,950	6,422	1.09
Metals	4,780	5,204	5,377	4,906	5.450	5,537	5,906	5,543	5,769	0.92
Building materials	3,514	3,621	3,040	3,307	3.022	3,015	2,936	3,223	3,118	0.97
Timber	2,434	2,415	2,371	2,312	2.577	2,333	1,968	2,308	2,448	1.01
Petroleum products	2,307	2,691	2,696	2,073	1.921	2,232	2,011	2,195	2,154	0.86
Chemical products	1,889	2,201	2,177	2,563	2.259	2,181	1,874	2,578	2,730	0.86
Intermodal transport	1,175	1,181	1,434	1,606	1.864	2,018	1,870	2,243	2,779	0.99
Non-specified	773	820	872	936	874	1,043	1,001	768	623	0.94
Foodstuffs	270	282	230	250	360	331	277	421	298	0.96
	34,386	**35,665**	**35,637**	**34,728**	**36,017**	**36,308**	**35,284**	**37,483**	**38,610**	**0.96**



Freight transport according to the transport modes:

Domestic	2018	2017	2016	2015	2014	2013	2012	2011	2010	2018/2017
Transported goods (in thous. of tonnes)	3,958	4,140	4,279	4,303	4,245	4,473	4,206	4,566	4,413	0.96
Operation performance (in mil. net tkm)	722	767	812	820	796	787	690	712	762	0.94
Import	**2018**	**2017**	**2016**	**2015**	**2014**	**2013**	**2012**	**2011**	**2010**	**2018/2017**
Transported goods (in thous. of tonnes)	14,926	14,674	13,722	13,761	14,812	14,515	14,740	15,364	15,924	1.02
Operation performance (in mil. net tkm)	2,334	2,309	2,079	2,031	2,236	2,243	2,374	2,613	2,686	1.01
Export	**2018**	**2017**	**2016**	**2015**	**2014**	**2013**	**2012**	**2011**	**2010**	**2018/2017**
Transported goods (in thous. of tonnes)	8,683	9,481	9,358	8,486	8,282	8,661	8,057	8,768	9,325	0.92
Operation performance (in mil. net tkm)	1,345	1,450	1,419	1,276	1,167	1,108	1,110	1,202	1,404	0.93
Transit	**2018**	**2017**	**2016**	**2015**	**2014**	**2013**	**2012**	**2011**	**2010**	**2018/2017**
Transported goods (in thous. of tonnes)	6,819	7,369	8,278	8,179	8,678	8,659	8,281	8,785	8,947	0.93
Operation performance (in mil. net tkm)	2,329	2,483	2,762	2,712	2,690	2,673	2,680	2,763	2,817	0.94
Freight transport in total	**2018**	**2017**	**2016**	**2015**	**2014**	**2013**	**2012**	**2011**	**2010**	**2018/2017**
Transported goods (in thous. of tonnes)	34,386	35,665	35,637	34,728	36,017	36,308	35,284	37,483	38,609	0.96
Operation performance (in mil. net tkm)	6,729	7,008	7,072	6,839	6,888	6,810	6,854	7,290	7,669	0.96

STRUCTURE OF MPU

Inventory state of MPUs in ZSSK CARGO as at 31 December 2018

MPUs	Total	up to 15 years	up to 30 years	over 30 years
Electric locomotives	251	4	29	218
Diesel locomotives	239	56	13	170
Diesel coaches	1	0	0	1
Total	**491**	**60**	**42**	**389**

FREIGHT WAGONS

Age structure of freight wagon fleet in ZSSK CARGO

	Total	0-5 years	6-10 years	11-15 years	16-20 years	21-25 years	26-30 years	over 30 years
Freight wagons - total	1,633		606	749	72	156	5	45
Covered wagons	171			150	1	2		18
Open wagons	166		56	100			5	5
Flat wagons	1,295		550	499	71	154		21
Other freight wagons	1							1

Beside above-mentioned wagons in personal possession, ZSSK CARGO rented 200 wagons through the financial leasing as at 31 December 2018. Financial leasing was used also in the previous years.

A radical change compared to 2014 and 2015 occurred as a result of a major transaction in 2015 that resulted in the sale of 12,342 freight wagons to subsidiary Cargo Wagon, a.s. (66% of shares are held by AAE Wagon, a.s.) from which ZSSK CARGO leases back 8,216 wagons (with an option for 200 more).

Structure of freight wagon fleet in ZSSK CARGO

Year	2018	2017	2016	2015	2014	2013
Freight wagons - total	**1,633**	**1,334**	**1,361**	**1,017**	**13,566**	**13,442**
Covered wagons	171	126	204	206	1,963	1,964
Open wagons	166	89	71	73	6,524	6,694
Flat wagons	1,295	1,115	1,075	727	3,306	3,311
Other freight wagons	1	4	11	11	1,773	1,473

Leasing

Year	2018	2017	2016	2015	2014	2013
Freight wagons - total	**200**	**650**	**753**	**1,104**	**1,104**	**1,104**
Covered wagons	0	150	150	150	150	150
Open wagons	200	300	356	356	356	356
Flat wagons	0	200	247	598	598	598
Other freight wagons	0	0	0	0	0	0

Structure of freight wagon fleet in ZSSK CARGO according to the age

Series	Total	0-5 years	6-10 years	11-15 years	16-20 years	21-25 years	26-30 years	over 30 years
E – ordinary open high-sided wagon	166		56	100			5	5
G – ordinary covered wagon	4							4
H – special covered wagon	154			150	1	2		1
K – ordinary flat wagon	4							4
L – special flat wagon	202		200	2				
R – ordinary flat bogie wagon	313			297				16
S – special flat bogie wagon	776		350	200	71	154		1
T – wagon with opening roof	13							13
Z – tank wagon	1							1
Total	**1,633**		**606**	**749**	**72**	**156**	**5**	**45**

CAPITAL INVESTMENTS OF ZSSK CARGO

(Accounting balance as at 31 December 2018 in EUR)

Company	Number of equities (pcs)	Type	Share (%)	Value of Capital Investments
Intercontainer - Interfrigo s. c. Brussels, Belgium	385	paper	0.03	7,610.33
Bureau Central de Clearing s. c. r. l. Brussels, Belgium	4	paper	2.96	2,974.72
BULK TRANSSHIPMENT SLOVAKIA, a. s.	435,900	paper	40	3,210,453.54
Cargo Wagon, a. s.	101	paper	34	3,402,500.00
ZSSK CARGO Intermodal, a. s.	25	paper	100	27,500.00
				6,651,038.59

INTEGRATED MANAGEMENT SYSTEM

The top management places great emphasis on ensuring that our external and internal customers are satisfied with the quality of the transport process. Besides, the management constantly monitors the situation as to 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 standards of ISO 9001 and OHSAS 18001 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 the 4th quarter of 2018, 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 OHSAS 18001. In 2018, we completed a three-year transitional period and successfully implemented the requirements of the new standard STN EN ISO 9001: 2016 in all certified products.

ZSSK CARGO holds certificates:

<u>According to STN EN ISO 9001:2016 standards for the following products:</u>

- Railway freight transport (logistic trains).
- Maintenance and repairs of rolling stock.
- Procurement and Purchase Processes. Methods and Analysis Processes. Storage Processes and Services. Fleet of vehicles Processes and Services.
- East Slovak Transshipment Yards.
- Ensuring professional qualification and education of employees.

<u>According to STN OHSAS 18001:2009 standards:</u>

- Managerial system of work safety and health protection at work in ZSSK CARGO.

HUMAN RESOURCES

As at 31 December 2017, the company employed 5,632 employees. Within external mobility, 318 employees were taken on from available resources on the labour market, while employment was terminated with 431 employees. Owing to mobility and employment optimisation, the headcount recorded by the company as at 31 December 2018 was 5,513 employees.

This represents a headcount decrease of 119 employees (-2.1%), compared to 2017.

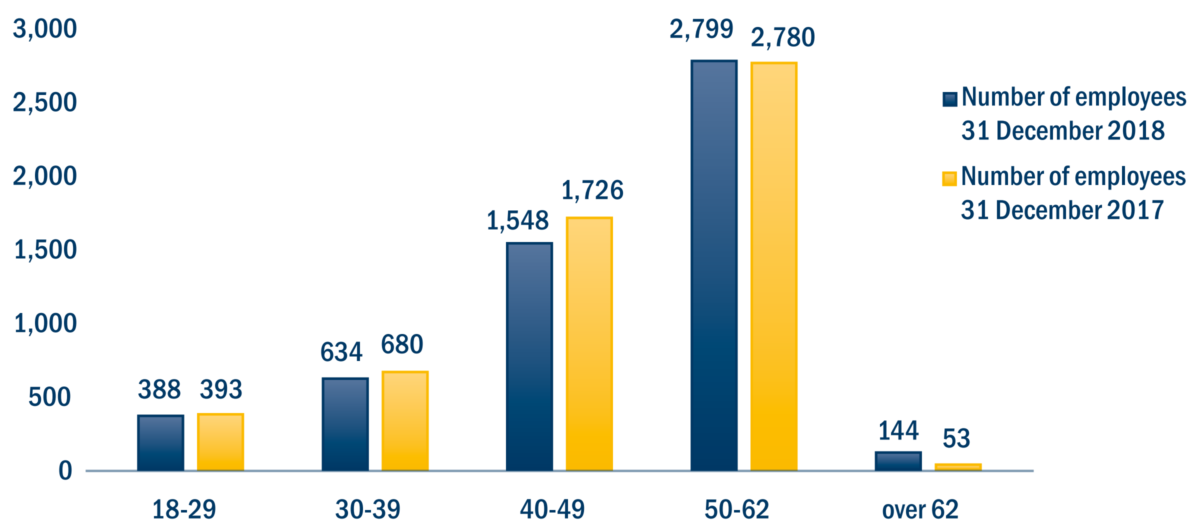
Structure of the employees according to the sex as at 31 December 2018

Men	4,165	(75.55%)
Women	1,348	(24.45%)
Total	**5,513**	**(100%)**

Structure of the employees according to the type of work as at 31 December 2018

Administrative employees	725	(13.15%)
Technical-economic employees in operation and workers	4,788	(86.85%)
Total		**(100%)**

STRUCTURE OF THE EMPLOYEES ACCORDING TO THE AGE

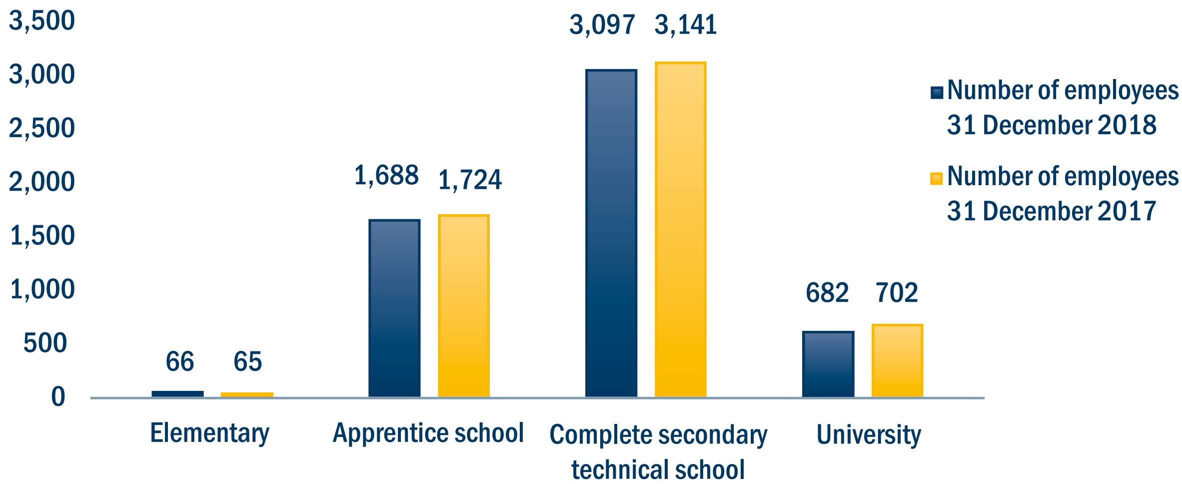


Decrease in the number of employees affected the structure of employees in terms of age and education:

- **With respect to the employees structure according to the age,** the largest decrease in the number of employees was found in the age category 40 – 49 years (-178 employees).

The average age of employees as at 31 December 2018 was **47.45 years.**

STRUCTURE OF THE EMPLOYEES ACCORDING TO THE EDUCATION



With respect to the employees structure according to the education, the largest decrease in the number of employees was found in the category “employees with apprentice school” (-56 employees).

The average wage in 2018 was EUR 1,019, which represents a 6.83% increase compared to 2017.

The company took a specific approach to the remuneration of key professions (in particular engine drivers, conductors, coach foremen, wagon masters and repairers) to stabilise their headcount.

In accordance with the company’s collective agreement and the rules for using the social fund, a number of benefits were provided beyond the framework of the Labour Code.

The company had a collective agreement with 11 trade unions.

As part of HR development in the area of training and education, internship training courses for engine drivers and internship wagon masters training courses aimed at attaining vocational skills required under the Railways Act were held also in 2018.

RISKS

- Complicated relationships between Ukraine and the Russian Federation, causing that goods flows from and to those countries are transferred outside the SR
- ZSSK CARGO being heavily dependent on metallurgical industry in Slovakia and the neighbouring countries
- Continuously increasing competitiveness of road and rail carriers
- High fixed expenditures of the company
- The risk of cost increases due to higher traction energy prices
- The continuing trend of deepening the investment debt, in particular in the area of rolling stock
- Increasing average age of company employees, especially in operating-technical professions, and threatened wage competitiveness in some regions of Slovakia
- The company still has some unsettled property remaining from the ŽSR split project
- Ongoing modernisation and reconstruction of railway lines of ŽSR and the surrounding railways and unsuitable technical condition of railway infrastructure on some sections

EXPECTED FUTURE DEVELOPMENT

ZSSK CARGO expects the transport volumes to become stabilised, given the increasing competition in the Slovak Republic, as well as an increase in international transport volumes in connection with the use of new multi-system locomotives and the provision of transport services along the entire transport route. The company will continue to implement measures to increase the efficiency of internal processes, capabilities, assets and other measures resulting from the approved strategic materials. As to capital expenditures, ZSSK CARGO plans to continue modernising the strategic series of locomotives, implementing projects aimed at reducing the operating costs, improving the working environment and safety at workplaces. In the area of motor traction, it plans to renew its fleet of locomotives to be used for shunting operations at locomotive depots and wagon repair workshops.

PARTICULAR INFORMATION FOR THE YEAR 2018

In 2018, no process of major renewal and development of the company's assets was launched, which was reflected by the amount of the capital expenditure plan, and the company continued to reduce its debt continuously since 2015. More significant capital expenditure projects are expected to be implemented from 2019-2020 in terms of the medium-term capital expenditure plan.

In 2018, 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 2018 that would significantly affect the fair presentation of facts disclosed in the attached financial statements.

It will be proposed to the statutory body that 10% of the recognised accounting profit of EUR 121 thousand in 2018 should be assigned to the statutory reserve fund and the remainder transferred to cover accumulated losses from previous years.

SELECTED ECONOMIC INDICATORS

(ACCORDING TO THE DATA OF THE CONSOLIDATED FINANCIAL STATEMENT)

In thousands of EUR	2018	2017
Total assets	343,436	341,462
Long-term tangible property	234,585	249,114
Equity	128,153	119,685
Loans (short-term + long-term)	88,621	79,989
Revenues	289,390	282,423
Costs	(288,633)	(281,155)
Profit/(loss) from financial operations	(560)	(1,073)
Share of the profit of the joint venture and affiliated company	2,430	1,271
Income tax	(76)	(47)
Profit (Loss) for the period	**2,551**	**1,419**
Other comprehensive income for the period	76	-
Total comprehensive income for the period	**2,627**	**1,419**

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 2018

Building a better
working world

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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 2018, statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

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 2018, 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 21 to the financial statements, the Company recorded provisions of EUR 21,610 thousand as at 31 December 2018 and EUR 21,889 thousand as at 31 December 2017 for potential environmental remediation. Estimates of the future costs relating to environmental remediation 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.

THIS IS A TRANSLATION OF THE ORIGINAL SLOVAK REPORT

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 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

Building a better working world

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 2018 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 2019
Bratislava, Slovak Republic

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

Ing. Peter Uram-Hrišo, statutory auditor
UDVA Licence No. 996

THIS IS A TRANSLATION OF THE ORIGINAL SLOVAK REPORT

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2018

In thousands of EUR	Note	31 December 2018	31 December 2017
Revenues			
Transportation and related revenues	3	274,847	269,359
Other revenues	4	14,543	13,064
		289,390	**282,423**
Costs and expenses			
Consumables and services	5	(164,650)	(161,408)
Staff costs	6	(94,099)	(91,517)
Depreciation, amortisation and impairment of property, plant and equipment	12, 13	(34,983)	(27,751)
Other operating revenues (expenses), net	7	5,099	(478)
		(288,633)	**(281,154)**
Finance costs			
Interest expense	8	(1,499)	(1,699)
Other finance revenues (costs), net	9	939	626
		(560)	**(1,073)**
Income tax	11	(76)	(47)
Profit (Loss) for the period		**121**	**149**
Other comprehensive income for the period		-	-
Total comprehensive income for the period		**121**	**149**

The accounting policies and notes form an integral part of the financial statements.
Approved by Ing. Martin Vozár, MBA and Ing. Miroslav Hopta on behalf of the Board of Directors on 24 April 2019.

ZSSK CARGO

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2018

In thousands of EUR	Note	31 December 2018	31 December 2017
ASSETS			
Non-current assets			
Property, plant and equipment	13	234,585	249,114
Intangible assets	12	10,562	9,846
Group loans	16, 24	12,125	11,517
Investment in joint ventures	14	6,624	6,243
Investment in subsidiary	14	28	28
Other non-current assets	10	526	494
		264,450	**277,242**
Current assets			
Inventories	15	7,198	6,643
Trade and other receivables	16	58,210	52,111
Cash and cash equivalents	17	33	269
		65,441	**59,023**
TOTAL ASSETS		**329,891**	**336,265**
EQUITY AND LIABILITIES			
Shareholder's equity			
Share capital	18	401,646	401,646
Legal reserve fund	18	61	46
Other funds	18	1,228	1,228
Accumulated losses	18	(288,327)	(288,433)
Total equity		**114,608**	**114,487**
Non-current liabilities			
Interest-bearing loans and borrowings	19	14,420	10,728
Employee benefits	20	13,895	14,360
Provisions	21	39,096	44,745
Trade and other payables	22	13	10,998
Finance lease liabilities	23	2,443	4,134
Other non-current liabilities	22	71	96
		69,938	**85,061**
Current liabilities			
Interest-bearing loans and borrowings	19	74,201	69,261
Employee benefits	20	1,053	910
Provisions	21	2,166	2,245
Trade and other payables	22	66,234	59,887
Finance lease liabilities	23	1,691	4,414
		145,345	**136,717**
Total liabilities		**215,283**	**221,778**
TOTAL EQUITY AND LIABILITIES		**329,891**	**336,265**

The accounting policies and notes form an integral part of the financial statements.
Approved by Ing. Martin Vozár, MBA and Ing. Miroslav Hopta on behalf of the Board of Directors on 24 April 2019.

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2018

In thousands of EUR	Share capital	Legal reserve fund	Other funds	Accumulated losses	Total
At 1 January 2017	**401,646**	**34**	**1,228**	**(288,570)**	**114,338**
Profit for the period	-	-	-	149	**149**
Other comprehensive income	-	-	-	-	**-**
Total comprehensive income	-	-	-	149	**149**
Legal reserve fund	-	12	-	(12)	**-**
At 31 December 2017	**401,646**	**46**	**1,228**	**(288,433)**	**114,487**
Profit for the period	-	-	-	121	**121**
Other comprehensive income	-	-	-	-	**-**
Total comprehensive income	-	-	-	121	**121**
Legal reserve fund	-	15	-	(15)	**-**
At 31 December 2018	**401,646**	**61**	**1,228**	**(288,327)**	**114,608**

The accounting policies and notes form an integral part of the financial statements.
Approved by Ing. Martin Vozár, MBA and Ing. Miroslav Hopta on behalf of the Board of Directors on 24 April 2019.

ZSSK CARGO

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2018

In thousands of EUR	Note	31 December 2018	31 December 2017
Cash flows from operating activities			
Profit / (Loss) before tax		197	196
Adjustments for:			
Non-cash items			
Depreciation, amortisation and impairment of property, plant and equipment and intangible assets	12, 13	35,009	27,751
Gain on sale of property, plant and equipment		(325)	(1,615)
Allowance of receivables and inventories	15, 16	(10)	(21)
Interest expense	8	1,499	1,699
Interest income and shares of profits		(609)	(609)
Movements in provisions and employee benefits		(6,050)	(40)
Other non-cash items	14	(381)	-
		29,330	**27,361**
Working capital adjustments			
Decrease in inventories		(739)	(569)
Decrease (increase) in trade and other receivables		(5,936)	(3,999)
Increase (decrease) in trade and other payables		(5,041)	(5,936)
Cash flows from operating activities		**17,614**	**16,857**
Income tax paid	11	(79)	(47)
Net cash flows from operating activities		**17,535**	**16,810**
Cash flows from investing activities			
Purchase of property, plant and equipment	12, 13	(21,287)	(16,535)
Proceeds from sale of property, plant and equipment		415	1,744
Net cash flows from investing activities		**(20,872)**	**(14,791)**
Cash flows from financing activities			
Proceeds from loans and borrowings	19	47,050	9,250
Repayment of loans and borrowings	19	(17,618)	(2,182)
Interest paid		(1,117)	(1,284)
Payments of finance lease liabilities	23	(4,414)	(10,017)
Net cash flows from financing activities		**23,901**	**(4,233)**
Net (decrease) increase in cash and cash equivalents		**20,564**	**(2,214)**
Cash and cash equivalents at 1 January	**17**	**(51,672)**	**(49,458)**
Cash and cash equivalents at 31 December	**17**	**(31,108)**	**(51,672)**

The accounting policies and notes form an integral part of the financial statements.
Approved by Ing. Martin Vozár, MBA and Ing. Miroslav Hopta on behalf of the Board of Directors on 24 April 2019.

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 with the Commercial Register of the 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 and Construction of the Slovak Republic (“MTC”) with its registered office on Námestie slobody 6, 811 06 Bratislava. The Company does not belong to any group for consolidation purposes. 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
Drieňová 24
820 09 Bratislava
Slovak Republic

These separate financial statements are filed at the Company’s registered address and at the Commercial Register of the District Court Bratislava I, Záhradnícka 10, 812 44 Bratislava.

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 2019. The General Meeting held on 3 July 2018 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 2018 to 31 December 2018.

The financial statements were prepared using the going concern assumption that the Company will continue its operations for the foreseeable future. The Company reported a profit of EUR 121 thousand for the year and total accumulated loss of EUR 288,327 thousand.

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 machines 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 of the 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. 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.

The successful 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 2018. In 2019 with outlook for 2020-2021 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 euro.

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

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Company has adopted all of the new and revised standards and interpretations issued by the International Accounting Standards Board (IASB) and the International Financial Reporting Interpretations Committee (IFRIC) of the IASB that have been endorsed for use in the EU and that are relevant to its operations and effective for accounting periods beginning on 1 January 2018. The following standards, amendments and improvements issued by the IASB and adopted by the EU are effective for the current accounting period:

- IAS 40 Investment Property - Amendments to IAS 40: Transfers of Investment Property - effective for financial years beginning on 1 January 2018;
- IFRS 2 Share-based Payment – Amendments to IFRS 2: Classification and Measurement of Share-based Payment Transactions - effective for financial years beginning on 1 January 2018;
- IFRS 9 Financial instruments - effective for financial years beginning on 1 January 2018;
- IFRS 15 Revenue from Contracts with Customers - effective for financial years beginning on 1 January 2018;
- IFRS 15 Revenue from Contracts with Customers - Clarifications to IFRS 15 Revenue from Contracts with Customers - effective for financial years beginning on 1 January 2018;
- IFRIC 22 Foreign Currency Transactions and Advance Consideration - effective for financial years beginning on 1 January 2018;

International standards, interpretations and amendments to published standards that have been published and are not effective yet

- Amendments to IAS 1 and IAS 8: Definition of Material - effective for financial years beginning on or after 1 January 2020, these amendments have not been approved by the EU yet;
- Amendments to IAS 19: Plan Amendment, Curtailment or Settlement - effective for financial years beginning on or after 1 January 2019, these amendments have not been approved by the EU yet;
- Amendments to IAS 28: Long-term interests in Associates and Joint Ventures - effective for financial years beginning on or after 1 January 2019, these amendments have not been approved by the EU yet;
- Amendments to IFRS 3 Business Combinations - effective for financial years beginning on or after 1 January 2020, these amendments have not been approved by the EU yet;

- IFRS 9 - Financial Instruments Financial instruments – Prepayments features with negative compensation (Amendment) – effective for financial years beginning on or after 1 January 2019;
- Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture - these amendments have not been approved by the EU yet, the effectiveness date of the amendments was deferred indefinitely;
- IFRS 16: Leases – effective for financial years beginning on or after 1 January 2019;
- IFRIC 23 INTERPRETATION – Uncertainty over income Taxes Treatments – effective for financial years beginning on or after 1 January 2019;
- Annual improvements to IFRSs 2015 - 2017 Cycle - effective for financial years beginning on or after 1 January 2019, these amendments have not been approved by the EU yet;

After the end of the current reporting period, the IFRS 16: Leases will be effective from 1 January 2019. Considering the fact that the Company extensively uses operating leasing in its operations, the application of the standard will have a material effect on the financial statements (Statement of comprehensive income, Statement of financial position, Statement of changes in equity and Statement of cash flows) of the Company.

The main types of assets leased by the Company are wagons, locomotives, buildings and other assets (mainly cars and excavators).

The Company plans to apply the modified retrospective approach during the initial application of IFRS 16. Based on this approach the comparative information in the financial statements as at 31 December 2019 will not be adjusted.

In the statement of financial position the contracts currently classified as operating leasing will be recognized as lease liabilities, which will be measured as the present value of the remaining lease payments, discounted using the interest rate of loans, and right-of-use assets. The right-of-use assets will be measured in the same amount as the lease liabilities, adjusted for the time apportioned leasing payments recognized before the initial application.

Before the initial application of IFRS 16 as at 1 January 2019 the effect (increase) on the statement of financial position is as follows:

In thousands of EUR	1 January 2019
ASSETS	
Non-current assets	
Right-of-use assets	**194,066**
Of which:	
Wagons	176,973
Locomotives	9,434
Buildings	6,739
Other	920
LIABILITIES	
Non-current and current liabilities	
Lease liabilities	**194,066**
Of which:	
Wagons	176,973
Locomotives	9,434
Buildings	6,739
Other	920

Due to the application of IFRS 16 in the next reporting period, which ends on 31 December 2019, the Company expects, that not only will the assets and liabilities in the statement of financial position increase, but also the profit for the period will decrease by EUR 1,400 thousands due to contracts signed and utilized until 31 December 2018 in comparison, if IFRS 16 was not applied from 1 January 2019.

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 recognized 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.

Lease arrangements

The Company has entered into a number of lease arrangements by which it gains the right to use specific assets, primarily railway wagons, for extended periods of time. The Company has determined that under these arrangements it takes on substantially all the risks and rewards of ownership and so accounts for these arrangements as finance leases.

The Company has entered into other lease arrangements by which it gains the right to use railway wagons that are owned by other transport networks for short-term periods. The Company has determined that under these arrangements it does not take on the significant risks and rewards of ownership and so accounts for these arrangements as operating leases (these transactions are disclosed in the financial statements as "wagon rentals").

Similarly, the Company has entered into lease arrangements by which it leases railway wagons to other transport networks and third parties. The Company has determined that under these arrangements it retains the significant risks and rewards of ownership and so accounts for these arrangements as operating leases (these transactions are disclosed in the financial statements as "wagon rentals").

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 claims

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 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 recognized 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 recognized 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 recognized 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 ventures and subsidiary

Securities and interests in joint ventures and subsidiary 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 ventures is the price that was paid for the shares.

Financial assets

Initial recognition and classification of financial assets

A financial asset is recognized 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, and derivative 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 (hereinafter as "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 recognized in profit or loss. When the financial asset is derecognized, 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 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 recognized 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 2018 and 1 January 2018 (IFRS 9 effective date), 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 recognized 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 recognized 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 recognized 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 recognizes 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 recognized asset or liability or an unrecognized 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 recognized 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 recognized 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 unrecognized 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 recognized as an asset or liability with a corresponding gain or loss recognized in profit/loss for the period. The changes in the fair value of the hedging instrument are also recognized 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 recognized 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 recognized in other comprehensive income. The ineffective portion of the gain or loss on the hedging instrument is recognized 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 recognized 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 recognized 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 2018 and 2017, 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 recognized 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 recognized as interest expense.

Environmental matters

Liabilities for environmental costs are recognized 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 recognized 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 recognized 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 and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

As Lessee

Finance leases, which transfer to the Company substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term.

Operating lease payments are recognised as an expense in the statement of comprehensive income on a straight-line basis over the lease term.

As Lessor

Leases where the Company does not transfer substantially all the risks and benefits of ownership of the asset are classified as operating leases. Rental income is recognised on a straight-line basis over the lease term.

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 recognized 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 recognized as part of the cost of a given asset. Other related expenses are recognized 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 2018	31 December 2017
Inland transport:		
Transport of goods	30,509	31,282
Wagon deposition	9,133	8,493
Haulage fees	1,093	1,141
	40,735	**40,916**
International transport:		
Import	102,568	94,976
Export	97,513	102,733
Transit	12,420	12,526
	212,501	**210,235**
Other transport related revenues:		
Usage of wagons under RIV, PGV and AVV regimes	11,736	10,184
Wagon rentals	4,307	2,322
Cross-border services	2,999	3,072
Other	2,569	2,630
	21,611	**18,208**
	274,847	**269,359**

4. OTHER REVENUES

In thousands of EUR	31 December 2018	31 December 2017
Repairs and maintenance	6,569	6,187
Operational performance	2,065	2,115
Asset rentals	3,332	2,320
Other	2,577	2,442
	14,543	**13,064**

5. CONSUMABLES AND SERVICES

In thousands of EUR	31 December 2018	31 December 2017
Wagon rentals	(42,306)	(41,500)
Traction electricity	(27,263)	(26,044)
Network fees	(22,030)	(25,322)
Foreign segments	(15,337)	(8,122)
Traction crude oil	(10,890)	(10,858)
Materials	(8,637)	(7,693)
Third party transhipment services	(7,836)	(10,054)
IT services and telecommunication charges	(6,353)	(6,684)
Repair and maintenance	(6,091)	(6,817)
Other energy costs	(3,625)	(4,060)
Rentals	(3,568)	(3,657)
Cross-border services	(3,461)	(3,579)
Security services	(1,369)	(1,240)
Travelling and entertainment	(1,306)	(1,272)
Advisory and consultancy fees	(1,299)	(662)
Cleaning of cars, property, waste disposal	(709)	(692)
Training	(361)	(374)
Medical care	(312)	(305)
Other	(1,897)	(2,473)
	(164,650)	**(161,408)**

Consumables and services include amounts charged by ŽSR of EUR 54,887 thousand (2017: EUR 57,183 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 also to the purchase of traction energy (refer to Note 24).

6. STAFF COSTS

In thousands of EUR	31 December 2018	31 December 2017
Wages and salaries	(65,507)	(63,567)
Social security costs	(27,597)	(26,973)
Employee benefits (Note 20)	731	(293)
Termination payments (Note 21)	(1,726)	(684)
	(94,099)	**(91,517)**

Employee numbers at 31 December 2018 were 5,513 (2017: 5,632), thereof seven were members of management (as members of the Board of Directors or directors of individual departments). Average employee numbers at 31 December 2018 were 5,549 (2017: 5,738).

The average salary in 2018 amounted to EUR 1,019 (2017: EUR 954).

7. OTHER OPERATING REVENUES (EXPENSES), NET

In thousands of EUR	31 December 2018	31 December 2017
Profit on sale of property, plant, equipment and inventories	1,400	2,713
Provision for legal cases and other provisions (Note 21)	4,233	(2,338)
Release (creation) of allowance for doubtful debts	151	82
Insurance of assets	(938)	(1,017)
Other	253	82
	5,099	**(478)**

8. INTEREST EXPENSE

In thousands of EUR	31 December 2018	31 December 2017
Interest on loans and borrowings	(1,000)	(960)
Interest charges on finance lease liabilities	(120)	(349)
Unwinding of discount on provisions and employee benefits	(367)	(379)
Other	(12)	(11)
	(1,499)	**(1,699)**

9. OTHER FINANCE REVENUES (COSTS), NET

In thousands of EUR	31 December 2018	31 December 2017
Foreign exchange gains (losses), net	(23)	63
Other revenues (costs), net	962	563
	939	**626**

10. OTHER NON-CURRENT ASSETS

In thousands of EUR	31 December 2018	31 December 2017
Advanced payments	480	480
Accrued costs	46	14
	526	**494**

11. INCOME TAX

The reported income tax represents a withholding tax paid abroad in the amount of EUR 76 thousand and tax license in the amount of EUR 0 thousand. (2017: EUR 44 thousand and EUR 3 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 2018	31 December 2017
Profit (Loss) before tax	197	196
Tax charge at statutory tax rate of 21% (2017: 21%)	41	41
Tax paid abroad and tax license	(76)	(47)
Forfeit tax loss carry forwards	84	17
Unrecognized deferred tax asset (incl. impact of change in tax rate)	(516)	(1,845)
Non-deductible expenses	391	1,787
Total income tax	**(76)**	**(47)**

Deferred tax assets and liabilities at 31 December related to the following (for the year ended 31 December 2018 an income tax rate of 21% applicable in future accounting period was used, for the year ended 31 December 2017: 21%):

In thousands of EUR	31 December 2018	31 December 2017
Deferred tax assets		
Tax loss carried forward	-	982
Provision for environmental matters	4,538	4,597
Provision for employee benefits	2,944	3,036
Allowance for trade and other receivables	740	781
Allowance for inventories	388	349
Provision for legal cases	3,308	4,004
Termination payments	174	186
Other overdue liabilities (over 36 months)	570	2,260
Property, plant and equipment and intangible assets	2,141	-
Other	7,193	6,749
	21,996	**22,944**
Deferred tax liabilities		
Accelerated depreciation for tax purposes (net of value adjustments of property, plant and equipment)	-	(449)
Other	(47)	(30)
	(47)	**(479)**
Valuation allowance	**(21,949)**	**(22,465)**
Net deferred tax assets (liabilities)	**-**	**-**

A valuation allowance of EUR 21,949 thousand (2017: EUR 22,465 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 22.

12. INTANGIBLE ASSETS

In thousands of EUR	Software	Assets under construction	Total
Acquisition cost			
At 1 January 2018	**33,622**	**286**	**33,908**
Additions	-	2,455	2,455
Transfers	2,399	(2,399)	-
At 31 December 2018	**36,021**	**342**	**36,363**
Accumulated amortization			
At 1 January 2018	**(24,062)**	**-**	**(24,062)**
Charge for the period	(1,739)	-	(1,739)
At 31 December 2018	**(25,801)**	**-**	**(25,801)**
Net book value at 31 December 2018	**10,220**	**342**	**10,562**

In thousands of EUR	Software	Assets under construction	Total
Acquisition cost			
At 1 January 2017	**31,563**	**675**	**32,238**
Additions	-	1,670	1,670
Transfers	2,059	(2,059)	-
At 31 December 2017	**33,622**	**286**	**33,908**
Accumulated amortization			
At 1 January 2017	**(22,589)**	**-**	**(22,589)**
Charge for the period	(1,473)	-	(1,473)
At 31 December 2017	**(24,062)**	**-**	**(24,062)**
Net book value at 31 December 2017	**9,560**	**286**	**9,846**

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 2018	**70,162**	**469,081**	**5,012**	**544,255**
Additions	-	-	18,834	18,834
Disposals	(1,421)	(13,450)	(3)	(14,874)
Transfers	385	12,494	(12,879)	-
At 31 December 2018	**69,126**	**468,125**	**10,964**	**548,215**
Accumulated depreciation				
At 1 January 2018	**(28,268)**	**(266,339)**	**(534)**	**(295,141)**
Additions	(1,519)	(25,441)	-	(26,960)
Disposals	1,330	13,443	-	14,773
Impairment loss	(2,781)	(3,521)	-	(6,302)
At 31 December 2018	**(31,238)**	**(281,858)**	**(534)**	**(313,630)**
Net book value at 31 December 2018	**37,888**	**186,267**	**10,430**	**234,585**

In thousands of EUR	Land and buildings	Machines, equipment, other assets	Assets under construction	Total
Acquisition cost				
At 1 January 2017	**73,899**	**468,464**	**5,134**	**547,497**
Additions	-	-	14,865	14,865
Disposals	(3,999)	(14,056)	(52)	(18,107)
Transfers	262	14,673	(14,935)	-
At 31 December 2017	**70,162**	**469,081**	**5,012**	**544,255**
Accumulated depreciation				
At 1 January 2017	**(30,260)**	**(256,055)**	**(534)**	**(286,849)**
Additions	(1,589)	(25,425)	-	(27,014)
Disposals	3,985	13,929	-	17,914
Impairment loss	(404)	1,212	-	808
At 31 December 2017	**(28,268)**	**(266,339)**	**(534)**	**(295,141)**
Net book value at 31 December 2017	**41,894**	**202,742**	**4,478**	**249,114**

Land and buildings consists of halls used in the repair of locomotives and wagons, depots, stores, workshops and administrative building, 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 2018.

The impairment test required by IAS 36 was performed by management of the Company as at 31 December 2018. 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 2019 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 15 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 5.90% 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 a 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 6,302 thousand (2017: decrease in impairment loss by 808 thousand EUR) due to a lower usage of assets and a decrease of cash inflows mainly from a transport revenues' decrease in 2018 and expected utilization of assets and expected transported volumes (mainly in diesel traction) in the next period.

Property, plant and equipment include locomotives acquired by means of finance lease with a total acquisition value of EUR 6,426 thousand (net book value EUR 3,619 thousand), wagons with an aggregate acquisition value of EUR 30,752 thousand (net book value EUR 21,426 thousand) and motor vehicles a total acquisition value of EUR 115 thousand (net book value EUR 93 thousand).

Property, plant and equipment in the ownership of the Company with a total acquisition value of EUR 709 thousand (EUR 709 thousand at 31 December 2017) and with a net book value of EUR 451 thousand (EUR 469 thousand at 31 December 2017) is registered by the State as protected for cultural purposes.

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. Before 2014 property, plant, equipment and inventories were insured against (i) natural disaster, (ii) theft and vandalism and (iii) damage of machinery (all risk cover). Risks (i) and (ii) are covered to a maximum of 240,104 EUR thousand and (iii) to a maximum of EUR 306,148 thousand.

The gross carrying amount of any fully depreciated property, plant and equipment that is still in use, is EUR 33,343 thousand.

14. INVESTMENT IN JOINT VENTURES AND SUBSIDIARY

The Company has a 40% share in BULK TRANSSHIPMENT SLOVAKIA, a. s. which is involved in the transshipment of iron ore in Čierna nad Tisou in the east of Slovakia. Based on contractual arrangements with the other shareholder, the management of the Company decided to consider this investment as a joint venture.

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. In the consolidated financial statements the Company reported the financial statements according to Slovak accounting standards as at 31 December 2017.

Details of the Company's joint ventures and subsidiary at 31 December 2018 are as follows:

Corporate name	Registration country	Ownership 2018	Carrying amount of investment 2018	Equity 2018	Profit/ Loss 2018
Investment in joint ventures					
BULK TRANSSHIPMENT SLOVAKIA, a. s.	Slovak Republic	40%	3,210	24,838	683
Cargo Wagon, a. s.	Slovak Republic	34%	3,403	30,083	6,344
Total investment in joint ventures			**6,613**		
Investments in subsidiary					
ZSSK CARGO Intermodal, a. s.	Slovak Republic	100%	27.5	22	(0.5)

The Company has made a non-monetary contribution to the joint venture BULK TRANSSHIPMENT SLOVAKIA, a.s. of fixed assets in the amount of EUR 381 thousand. The joint venture's majority shareholder also made a contribution, equal to his shareholding, which did not change the shareholding with any shareholder. The share capital of the joint venture was increased by EUR 952 thousand. Changes in share capital have been recorded in the Commercial Register as at 31 December 2018.

Details of the Company's joint ventures and subsidiary at 31 December 2017 are as follows:

Corporate name	Registration country	Ownership 2018	Carrying amount of investment 2018	Equity 2018	Profit/ Loss 2018
Investment in joint ventures					
BULK TRANSSHIPMENT SLOVAKIA, a. s.	Slovak Republic	40%	2,829.5	23,023	2,307
Cargo Wagon, a. s.	Slovak Republic	34%	3,402.5	23,514	7,978
Total investment in joint ventures			**6,232**		
Investments in subsidiary					
ZSSK CARGO Intermodal, a. s.	Slovak Republic	100%	27.5	24	(1)

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

2018 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.	36,846	3,025	**39,871**	24,838	11,560	3,473	**15,033**	12,816	683
Cargo Wagon, a.s.	153,359	8,339	**161,698**	30,083	107,813	23,802	**131,615**	35,925	6,344
Total	190,205	11,364	**201,569**	54,921	119,373	27,275	**146,648**	48,741	7,027

2017 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.	37,268	3,574	**40,842**	23,023	13,413	4,406	**17,819**	13,555	2,307
Cargo Wagon, a.s.	162,536	17,899	**180,435**	23,514	134,990	21,931	**156,921**	34,464	7,978
Total	199,804	21,473	**221,277**	46,537	148,403	26,337	**174,740**	48,019	10,285

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. and the transaction was completed after the approval of Antimonopoly authorities in May 2015.

As of 31 December 2018 ZSSK CARGO Intermodal, a.s. is dormant with no operation.

15. INVENTORIES

In thousands of EUR	At cost 2018	At lower of cost or net realizable value 2018	At cost 2017	At lower of cost or net realizable value 2017
Machine and metal-working materials	4,274	3,585	3,587	2,927
Electrical materials	2,962	1,833	2,881	1,908
Diesel fuel	717	717	708	708
Chemicals and rubber	647	630	832	813
Protective tools	184	181	140	137
Other	260	252	157	150
Total	**9,044**	**7,198**	**8,305**	**6,643**

The Company expects to use up stocks amounted to EUR 21,517 thousand (2017: EUR 20,532 thousand) in a period of more than twelve months after the date of creation these financial statements.

16. TRADE AND OTHER RECEIVABLES

In thousands of EUR	31 December 2018	31 December 2017
Domestic trade receivables	39,745	34,260
Foreign trade receivables	13,397	15,351
VAT receivables	1,884	2,968
Other receivables	6,708	3,249
Allowance for impaired trade and other receivables	(3,523)	(3,717)
	58,211	**52,111**

At 31 December 2018 overdue receivables amounted to EUR 4,888 thousand (EUR 4,793 thousand at 31 December 2017).

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

For details of related party receivables, refer to Note 24.

The Company reported a long-term group loan in amount of 10,000 EUR to the joint venture Cargo Wagon, a.s. This loan is subordinate to long-term bank loans used for the purchase of freight wagons by the joint venture. Loan repayments and interest at 6% per annum subject to compliance with bank covenants under the terms of pari pass to the majority shareholder.

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
2018	**58,211**	56,563	1,648	-	-	-	-
2017	**52,111**	48,264	3,847	-	-	-	-

17. 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 2018	31 December 2017
Cash at banks and on hand and cash equivalents	33	269
Bank overdrafts	(31,141)	(51,941)
	(31,108)	**(51,672)**

Cash at banks earns interest at floating rates based on daily bank deposit rates.
Bank overdrafts as of 31 December are as follows:

	31 December 2018		31 December 2017	
In thousands of EUR	Overdraft limit	Drawn down	Overdraft limit	Drawn down
ING Bank N.V., pobočka z.b.	*20,000*	**13,650**	*20,000*	**12,980**
Citibank Europe plc, pob. zahr. banky	*15,000*	**10,125**	*15,000*	**8,972**
Slovenská sporiteľňa, a.s.	*10,000*	**5,120**	*10,000*	**5,337**
Tatra banka, a.s.	*20,000*	**871**	*15,000*	**9,187**
Československá obchodná banka, a.s.	*10,000*	**824**	*10,000*	**5,812**
Všeobecná úverová banka, a.s.	*20,000*	**551**	*20,000*	**9,653**
	95,000	**31,141**	*90,000*	**51,941**

18. SHAREHOLDER'S EQUITY

Share capital

Share capital represents the State's investment in the Company, held through MTC, 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 MTC, 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 2017 statutory result was approved by the Company's General Meeting on 3 July 2018 and was booked in the amount of EUR 15 thousand to legal reserve fund and the amount of EUR 134 thousand was booked to accumulated losses.

19. INTEREST-BEARING LOANS AND BORROWINGS

In thousands of EUR	Maturity date	31 December 2018	31 December 2017
Long-term loans			
Secured			
Slovenská sporiteľňa, a.s.	31 December 2023	14,676	9,250
ING Bank N.V., pob. zahr. banky	31 July 2019	-	8,798
Unsecured			
Československá obchodná banka, a.s.	31 March 2027	3,332	-
UniCredit Bank Czech Republic and Slovakia, a.s., pob. zahr. banky	31 March 2021	1,494	-
Total		**19,502**	**18,048**
Short-term portion of loans		**5,082**	**7,320**
Long-term portion of loans		**14,420**	**10,728**
Short-term loans			
Secured			
Všeobecná úverová banka, a.s.	31 December 2019	14,000	-
Československá obchodná banka, a.s.	28 June 2019	6,500	-
Privatbanka, a.s.	6 June 2018	-	10,000
ING Bank N.V., pob. zahr. banky	31 July 2019	3,478	-
Unsecured			
Tatra banka, a.s.	31 December 2019	14,000	-
Short-term loans		**37,978**	**10,000**
Short-term portion of loans (see above)		**5,082**	**7,320**
Overdrafts (Note 17)		**31,141**	**51,941**
Short-term portion of loans		**74,201**	**69,261**
Total		**88,621**	**79,989**

All loans are denominated in EUR, if not stated otherwise.

All loans presented in the table above are secured by promissory notes with a value of EUR 65,446 thousand (EUR 71,191 thousand at 31 December 2017), and with a nominal value of EUR 105,000 thousand (EUR 135,800 thousand as of 31 December 2017) except for the loan from ING Bank N.V., pob. zahr. banky, long-term loan from Československá obchodná banka, a.s., and long-term loan from UniCredit Bank Czech Republic and Slovakia, a.s. pob. zahr. banky, and short-term loan from Tatra banka, a.s. The long-term loan from ING Bank N.V. is secured by a lien on 250 wagons “Shimmns” and represents reclassification of a finance lease contract which has been taken over by ING Group after the lessor ING Lease (C.R.) ceased its operation in Slovakia. A long-term loan provided by Slovenská sporiteľňa, a.s. is secured by a promissory note (principal) as well as by a lien on 6 locomotives (interest).

At 31 December 2018, the Company has no obligation to comply any covenants.

The fair value of interest-bearing loans and borrowings amounts to EUR 88,621 thousand (EUR 79,989 thousand at 31 December 2017).

All interest-bearing loans and borrowings bear floating interest which range from 0.780% to 2.700% (0.950% to 2.700% in 2017) except for the fixed interest loan from UniCredit Bank Czech Republic and Slovakia, a.s., pob. zahr. banky.

20. EMPLOYEE BENEFITS

In thousands of EUR	Retirement benefits	Jubilee payments	Disability benefits	Total
At 1 January 2018	**12,340**	**2,919**	**11**	**15,270**
Current service cost	455	107	-	562
Interest expense	216	51	-	267
Actuarial gains and losses	60	15	1	76
Utilization of benefits	(508)	(341)	(8)	(857)
Past service cost	(401)	-	31	(370)
At 31 December 2018	**12,162**	**2,751**	**35**	**14,948**
Current 31 December 2018	699	346	8	1,053
Non-current 31 December 2018	11,463	2,405	27	13,895
At 31 December 2018	**12,162**	**2,751**	**35**	**14,948**

In thousands of EUR	Retirement benefits	Jubilee payments	Disability benefits	Total
At 1 January 2017	**12,658**	**3,152**	**14**	**15,824**
Current service cost	470	115	-	585
Interest expense	203	50	-	253
Actuarial gains and losses	59	27	(1)	85
Utilization of benefits	(956)	(430)	(4)	(1,390)
Past service cost	(94)	5	2	(87)
At 31 December 2017	**12,340**	**2,919**	**11**	**15,270**
Current 31 December 2017	584	324	2	910
Non-current 31 December 2017	11,756	2,595	9	14,360
At 31 December 2017	**12,340**	**2,919**	**11**	**15,270**

The principal actuarial assumptions used were as follows:

	2018	2017
Discount rate (% p.a.)	1.80	1.75
Future salary increases (%)	7.00	3.00
Mortality probability (male) (%)	0.04 – 2.26	0.04 – 2.26
Mortality probability (female) (%)	0.02 – 0.88	0.02 – 0.88

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 2018	Discount rate (1.00%)	Average income (1.00%)	Mortality (-10.00%)
Net liability from employee benefits	14,948	(1,215)	422	160

In thousands of EUR	31 December 2017	Discount rate (1.00%)	Average income (1.00%)	Mortality (-10.00%)
Net liability from employee benefits	15,270	(1,225)	389	153

21. PROVISIONS

In thousands of EUR	Environmental	Legal	Terminations	Other	Total
At 1 January 2018	**21,889**	**19,067**	**885**	**5,149**	**46,990**
Additions	-	1,869	829	-	2,698
Interest costs	-	-	15	84	99
Reversals	-	(5,000)	(102)	(1,102)	(6,204)
Utilization	(279)	(186)	(798)	(1,058)	(2,321)
At 31 December 2018	**21,610**	**15,750**	**829**	**3,073**	**41,262**
Current 31 December 2018	279	-	829	1,058	2,166
Non-current 31 December 2018	21,331	15,750	-	2,015	39,096
At 31 December 2018	**21,610**	**15,750**	**829**	**3,073**	**41,262**

In thousands of EUR	Environmental	Legal	Terminations	Other	Total
At 1 January 2017	**22,154**	**17,716**	**1,493**	**5,113**	**46,476**
Additions	-	1,351	885	1,014	3,250
Interest costs	-	-	24	102	126
Reversals	-	-	(490)	(27)	(517)
Utilization	(265)	-	(1,027)	(1,053)	(2,345)
At 31 December 2017	**21,889**	**19,067**	**885**	**5,149**	**46,990**
Current 31 December 2017	280	-	885	1,080	2,245
Non-current 31 December 2017	21,609	19,067	-	4,069	44,745
At 31 December 2017	**21,889**	**19,067**	**885**	**5,149**	**46,990**

Environmental matters

In 2018, the Company updated its analysis of potential breaches of environmental regulations at its various sites, with the support of an environment specialist, HES-COMGEO spol. s.r.o. As a result of this analysis, and based on the findings of HES-COMGEO spol. s.r.o., the Company has estimated that costs of EUR 21,610 thousand (EUR 21,889 thousand at 31 December 2017) 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.

Expenditures will be incurred in 2020 – 2021. A discount rate of 2.00 % p.a. was used in the calculation.

Legal claims

Provisions for legal claims relate to a number of claims, the most significant one is REFIN B.A., Ltd. in the amount of EUR 11,363 thousand.

Other

The provision relates mainly to one long-term contract for leasing wagons which has been partially classified as an onerous contract.

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

In thousands of EUR	31 December 2018	31 December 2017
Domestic trade payables	43,419	48,762
Foreign trade payables	5,124	6,965
Payables due to employees	7,202	6,582
Payables due to social institutions	4,271	3,767
Other payables	6,231	4,809
	66,247	**70,885**

At 31 December 2018 overdue trade payables amounted to EUR 1,354 thousand (EUR 1,474 thousand at 31 December 2017). For details of related party payables, refer to Note 24.

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	31 December 2018	31 December 2017
At 1 January	**96**	**79**
Additions	634	614
Utilization	659	597
At 31 December	**71**	**96**

23. COMMITMENTS AND CONTINGENCIES

Finance lease commitments

At 31 December 2018 the Company has finance lease commitments relating to the acquisition of 200 wagons, 4 MPUs and 2 freight road vehicles (650 wagons, 4 MPUs and 2 freight road vehicles at 31 December 2017).

All leases are on a fixed repayment basis with floating interest rates derived from EURIBOR. Future minimum lease payments under finance leases, together with the present value of net minimum lease payments are as follows:

In thousands of EUR	31 December 2018		31 December 2017	
	Minimum lease payments	Present value of payments	Minimum lease payments	Present value of payments
Within one year	1,764	1,691	4,542	4,414
After one year but not more than five years	2,472	2,443	4,215	4,134
More than five years	-	-	-	-
Total minimum lease payments	**4,236**	**4,134**	**8,757**	**8,548**
Less: future finance charges	(102)	-	(209)	-
Present value of minimum lease payments	**4,134**	**4,134**	**8,548**	**8,548**

Operating lease commitments

At 31 December 2018 the Company has operating lease for a fixed period including mainly wagons, motor vehicles and other equipment:

In thousands of EUR	31 December 2018	31 December 2017
Operating lease of wagons	42,330	41,075
Operating lease of motor vehicles	332	355
Operating lease of other equipment	158	158
Operating lease of MPUs	71	-
	42,891	**41,588**

Future minimum lease payments under operate leases, together with the present value of net minimum lease payments are as follows:

In thousands of EUR	31 December 2018	31 December 2017
Within one year	48,018	41,908
After one year but not more than five years	156,261	178,779
More than five years	20,633	-
	224,911	**220,687**

Investing commitments

The Company's investment expenditure for the period from 1 January 2019 to 31 December 2019 (1 January 2018 to 31 December 2018) is as follows:

In thousands of EUR	31 December 2018	31 December 2017
Land and buildings	176	2,847
Machines, equipment and other assets	504	202
Intangible assets	2,039	480
	2,719	**3,529**

Expenditures of EUR 2,719 thousand (EUR 3,529 thousand at 31 December 2017) are committed under contractual arrangements.

Contingent liabilities

ČD CARGO, a.s. filed a lawsuit against the Company claiming an amount of EUR 1,508 thousand (including interest) in respect of unpaid VAT related to the Company's usage of their wagons for international transportation during the period from 24 May 2007 to 3 May 2008.

District Court Bratislava II announced judgment on 8 November 2016 in which rejected the charge in its entirety. ČD CARGO, a.s. is obliged to pay lawsuit costs an amount of EUR 106 thousand. The lawsuit has been lawfully completed. ČD CARGO, a.s. has filed an extraordinary appeal against the final ruling within a legal period in 2017. The Supreme Court of the Slovak Republic issued a resolution which rejected the applicant´s appeal on 30 October 2017. The applicant filed a constitutional complaint, which has not been decided yet.

24. 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 ventures 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 2018 and 2017:

	31 December 2018			
Related party	Sales to related parties	Purchases from related parties	Amounts owed by related parties	Amounts owed to related parties
ŽSR	691	54,794	142	16,505
ZSSK	13,991	3,380	1,794	496
Slovenský plynárenský priemysel	-	1,125	-	289
Cargo Wagon, a.s. (joint venture)	1,600	35,925	12,224	4,037
BTS (joint venture)	934	8,073	110	1,313
Other related parties	903	550	14	36

	31 December 2017			
Related party	Sales to related parties	Purchases from related parties	Amounts owed by related parties	Amounts owed to related parties
ŽSR	608	57,348	16	22,834
ZSSK	14,338	3,431	1,925	536
Slovenský plynárenský priemysel	-	1,341	-	199
Cargo Wagon, a.s. (joint venture)	978	35,309	11,617	4,594
BTS (joint venture)	853	10,338	130	2,288
Other related parties	571	589	18	4

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 District Court Bratislava I at 31 December 2018 and 2017 are as follows:

Board of Directors:

Ing. Martin Vozár, MBA, chairman (since 7 July 2016)
Ing. Miroslav Hopta, vice-chairman (since 30 May 2016)
Ing. Róbert Nemčík, PhD., member (since 8 July 2016)
Ing. Ľubomír Kuťka, member (since 28 July 2016)
Ing. Jaroslav Daniška, member (since 30 May 2016 till 20 October 2017)

Supervisory Board:

Ing. Ján Lupták (since 12 October 2017)
Ing. Bartolomej Kun (since 1 January 2015)
Mgr. Zita Verčíková (since 1 January 2015)
Ing. Ivan Gránsky (since 13 July 2016)
Ing. Jaroslav Mikla (since 25 October 2017 till 31 January 2018)
Ing. Martin Čatloš, chairman (since 15 August 2012 till 15 August 2017)
Ing. Radovan Majerský, PhD. (since 15 August 2012 till 15 August 2017)
Ing. Štefan Hlinka (since 15 August 2012 till 15 August 2017)

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

The Board of Directors' total remuneration approximated EUR 44 thousand (EUR 50 thousand in 2017). The total remuneration of members of the Supervisory Board amounted to EUR 23 thousand (EUR 27 thousand in 2017).

Loans granted

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

25. 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 2018	31 December 2017
EURIBOR (+0.5%)	(574)	(315)
EURIBOR (-0.5%)	4	-

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 2018 and 2017 consist of the following:

In thousands of EUR	31 December 2018	31 December 2017
Long-term loan facilities available	13,992	20,750
Short-term loan facilities available	27,454	39,154
Total loan facilities available	**41,446**	**59,904**

As at 31 December 2018 the Company did not have any banks guarantees (EUR 0 thousand at 31 December 2017).

The table below summarises the maturity profile of the Company's financial liabilities at 31 December 2018 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	-	-	-	13,512	908	**14,420**
Trade and other payables	1,354	55,861	9,019	13	-	**66,247**
Obligations under finance leases	-	299	1,392	2,443	-	**4,134**
Short-term loans	-	12,683	61,518	-	-	**74,201**
	1,354	68,843	71,929	15,968	908	**159,002**

The table below summarises the maturity profile of the Company's financial liabilities at 31 December 2017 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	-	-	-	10,728	-	**10,728**
Trade and other payables	1,474	50,359	8,054	10,998	-	**70,885**
Obligations under finance leases	-	286	4,128	4,134	-	**8,548**
Short-term loans	-	9,472	46,809	12,980	-	**69,261**
	1,474	60,117	58,991	38,840	-	**159,422**

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 ŠPED-TRANS Levice, a.s. (U. S. Steel Košice, s.r.o., BUDAMAR LOGISTICS, a.s, ŠPED-TRANS Levice, a.s. in 2017), sales to which represent 57% of transport and related revenues (58% in 2017), 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 2018 and 31 December 2017.

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 2018	31 December 2017
Long-term debt, net of current portion (excluding subordinated debt and finance lease obligations)	14,420	10,728
Short-term debt, including current portion of long-term debt (excluding finance lease obligations)	74,201	69,261
Debt	**88,621**	**79,989**
Equity	**114,608**	**114,487**
Debt to equity ratio (%)	**77%**	**70%**

26. EVENTS AFTER THE BALANCE SHEET DATE

No events occurred subsequent to 31 December 2018 that might have a material effect on the fair presentation of the matters disclosed in these financial statements.

Approved by Ing. Martin Vozár, MBA and Ing. Miroslav Hopta on behalf of the Board of Directors on 24 April 2019.

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 2018

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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 subsidiary ("the Group"), which comprise the consolidated statement of financial position as at 31 December 2018, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated cash flow statement for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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 2018, 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 21 to the consolidated financial statements, the Group recorded provisions of EUR 21,610 thousand as at 31 December 2018 and EUR 21,889 thousand as at 31 December 2017 for potential environmental remediation. Estimates of the future costs relating to environmental remediation 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.

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 Okresného súdu Bratislava I, oddiel: Sro, vložka číslo: 27004/B a v zozname audítorov vedenom Slovenskou komorou audítorov pod č. 257.

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.

THIS IS A TRANSLATION OF THE ORIGINAL SLOVAK REPORT

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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 2018 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 2019
Bratislava, Slovak Republic

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

Ing. Peter Uram-Hrišo, statutory auditor
UDVA Licence No. 996

THIS IS A TRANSLATION OF THE ORIGINAL SLOVAK REPORT

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2018

In thousands of EUR	Note	31 December 2018	31 December 2017
Revenues			
Transportation and related revenues	3	274,847	269,359
Other revenues	4	14,543	13,064
		289,390	**282,423**
Costs and expenses			
Consumables and services	5	(164,650)	(161,409)
Staff costs	6	(94,099)	(91,517)
Depreciation, amortisation and impairment of property, plant and equipment	12, 13	(34,983)	(27,751)
Other operating revenues (expenses), net	7	5,099	(478)
		(288,633)	**(281,155)**
Finance costs			
Interest expense	8	(1,499)	(1,699)
Other finance revenues (costs), net	9	939	626
Share of the profit of the joint ventures	14	2,430	1,271
		1,870	**198**
Income tax	11	(76)	(47)
Profit (Loss) for the period		**2,551**	**1,419**
Cash flow hedges in joint venture	18	76	-
Items possible to move to profit (loss) total		76	-
Other comprehensive income for the period		**76**	**-**
Total comprehensive income for the period		**2,627**	**1,419**

Profit attributable to:		
Shareholder of the Company	2,627	1,419
Non-controlling interest of other owners of subsidiaries	-	-

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

Approved by Ing. Martin Vozár, MBA and Ing. Miroslav Hopta on behalf of the Board of Directors on 24 April 2019.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2018

In thousands of EUR	Note	31 December 2018	31 December 2017
ASSETS			
Non-current assets			
Property, plant and equipment	13	234,585	249,114
Intangible assets	12	10,562	9,846
Group loans	16, 24	12,125	11,517
Investment in joint ventures	14	20,175	11,445
Other non-current assets	10	526	494
		277,973	**282,416**
Current assets			
Inventories	15	7,198	6,643
Trade and other receivables	16	58,210	52,111
Cash and cash equivalents	17	55	292
		65,463	**59,046**
TOTAL ASSETS		**343,436**	**341,462**
EQUITY AND LIABILITIES			
Shareholder's equity			
Share capital	18	401,646	401,646
Legal reserve fund	18	61	46
Other funds	18	1,228	1,228
Accumulated losses	18	(274,782)	(283,235)
Total equity		**128,153**	**119,685**
Non-current liabilities			
Interest-bearing loans and borrowings	19	14,420	10,728
Employee benefits	20	13,895	14,360
Provisions	21	39,096	44,745
Trade and other payables	22	13	10,998
Finance lease liabilities	23	2,443	4,134
Other non-current liabilities	22	71	96
		69,938	**85,061**
Current liabilities			
Interest-bearing loans and borrowings	19	74,201	69,261
Employee benefits	20	1,053	910
Provisions	21	2,166	2,245
Trade and other payables	22	66,234	59,886
Finance lease liabilities	23	1,691	4,414
		145,345	**136,716**
Total liabilities		**215,283**	**221,777**
TOTAL EQUITY AND LIABILITIES		**343,436**	**341,462**

The accounting policies and notes form an integral part of the financial statements.
Approved by Ing. Martin Vozár, MBA and Ing. Miroslav Hopta on behalf of the Board of Directors on 24 April 2019.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2018

In thousands of EUR	Share capital	Legal reserve fund	Other funds	Accumulated losses	Total
At 1 January 2017	**401,646**	**34**	**1,228**	**(284,642)**	**118,266**
Loss for the period	-	-	-	1,419	**1,419**
Other comprehensive income	-	-	-	-	**-**
Total comprehensive income	-	-	-	1,419	**1,419**
Legal reserve fund	-	12	-	(12)	**-**
At 31 December 2017	**401,646**	**46**	**1,228**	**(283,235)**	**119,685**
Profit for the period	-	-	-	2,551	**2,551**
Other comprehensive income	-	-	-	76	**76**
Total comprehensive income	-	-	-	2,627	**2,627**
Legal reserve fund	-	15	-	(15)	**-**
Other changes	-	-	-	5,841	**5,841**
At 31 December 2018	**401,646**	**61**	**1,228**	**(274,782)**	**128,153**

The accounting policies and notes form an integral part of the financial statements.
Approved by Ing. Martin Vozár, MBA and Ing. Miroslav Hopta on behalf of the Board of Directors on 24 April 2019.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2018

In thousands of EUR	Note	31 December 2018	31 December 2017
Cash flows from operating activities			
Profit / (Loss) before tax		**2,627**	**1,466**
Adjustments for:			
Non-cash items			
Depreciation, amortisation and impairment of property, plant and equipment and intangible assets	12, 13	35,009	27,751
Gain on sale of property, plant and equipment	7	(325)	(1,615)
Allowance of receivables and inventories	15, 16	(10)	(21)
Interest expense	8	1,499	1,699
Interest income and shares of profits		(609)	(609)
Share of the profit of the joint ventures		(2,430)	(1,271)
Movements in provisions and employee benefits		(6,050)	(40)
Other non-cash items	4, 14	(381)	-
		29,330	**27,360**
Working capital adjustments			
Decrease in inventories		(739)	(569)
Decrease (increase) in trade and other receivables		(5,936)	(3,999)
Increase (decrease) in trade and other payables		(5,042)	(5,936)
Cash flows from operating activities		**17,613**	**16,856**
Income tax paid	11	(79)	(47)
Net cash flows from operating activities		**17,534**	**16,809**
Cash flows from investing activities			
Purchase of property, plant and equipment	12, 13	(21,287)	(16,535)
Proceeds from sale of property, plant and equipment		415	1,744
Net cash flows from investing activities		**(20,872)**	**(14,791)**
Cash flows from financing activities			
Proceeds from loans and borrowings	19	47,050	9,250
Repayment of loans and borrowings	19	(17,618)	(2,182)
Interest paid		(1,117)	(1,284)
Payments of finance lease liabilities	23	(4,414)	(10,017)
Net cash flows from financing activities		**23,901**	**(4,233)**
Net (decrease) increase in cash and cash equivalents		**20,563**	**(2,215)**
Cash and cash equivalents at 1 January	**17**	**(51,649)**	**(49,434)**
Cash and cash equivalents at 31 December	**17**	**(31,086)**	**(51,649)**

The accounting policies and notes form an integral part of the financial statements.
Approved by Ing. Martin Vozár, MBA and Ing. Miroslav Hopta on behalf of the Board of Directors on 24 April 2019.

NOTES TO THE CONSOLIDATED 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 with the Commercial Register of the 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 and Construction of the Slovak Republic ("MTC") with its registered office on Námestie slobody 6, 811 06 Bratislava. The Company does not belong to any group for consolidation purposes. 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

Drieňová 24
820 09 Bratislava
Slovak Republic

The Group consists of the Company, joint ventures and a subsidiary.

These consolidated financial statements are filed at the Company's registered address and at the Commercial Register of the District Court Bratislava I, Záhradnícka 10, 812 44 Bratislava.

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 2019. The General Meeting held on 3 July 2018 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 2018 to 31 December 2018.

The consolidated financial statements were prepared using the going concern assumption that the Group will continue its operations for the foreseeable future. The Group reported a profit of EUR 2,627 thousand for the year and total accumulated loss of EUR 274,782 thousand.

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 machines 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 shareholders 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. Regarding ZSSK CARGO Intermodal, a.s. the Group has closed the international tender without selecting a qualified partner in 2015. The Group will support activities of intermodal activities within ZSSK CARGO.

The successful 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 2018. In 2019 with outlook for 2010-2021 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.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted all of the new and revised standards and interpretations issued by the International Accounting Standards Board (IASB) and the International Financial Reporting Interpretations Committee (IFRIC) of the IASB that have been endorsed for use in the EU and that are relevant to its operations and effective for accounting periods beginning on 1 January 2018. The following standards, amendments and improvements issued by the IASB and adopted by the EU are effective for the current accounting period:

- IAS 40 Investment Property - Amendments to IAS 40: Transfers of Investment Property - effective for financial years beginning on 1 January 2018;
- IFRS 2 Share-based Payment – Amendments to IFRS 2: Classification and Measurement of Share-based Payment Transactions - effective for financial years beginning on 1 January 2018;
- IFRS 9 Financial instruments - effective for financial years beginning on 1 January 2018;
- IFRS 15 Revenue from Contracts with Customers - effective for financial years beginning on 1 January 2018;
- IFRS 15 Revenue from Contracts with Customers - Clarifications to IFRS 15 Revenue from Contracts with Customers - effective for financial years beginning on 1 January 2018;
- IFRIC 22 Foreign Currency Transactions and Advance Consideration - effective for financial years beginning on 1 January 2018;

International standards, interpretations and amendments to published standards that have been published and are not effective yet

- Amendments to IAS 1 and IAS 8: Definition of Material - effective for financial years beginning on or after 1 January 2020, these amendments have not been approved by the EU yet;
- Amendments to IAS 19: Plan Amendment, Curtailment or Settlement - effective for financial years beginning on or after 1 January 2019, these amendments have not been approved by the EU yet;
- Amendments to IAS 28: Long-term interests in Associates and Joint Ventures - effective for financial years beginning on or after 1 January 2019, these amendments have not been approved by the EU yet;
- Amendments to IFRS 3 Business Combinations - effective for financial years beginning on or after 1 January 2020, these amendments have not been approved by the EU yet;

- IFRS 9 - Financial Instruments Financial instruments – Prepayments features with negative compensation (Amendment) – effective for financial years beginning on or after 1 January 2019;
- Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture - these amendments have not been approved by the EU yet, the effectiveness date of the amendments was deferred indefinitely;
- IFRS 16: Leases – effective for financial years beginning on or after 1 January 2019;
- IFRIC 23 INTERPRETATION – Uncertainty over income Taxes Treatments – effective for financial years beginning on or after 1 January 2019;
- Annual improvements to IFRSs 2015 - 2017 Cycle - effective for financial years beginning on or after 1 January 2019, these amendments have not been approved by the EU yet;

After the end of the current reporting period, the IFRS 16: Leases will be effective from 1 January 2019. Considering the fact that the Group extensively uses operating leasing in its operations, the application of the standard will have a material effect on the financial statements (Statement of comprehensive income, Statement of financial position, Statement of changes in equity and Statement of cash flows) of the Group.

The main types of assets leased by the Group are wagons, locomotives, buildings and other assets (mainly cars and excavators).

The Group plans to apply the modified retrospective approach during the initial application of IFRS 16. Based on this approach the comparative information in the financial statements as at 31 December 2019 will not be adjusted.

In the statement of financial position the contracts currently classified as operating leasing will be recognized as lease liabilities, which will be measured as the present value of the remaining lease payments, discounted using the interest rate of loans, and right-of-use assets. The right-of-use assets will be measured in the same amount as the lease liabilities, adjusted for the time apportioned leasing payments recognized before the initial application.

Before the initial application of IFRS 16 as at 1 January 2019 the effect (increase) on the statement of financial position is as follows:

In thousands of EUR	1 January 2019
ASSETS	
Non-current assets	
Right-of-use assets	**194,066**
Of which:	
Wagons	176,973
Locomotives	9,434
Buildings	6,739
Other	920
LIABILITIES	
Non-current and current liabilities	
Lease liabilities	**194,066**
Of which:	
Wagons	176,973
Locomotives	9,434
Buildings	6,739
Other	920

Due to the application of IFRS 16 in the next reporting period, which ends on 31 December 2019, the Group expects, that not only will the assets and liabilities in the statement of financial position increase, but also the profit for the period will decrease by EUR 1,400 thousands due to contracts signed and utilized until 31 December 2018 in comparison, if IFRS 16 was not applied from 1 January 2019.

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 recognized 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.

Lease arrangements

The Group has entered into a number of lease arrangements by which it gains the right to use specific assets, primarily railway wagons, for extended periods of time. The Group has determined that under these arrangements it takes on substantially all the risks and rewards of ownership and so accounts for these arrangements as finance leases.

The Group has entered into other lease arrangements by which it gains the right to use railway wagons that are owned by other transport networks for short-term periods. The Group has determined that under these arrangements it does not take on the significant risks and rewards of ownership and so accounts for these arrangements as operating leases (these transactions are disclosed in the financial statements as “wagon rentals”).

Similarly, the Group has entered into lease arrangements by which it leases railway wagons to other transport networks and third parties. The Group has determined that under these arrangements it retains the significant risks and rewards of ownership and so accounts for these arrangements as operating leases (these transactions are disclosed in the financial statements as “wagon rentals”).

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 claims

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 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 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 recognized 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 recognized 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 recognized 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 ventures and subsidiary

Securities and interests in joint ventures and subsidiary 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 ventures is the price that was paid for the shares.

Financial assets

Initial recognition and classification of financial assets

A financial asset is recognized 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, and derivative 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 (hereinafter as "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 recognized in profit or loss. When the financial asset is derecognized, 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 recognized 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 2018 and 1 January 2018 (IFRS 9 effective date), 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 recognized 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 recognized 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 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 recognized 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 recognizes 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 recognized asset or liability or an unrecognized 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 recognized 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 recognized 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 unrecognized 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 recognized as an asset or liability with a corresponding gain or loss recognized in profit/loss for the period. The changes in the fair value of the hedging instrument are also recognized 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 recognized 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 recognized in other comprehensive income. The ineffective portion of the gain or loss on the hedging instrument is recognized 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 recognized 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 recognized 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 2018 and 2017, 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 so as 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 recognized 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 recognized as interest expense.

Environmental matters

Liabilities for environmental costs are recognized 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 recognized 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 recognized 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 and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

As Lessee

Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term.

Operating lease payments are recognised as an expense in the statement of comprehensive income on a straight-line basis over the lease term.

As Lessor

Leases where the Group does not transfer substantially all the risks and benefits of ownership of the asset are classified as operating leases. Rental income is recognised on a straight-line basis over the lease term.

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 recognized 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 recognized as part of the cost of a given asset. Other related expenses are recognized 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.

3. TRANSPORTATION AND RELATED REVENUES

In thousands of EUR	31 December 2018	31 December 2017
Inland transport:		
Transport of goods	30,509	31,282
Wagon deposition	9,133	8,493
Haulage fees	1,093	1,141
	40,735	**40,916**
International transport:		
Import	102,568	94,976
Export	97,513	102,733
Transit	12,420	12,526
	212,501	**210,235**
Other transport related revenues:		
Usage of wagons under RIV, PGV and AVV regimes	11,736	10,184
Wagon rentals	4,307	2,322
Cross-border services	2,999	3,072
Other	2,569	2,630
	21,611	**18,208**
	274,847	**269,359**

4. OTHER REVENUES

In thousands of EUR	31 December 2018	31 December 2017
Repairs and maintenance	6,569	6,187
Operational performance	2,065	2,115
Property rentals	3,332	2,320
Other	2,577	2,442
	14,543	**13,064**

5. CONSUMABLES AND SERVICES

In thousands of EUR	31 December 2018	31 December 2017
Wagon rentals	(42,306)	(41,500)
Traction electricity	(27,263)	(26,044)
Network fees	(22,030)	(25,322)
Foreign segments	(15,337)	(8,122)
Traction crude oil	(10,890)	(10,858)
Materials	(8,637)	(7,693)
Third party transhipment services	(7,836)	(10,054)
IT services and telecommunication charges	(6,353)	(6,684)
Repair and maintenance	(6,091)	(6,817)
Other energy costs	(3,625)	(4,060)
Rentals	(3,568)	(3,657)
Cross-border services	(3,461)	(3,579)
Security services	(1,369)	(1,240)
Travelling and entertainment	(1,306)	(1,272)
Advisory and consultancy fees	(1,299)	(662)
Cleaning of cars, property, waste disposal	(709)	(692)
Training	(361)	(374)
Medical care	(312)	(305)
Other	(1,897)	(2,474)
	(164,650)	**(161,409)**

Consumables and services include amounts charged by ŽSR of EUR 54,887 thousand (2017: EUR 57,183 thousand), primarily relating to the usage of ŽSR's network (the Group has a one year contract with ŽSR which specifies planned kilometres and charge rates for different types of transport) and also to the purchase of traction energy (refer to Note 24).

6. STAFF COSTS

In thousands of EUR	31 December 2018	31 December 2017
Wages and salaries	(65,507)	(63,567)
Social security costs	(27,597)	(26,973)
Employee benefits (Note 20)	731	(293)
Termination payments (Note 21)	(1,726)	(684)
	(94,099)	**(91,517)**

Employee numbers at 31 December 2018 were 5,513 (2017: 5,632), thereof seven were members of management (as members of the Board of Directors or directors of individual departments). Average employee numbers at 31 December 2018 were 5,549 (2017: 5,738).

The average salary in 2018 amounted to EUR 1,019 (2017: EUR 954).

7. OTHER OPERATING REVENUES (EXPENSES), NET

In thousands of EUR	31 December 2018	31 December 2017
Profit on sale of property, plant, equipment and inventories	1,400	2,713
Provision for legal cases and other provisions (Note 21)	4,233	(2,338)
Release (creation) of allowance for doubtful debts	151	82
Insurance of assets	(938)	(1,017)
Other	253	82
	5,099	**(478)**

8. INTEREST EXPENSE

In thousands of EUR	31 December 2018	31 December 2017
Interest on loans and borrowings	(1,000)	(960)
Interest charges on finance lease liabilities	(120)	(349)
Unwinding of discount on provisions and employee benefits	(367)	(379)
Other	(12)	(11)
	(1,499)	**(1,699)**

9. OTHER FINANCE REVENUES (COSTS), NET

In thousands of EUR	31 December 2018	31 December 2017
Foreign exchange gains (losses), net	(23)	63
Other revenues (costs), net	962	563
	939	**626**

10. OTHER NON-CURRENT ASSETS

In thousands of EUR	31 December 2018	31 December 2017
Advanced payments	480	480
Accrued costs	46	14
	526	**494**

11. INCOME TAX

The reported income tax represents a withholding tax paid abroad in the amount of EUR 76 thousand and tax license in the amount of EUR 0 thousand. (2017: EUR 44 thousand and EUR 3 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 2018	31 December 2017
Profit (Loss) before tax	2,627	1,466
Tax charge at statutory tax rate of 21% (2017: 21%)	552	308
Tax paid abroad and tax license	(76)	(47)
Forfeit tax loss carry forwards	84	17
Unrecognized deferred tax asset (incl. impact of change in tax rate)	(1,027)	(2,112)
Non-deductible expenses	391	1,787
Total income tax	**(76)**	**(47)**

Deferred tax assets and liabilities at 31 December related to the following (for the year ended 31 December 2018 an income tax rate of 21% applicable in future accounting period was used, for the year ended 31 December 2017: 21%):

In thousands of EUR	31 December 2018	31 December 2017
Deferred tax assets		
Tax loss carried forward	-	982
Provision for environmental matters	4,538	4,597
Provision for employee benefits	2,944	3,036
Allowance for trade and other receivables	740	781
Allowance for inventories	388	349
Provision for legal cases	3,308	4,004
Termination payments	174	186
Other overdue liabilities (over 36 months)	570	2,260
Property, plant and equipment and intangible assets	2,141	-
Other	7,193	6,749
	21,996	**22,944**
Deferred tax liabilities		
Accelerated depreciation for tax purposes (net of value adjustments of property, plant and equipment)	-	(449)
Deferred tax on revaluation of joint venture	(856)	(345)
Other	(47)	(30)
	(903)	**(824)**
Valuation allowance	**(21,093)**	**(22,120)**
Net deferred tax assets (liabilities)	**-**	**-**

A valuation allowance of EUR 21,093 thousand (2017: EUR 22,120 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 22.

12. INTANGIBLE ASSETS

In thousands of EUR	Software	Assets under construction	Total
Acquisition cost			
At 1 January 2018	**33,622**	**286**	**33,908**
Additions	-	2,455	2,455
Transfers	2,399	(2,399)	-
At 31 December 2018	**36,021**	**342**	**36,363**
Accumulated amortization			
At 1 January 2018	**(24,062)**	**-**	**(24,062)**
Charge for the period	(1,739)	-	(1,739)
At 31 December 2018	**(25,801)**	**-**	**(25,801)**
Net book value at 31 December 2018	**10,220**	**342**	**10,562**

In thousands of EUR	Software	Assets under construction	Total
Acquisition cost			
At 1 January 2017	**31,563**	**675**	**32,238**
Additions	-	1,670	1,670
Transfers	2,059	(2,059)	-
At 31 December 2017	**33,622**	**286**	**33,908**
Accumulated amortization			
At 1 January 2017	**(22,589)**	**-**	**(22,589)**
Charge for the period	(1,473)	-	(1,473)
At 31 December 2017	**(24,062)**	**-**	**(24,062)**
Net book value at 31 December 2017	**9,560**	**286**	**9,846**

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 2018	**70,162**	**469,081**	**5,012**	**544,255**
Additions	-	-	18,834	18,834
Disposals	(1,421)	(13,450)	(3)	(14,874)
Transfers	385	12,494	(12,879)	-
At 31 December 2018	**69,126**	**468,125**	**10,964**	**548,215**
Accumulated depreciation				
At 1 January 2018	**(28,268)**	**(266,339)**	**(534)**	**(295,141)**
Additions	(1,519)	(25,441)	-	(26,960)
Disposals	1,330	13,443	-	14,773
Impairment loss	(2,781)	(3,521)	-	(6,302)
At 31 December 2018	**(31,238)**	**(281,858)**	**(534)**	**(313,630)**
Net book value at 31 December 2018	**37,888**	**186,267**	**10,430**	**234,585**

In thousands of EUR	Land and buildings	Machines, equipment, other assets	Assets under construction	Total
Acquisition cost				
At 1 January 2017	**73,899**	**468,464**	**5,134**	**547,497**
Additions	-	-	14,865	14,865
Disposals	(3,999)	(14,056)	(52)	(18,107)
Transfers	262	14,673	(14,935)	-
At 31 December 2017	**70,162**	**469,081**	**5,012**	**544,255**
Accumulated depreciation				
At 1 January 2017	**(30,260)**	**(256,055)**	**(534)**	**(286,849)**
Additions	(1,589)	(25,425)	-	(27,014)
Disposals	3,985	13,929	-	17,914
Impairment loss	(404)	1,212	-	808
At 31 December 2017	**(28,268)**	**(266,339)**	**(534)**	**(295,141)**
Net book value at 31 December 2017	**41,894**	**202,742**	**4,478**	**249,114**

Land and buildings consists of halls used in the repair of locomotives and wagons, depots, stores, workshops and administrative building, 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 2018.

The impairment test required by IAS 36 was performed by management of the Group as at 31 December 2018. 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 2019 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 15 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 5.90% 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 a financial statements and was adjusted for factors of time, risk and liquidity.

As a result of the procedures described above, the Group has decreased an impairment loss by EUR 6,302 thousand thousand (2017: decrease in impairment loss by 808 thousand EUR) due to a lower usage of assets and a decrease of cash inflows mainly from a transport revenues' decrease in 2018 and expected utilization of assets and expected transported volumes (mainly in diesel traction) in the next period.

Property, plant and equipment include locomotives acquired by means of finance lease with a total acquisition value of EUR 6,426 thousand (net book value EUR 3,619 thousand), wagons with an aggregate acquisition value of EUR 30,752 thousand (net book value EUR 21,426 thousand) and motor vehicles a total acquisition value of EUR 115 thousand (net book value EUR 93 thousand).

Property, plant and equipment in the ownership of the Company with a total acquisition value of EUR 709 thousand (EUR 709 thousand at 31 December 2017) and with a net book value of EUR 451 thousand (EUR 469 thousand at 31 December 2017) is registered by the State as protected for cultural purposes.

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. Before 2014 property, plant, equipment and inventories were insured against (i) natural disaster, (ii) theft and vandalism and (iii) damage of machinery (all risk cover). Risks (i) and (ii) are covered to a maximum of 240,104 EUR thousand and (iii) to a maximum of EUR 306,148 thousand.

The gross carrying amount of any fully depreciated property, plant and equipment that is still in use, is EUR 33,343 thousand.

14. INVESTMENT IN JOINT VENTURES AND SUBSIDIARY

The Group has a 40% share in BULK TRANSSHIPMENT SLOVAKIA, a. s. which is involved in the transshipment 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 a joint venture.

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.

Values presented below are in accordance with International financial reporting standards. In the consolidated financial statements the Company reported the financial statements according to Slovak accounting standards as at 31 December 2017.

Details of the Group's joint ventures and subsidiary as at 31 December 2018 are as follows:

Corporate name	Registration country	Ownership 2018	Carrying amount of investment 2018	Equity 2018	Profit/Loss 2018
Investment in joint ventures					
BULK TRANSSHIPMENT SLOVAKIA, a. s.	Slovak Republic	40%	3,210	24,838	683
Cargo Wagon, a. s.	Slovak Republic	34%	3,403	30,083	6,344
Total investment in joint ventures			**6,613**		
Investments in subsidiary					
ZSSK CARGO Intermodal, a. s.	Slovak Republic	100%	27.5	22	(0.5)

The Group has made a non-monetary contribution to the joint venture BULK TRANSSHIPMENT SLOVAKIA, a.s. of fixed assets in the amount of EUR 381 thousand. The joint venture's majority shareholder also made a contribution, equal to his shareholding, which did not change the shareholding with any shareholder. The share capital of the joint venture was increased by EUR 952 thousand. Changes in share capital have been recorded in the Commercial Register as at 31 December 2018.

Details of the Group's joint ventures and subsidiaries at 31 December 2017 are as follows:

Corporate name	Registration country	Ownership 2017	Carrying amount of investment 2017	Equity 2017	Profit/Loss 2017
Investment in joint ventures					
BULK TRANSSHIPMENT SLOVAKIA, a. s.	Slovak Republic	40%	2,829.5	23,023	2,307
Cargo Wagon, a. s.	Slovak Republic	34%	3,402.5	3,862	1,023
Total investment in joint ventures			**6,232**		
Investments in subsidiary					
ZSSK CARGO Intermodal, a. s.	Slovak Republic	100%	27.5	24	(1)

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. and the transaction was completed after the approval of Antimonopoly authorities in May 2015.

As of 31 December 2018 ZSSK CARGO Intermodal, a.s. is dormant with no operation.

The Group's share of assets and liabilities as at 31 December 2018 and 2017 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 2018	31 December 2017
Current assets	1,210	1,429
Non-current assets	14,738	14,908
Total assets	**15,948**	**16,337**
Current liabilities	1,389	1,762
Non-current liabilities	4,624	5,366
Total liabilities	**6,013**	**7,128**
Net assets	**9,935**	**9,209**

In thousands of EUR	31 December 2018	31 December 2017
Revenues	5,169	5,422
Costs	(4,823)	(4,239)
Profit before income tax	**346**	**1,183**
Income tax expense	(73)	(260)
Net profit (loss)	**273**	**923**

The Group's share of the assets and liabilities as at 31 December 2018 and 2017 and income and expenses for the years then ended of the Cargo Wagon, a.s. are as follows:

In thousands of EUR	31 December 2018	31 December 2017
Current assets	2,835	7,953
Non-current assets	52,142	45,788
Total assets	**54,977**	**53,741**
Current liabilities	8,093	7,199
Non-current liabilities	36,656	45,229
Total liabilities	**44,749**	**52,428**
Net assets	**10,228**	**1,313**

In thousands of EUR	31 December 2018	31 December 2017
Revenues	12,143	12,910
Costs	(9,401)	(12,472)
Profit before income tax	**2,742**	**438**
Income tax expense	(585)	(90)
Net profit (loss)	**2,157**	**348**

As mentioned above, in the consolidated financial statements for the year ended 31 December 2017, the joint venture Cargo Wagon, a.s. presented values from financial statements prepared according to Slovak accounting standards. The consolidated financial statements for the year ended 31 December 2018 are presented in the financial statements prepared under IFRS in the current and prior periods. The effect of transition to IFRS values in amount of EUR 5,768 thousands and other adjustments affecting the amount of investment are described in Note 18.

In 2013 ZSSK CARGO Intermodal, a.s. was founded with registered capital of EUR 25 thousand with 100% Company share and is recognized as a subsidiary and consolidated through the full consolidation.

As of 31 December 2018 ZSSK CARGO Intermodal, a.s. is dormant with no operation.

15. INVENTORIES

In thousands of EUR	At cost 2018	At lower of cost or net realizable value 2018	At cost 2017	At lower of cost or net realizable value 2017
Machine and metal-working materials	4,274	3,585	3,587	2,927
Electrical materials	2,962	1,833	2,881	1,908
Diesel fuel	717	717	708	708
Chemicals and rubber	647	630	832	813
Protective tools	184	181	140	137
Other	260	252	157	150
Total	**9,044**	**7,198**	**8,305**	**6,643**

The Group expects to use up stocks amounted to EUR 21,517 thousand (2017: EUR 20,532 thousand) in a period of more than twelve months after the date of creation these financial statements.

16. TRADE AND OTHER RECEIVABLES

In thousands of EUR	31 December 2018	31 December 2017
Domestic trade receivables	39,745	34,260
Foreign trade receivables	13,397	15,351
VAT receivables	1,884	2,968
Other receivables	6,708	3,249
Allowance for impaired trade and other receivables	(3,523)	(3,717)
	58,211	**52,111**

At 31 December 2018 overdue receivables amounted to EUR 4,888 thousand (EUR 4,793 thousand at 31 December 2017).

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

For details of related party receivables, refer to Note 24.

The Group reported a long-term group loan in amount of 10,000 EUR to the joint venture Cargo Wagon, a.s. This loan is subordinate to long-term bank loans used for the purchase of freight wagons by the joint venture. Loan repayments and interest at 6% per annum subject to compliance with bank covenants under the terms of pari pass to the majority shareholder.

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
2018	**58,211**	56,563	1,648	-	-	-	-
2017	**52,111**	48,264	3,847	-	-	-	-

17. 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 2018	31 December 2017
Cash at banks and on hand and cash equivalents	55	292
Bank overdrafts	(31,141)	(51,941)
	(31,086)	**(51,649)**

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

Bank overdrafts as of 31 December are as follows:

	31 December 2018		31 December 2017	
In thousands of EUR	Overdraft limit	Drawn down	Overdraft limit	Drawn down
ING Bank N.V., pobočka z.b.	*20,000*	**13,650**	*20,000*	**12,980**
Citibank Europe plc, pob. zahr. banky	*15,000*	**10,125**	*15,000*	**8,972**
Slovenská sporiteľňa, a.s.	*10,000*	**5,120**	*10,000*	**5,337**
Tatra banka, a.s.	*20,000*	**871**	*15,000*	**9,187**
Československá obchodná banka, a.s.	*10,000*	**824**	*10,000*	**5,812**
Všeobecná úverová banka, a.s.	*20,000*	**551**	*20,000*	**9,653**
	95,000	**31,141**	*90,000*	**51,941**

18. SHAREHOLDER'S EQUITY

Share capital

Share capital represents the State's investment in the Group, held through MTC, made through the contribution of certain assets and liabilities of the Group'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 Group's incorporation, in accordance with Slovak legislation, a legal reserve fund was established at 10% of the Group'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 Group's registered capital. Under the Group'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 Group's incorporation and through an additional capital contribution made on 2 November 2005 and that of the Group'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 MTC, 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 2017 statutory result was approved by the Company's General Meeting on 3 July 2018 and was booked in the amount of EUR 15 thousand to legal reserve fund and the amount of EUR 134 thousand was booked to accumulated losses.

Accumulated loss

Based on the availability of the individual financial statements of the Cargo Wagon, a.s. (joint venture) under IFRS standards at the time of preparation of the consolidated financial statements, the Group has first decided to use IFRS statements for consolidation purposes. For this purpose were used data from financial statements prepared under Slovak accounting standards in the past.

The use of IFRS data had the following effect on the consolidated financial statements as at 31 December 2018 and movements in retained earnings in 2018:

In thousands of EUR	Group	of which Cargo Wagon, a.s.
Accumulated losses as at 31 December 2017	**(283,235)**	**2,227**
The impact of the transition to IFRS data to the opening state data as at 1 January 2018	4,595	4,595
Elimination of accumulated losses under Slovak accounting standards as at 1 January 2018	1,176	1,176
Other adjustments	(3)	(3)
Previous periods adjustments directly to equity	**5,768**	**5,768**
Adjusted accumulated losses as at 31 December 2017	**(277,467)**	**7,995**
Group´s profit for accounting period	2,551	-
Other comprehensive income – cash flow hedging in the joint venture Cargo Wagon, a.s.	76	-
Other adjustments directly to equity, including contribution to statutory reserve fund	58	-
Accumulated losses as at 31 December 2018	**(274,782)**	**-**

19. INTEREST-BEARING LOANS AND BORROWINGS

In thousands of EUR	Maturity date	31 December 2018	31 December 2017
Long-term loans			
Secured			
Slovenská sporiteľňa, a.s.	31 December 2023	14,676	9,250
ING Bank N.V., pob. zahr. banky	31 July 2019	-	8,798
Unsecured			
Československá obchodná banka, a.s.	31 March 2027	3,332	-
UniCredit Bank Czech Republic and Slovakia, a.s., pob. zahr. banky	31 March 2021	1,494	-
Total		**19,502**	**18,048**
Short-term portion of loans		**5,082**	**7,320**
Long-term portion of loans		**14,420**	**10,728**
Short-term loans			
Secured			
Všeobecná úverová banka, a.s.	31 December 2019	14,000	-
Československá obchodná banka, a.s.	28 June 2019	6,500	-
Privatbanka, a.s.	6 June 2018	-	10,000
ING Bank N.V., pob. zahr. banky	31 July 2019	3,478	-
Unsecured			
Tatra banka, a.s.	31 December 2019	14,000	-
Short-term loans		**37,978**	**10,000**
Short-term portion of loans (see above)		**5,082**	**7,320**
Overdrafts (Note 17)		**31,141**	**51,941**
Short-term portion of loans		**74,201**	**69,261**
Total		**88,621**	**79,989**

All loans are denominated in EUR, if not stated otherwise.

All loans presented in the table above are secured by promissory notes with a value of EUR 65,446 thousand (EUR 71,191 thousand at 31 December 2017), and with a nominal value of EUR 105,000 thousand (EUR 135,800 thousand as of 31 December 2017) except for the loan from ING Bank N.V., pob. zahr. banky, long-term loan from Československá obchodná banka, a.s., and long-term loan from UniCredit Bank Czech Republic and Slovakia, a.s. pob. zahr. banky, and short-term loan from Tatra banka, a.s. The long-term loan from ING Bank N.V. is secured by a lien on 250 wagons “Shimmns” and represents reclassification of a finance lease contract which has been taken over by ING Group after the lessor ING Lease (C.R.) ceased its operation in Slovakia. A long-term loan provided by Slovenská sporiteľňa, a.s. is secured by a promissory note (principal) as well as by a lien on 6 locomotives (interest).

At 31 December 2018, the Company has no obligation to comply any covenants.

The fair value of interest-bearing loans and borrowings amounts to EUR 88,621 thousand (EUR 79,989 thousand at 31 December 2017).

All interest-bearing loans and borrowings bear floating interest which range from 0.780% to 2.700% (0.950% to 2.700% in 2017) except for the fixed interest loan from UniCredit Bank Czech Republic and Slovakia, a.s., pob. zahr. banky.

20. EMPLOYEE BENEFITS

In thousands of EUR	Retirement benefits	Jubilee payments	Disability benefits	Total
At 1 January 2018	**12,340**	**2,919**	**11**	**15,270**
Current service cost	455	107	-	562
Interest expense	216	51	-	267
Actuarial gains and losses	60	15	1	76
Utilization of benefits	(508)	(341)	(8)	(857)
Past service cost	(401)	-	31	(370)
At 31 December 2018	**12,162**	**2,751**	**35**	**14,948**
Current 31 December 2018	699	346	8	1,053
Non-current 31 December 2018	11,463	2,405	27	13,895
At 31 December 2018	**12,162**	**2,751**	**35**	**14,948**

In thousands of EUR	Retirement benefits	Jubilee payments	Disability benefits	Total
At 1 January 2017	**12,658**	**3,152**	**14**	**15,824**
Current service cost	470	115	-	585
Interest expense	203	50	-	253
Actuarial gains and losses	59	27	(1)	85
Utilization of benefits	(956)	(430)	(4)	(1,390)
Past service cost	(94)	5	2	(87)
At 31 December 2017	**12,340**	**2,919**	**11**	**15,270**
Current 31 December 2017	584	324	2	910
Non-current 31 December 2017	11,756	2,595	9	14,360
At 31 December 2017	**12,340**	**2,919**	**11**	**15,270**

The principal actuarial assumptions used were as follows:

	2018	2017
Discount rate (% p.a.)	1.80	1.75
Future salary increases (%)	7.00	3.00
Mortality probability (male) (%)	0.04 – 2.26	0.04 – 2.26
Mortality probability (female) (%)	0.02 – 0.88	0.02 – 0.88

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 2018	Discount rate (1.00%)	Average income (1.00%)	Mortality (-10.00%)
Net liability from employee benefits	14,948	(1,215)	422	160

In thousands of EUR	31 December 2017	Discount rate (1.00%)	Average income (1.00%)	Mortality (-10.00%)
Net liability from employee benefits	15,270	(1,225)	389	153

21. PROVISIONS

In thousands of EUR	Environ-mental	Legal	Terminations	Other	Total
At 1 January 2018	**21,889**	**19,067**	**885**	**5,149**	**46,990**
Additions	-	1,869	829	-	2,698
Interest costs	-	-	15	84	99
Reversals	-	(5,000)	(102)	(1,102)	(6,204)
Utilization	(279)	(186)	(798)	(1,058)	(2,321)
At 31 December 2018	**21,610**	**15,750**	**829**	**3,073**	**41,262**
Current 31 December 2018	279	-	829	1,058	2,166
Non-current 31 December 2018	21,331	15,750	-	2,015	39,096
At 31 December 2018	**21,610**	**15,750**	**829**	**3,073**	**41,262**

In thousands of EUR	Environ-mental	Legal	Terminations	Other	Total
At 1 January 2017	**22,154**	**17,716**	**1,493**	**5,113**	**46,476**
Additions	-	1,351	885	1,014	3,250
Interest costs	-	-	24	102	126
Reversals	-	-	(490)	(27)	(517)
Utilization	(265)	-	(1,027)	(1,053)	(2,345)
At 31 December 2017	**21,889**	**19,067**	**885**	**5,149**	**46,990**
Current 31 December 2017	280	-	885	1,080	2,245
Non-current 31 December 2017	21,609	19,067	-	4,069	44,745
At 31 December 2017	**21,889**	**19,067**	**885**	**5,149**	**46,990**

Environmental matters

In 2018, the Group updated its analysis of potential breaches of environmental regulations at its various sites, with the support of an environment specialist, HES-COMGEO spol. s.r.o. As a result of this analysis, and based on the findings of HES-COMGEO spol. s.r.o., the Group has estimated that costs of EUR 21,610 thousand (EUR 21,889 thousand at 31 December 2017) 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 Group in future periods.

Expenditures will be incurred in 2020 – 2021. A discount rate of 2.00 % p.a. was used in the calculation.

Legal claims

Provisions for legal claims relate to a number of claims, the most significant one is REFIN B.A., Ltd. in the amount of EUR 11,363 thousand.

Other

The provision relates to one long-term contract for leasing wagons which has been partially classified as an onerous contract.

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

In thousands of EUR	31 December 2018	31 December 2017
Domestic trade payables	43,419	48,762
Foreign trade payables	5,124	6,965
Payables due to employees	7,202	6,582
Payables due to social institutions	4,271	3,767
Other payables	6,231	4,808
	66,247	**70,884**

At 31 December 2018 overdue trade payables amounted to EUR 1,354 thousand (EUR 1,474 thousand at 31 December 2017). For details of related party payables, refer to Note 24.

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	31 December 2018	31 December 2017
At 1 January	**96**	**79**
Additions	634	614
Utilization	659	597
At 31 December	**71**	**96**

23. COMMITMENTS AND CONTINGENCIES

Finance lease commitments

At 31 December 2018 the Group has finance lease commitments relating to the acquisition of 200 wagons, 4 MPUs and 2 freight road vehicles (650 wagons, 4 MPUs and 2 freight road vehicles at 31 December 2017). All leases are on a fixed repayment basis with floating interest rates derived from EURIBOR. Future minimum lease payments under finance leases, together with the present value of net minimum lease payments are as follows:

In thousands of EUR	31 December 2018		31 December 2017	
	Minimum lease payments	Present value of payments	Minimum lease payments	Present value of payments
Within one year	1,764	1,691	4,542	4,414
After one year but not more than five years	2,472	2,443	4,215	4,134
More than five years	-	-	-	-
Total minimum lease payments	**4,236**	**4,134**	**8,757**	**8,548**
Less: future finance charges	(102)	-	(209)	-
Present value of minimum lease payments	**4,134**	**4,134**	**8,548**	**8,548**

Operating lease commitments

At 31 December 2018 the Group has operating lease for fixed period including mainly wagons, motor vehicles and other equipment:

In thousands of EUR	31 December 2018	31 December 2017
Operating lease of wagons	42,330	41,075
Operating lease of motor vehicles	332	355
Operating lease of other equipment	158	158
Operating lease of MPUs	71	-
	42,891	**41,588**

Future minimum lease payments under operate leases, together with the present value of net minimum lease payments are as follows:

In thousands of EUR	31 December 2018	31 December 2017
Within one year	48,018	41,908
After one year but not more than five years	156,261	178,779
More than five years	20,633	-
	224,912	**220,687**

Investing commitments

The Group's investment expenditure for the period from 1 January 2019 to 31 December 2019 (1 January 2018 to 31 December 2018) is as follows:

In thousands of EUR	31 December 2018	31 December 2017
Land and buildings	176	2,847
Machines, equipment and other assets	504	202
Intangible assets	2,039	480
	2,719	**3,529**

Expenditures of EUR 2,719 thousand (EUR 3,529 thousand at 31 December 2017) are committed under contractual arrangements

Contingent liabilities

ČD CARGO, a.s. filed a lawsuit against the Group claiming an amount of EUR 1,508 thousand (including interest) in respect of unpaid VAT related to the Group's usage of their wagons for international transportation during the period from 24 May 2007 to 3 May 2008.

District Court Bratislava II announced judgment on 8 November 2016 in which rejected the charge in its entirety. ČD CARGO, a.s. is obliged to pay lawsuit costs an amount of EUR 106 thousand. The lawsuit was definitively completed. ČD CARGO, a.s. has filed an extraordinary appeal against the final ruling with a legal period in 2017. The Supreme Court of the Slovak Republic issued a resolution which rejected the applicant´s appeal on 30 October 2017. The applicant filed a constitutional complaint, which has not been decided yet.

24. 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 ventures 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 2018 and 2017:

Related party	31 December 2018 Sales to related parties	Purchases from related parties	Amounts owed by related parties	Amounts owed to related parties
ŽSR	691	54,794	142	16,505
ZSSK	13,991	3,380	1,794	496
Slovenský plynárenský priemysel	-	1,125	-	289
Cargo Wagon, a.s. (joint venture)	1,600	35,925	12,224	4,037
BTS (joint venture)	934	8,073	110	1,313
Other related parties	903	550	14	36

Related party	31 December 2017 Sales to related parties	Purchases from related parties	Amounts owed by related parties	Amounts owed to related parties
ŽSR	608	57,348	16	22,834
ZSSK	14,338	3,431	1,925	536
Slovenský plynárenský priemysel	-	1,341	-	199
Cargo Wagon, a.s. (joint venture)	978	35,309	11,617	4,594
BTS (joint venture)	853	10,338	130	2,288
Other related parties	571	589	18	4

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 District Court Bratislava I at 31 December 2018 and 2017 are as follows:

Board of Directors: Ing. Martin Vozár, MBA, chairman (since 7 July 2016)
Ing. Miroslav Hopta, vice-chairman (since 30 May 2016)
Ing. Róbert Nemčík, PhD., member (since 8 July 2016)
Ing. Ľubomír Kuťka, member (since 28 July 2016)
Ing. Jaroslav Daniška, member (since 30 May 2016 till 20 October 2017)

Supervisory Board: Ing. Ján Lupták (since 12 October 2017)
Ing. Bartolomej Kun (since 1 January 2015)
Mgr. Zita Verčíková (since 1 January 2015)
Ing. Ivan Gránsky (since 13 July 2016)
Ing. Jaroslav Mikla (since 25 October 2017 till 31 January 2018)
Ing. Martin Čatloš, chairman (since 15 August 2012 till 15 August 2017)
Ing. Radovan Majerský, PhD. (since 15 August 2012 till 15 August 2017)
Ing. Štefan Hlinka (since 15 August 2012 till 15 August 2017)

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

The Board of Directors' total remuneration approximated EUR 44 thousand (EUR 50 thousand in 2017). The total remuneration of members of the Supervisory Board amounted to EUR 23 thousand (EUR 27 thousand in 2017).

Loans granted

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

25. 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 2018	31 December 2017
EURIBOR (+0.5%)	(574)	(315)
EURIBOR (-0.5%)	4	-

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 2018 and 2017 consist of the following:

In thousands of EUR	31 December 2018	31 December 2017
Long-term loan facilities available	13,992	20,750
Short-term loan facilities available	27,454	39,154
Total loan facilities available	**41,446**	**59,904**

As at 31 December 2018 the Group did not have any banks guarantees (EUR 0 thousand at 31 December 2017).

The table below summarises the maturity profile of the Group's financial liabilities at 31 December 2018 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	-	-	-	13,512	908	**14,420**
Trade and other payables	1,354	55,861	9,019	13	-	**66,247**
Obligations under finance leases	-	299	1,392	2,443	-	**4,134**
Short-term loans	-	12,683	61,518	-	-	**74,201**
	1,354	68,843	71,929	15,968	908	**159,002**

The table below summarises the maturity profile of the Group's financial liabilities at 31 December 2017 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	-	-	-	10,728	-	**10,728**
Trade and other payables	1,474	50,359	8,054	10,998	-	**70,885**
Obligations under finance leases	-	286	4,128	4,134	-	**8,548**
Short-term loans	-	9,472	46,809	12,980	-	**69,261**
	1,474	60,117	58,991	38,840	-	**159,422**

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 ŠPED-TRANS Levice, a.s. (U. S. Steel Košice, s.r.o., BUDAMAR LOGISTICS, a.s., ŠPED-TRANS Levice, a.s. in 2017), sales to which represent 57% of transport and related revenues (58% in 2017), 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 2018 and 31 December 2017.

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 2018	31 December 2017
Long-term debt, net of current portion (excluding subordinated debt and finance lease obligations)	14,420	10,728
Short-term debt, including current portion of long-term debt (excluding finance lease obligations)	74,201	69,261
Debt	**88,621**	**79,989**
Equity	**128,153**	**119,685**
Debt to equity ratio (%)	**69%**	**67%**

26. EVENTS AFTER THE BALANCE SHEET DATE

No events occurred subsequent to 31 December 2018 that might have a material effect on the fair presentation of the matters disclosed in these consolidated financial statements.

Approved by Ing. Martin Vozár, MBA and Ing. Miroslav Hopta on behalf of the Board of Directors on 24 April 2019.

ORGANIZATION STRUCTURE AS AT 31. 12. 2018

- General Assembly
  - Supervisory Board
    - Board of Directors
      - Project Office and Internal Audit
        - Projects and Processes Unit
        - Internal Audit Unit
      - Chief Executive Officer (CEO)
        - CEO Office
          - Internal Relations Unit
          - International and External Relations Unit
        - Control, Inspection and Protection Department
          - Protection and Economic Mobilization Unit
          - Control Unit
          - Inspection Unit
        - Strategy and Controlling Department
          - Strategy and Investment Unit
          - Controlling Unit
        - Human Resources Management Department
          - Social and Health Care Unit
          - Management of Human Resources and Personal Controlling Unit
          - Education Unit
          - Security and Health Protection Unit
          - Personal Services Unit
          - Wages Centre Unit
        - Logistics and Purchase Management Department
          - Methodics and Analyses Unit
          - Procurement Section
          - Distributive Logistics Section
            - Storage and Distribution of Goods Unit
        - Trade Division
          - Marketing Section
          - Sales Section
            - Conventional Transportation Unit
            - Intermodal and Automotive Transportation Unit
          - Trade Support Section
            - Trade Conditions Unit
            - Trade Support Unit
        - Operations Division
          - Section of Technical and Technological Preparation of Operations
            - Operations Analyses and Guidelines Unit
            - Operations Planning Unit
          - Operations, Transportation and Wagon Service Section
            - Technology and Work Management Unit
            - Wagon Service Unit
          - Operations and Traction Control Section
            - Transport Dispatching Unit
            - Freight Wagons Control Unit
            - Traction Control Unit
          - East Slovak Transshipment Yards Section
            - Transshipment Unit
            - Transport and Transportation Unit
            - Technical Unit
            - Matovce and EVO Transshipment Unit
          - Freight Wagons Operations Section
            - Freight Wagons Rental Unit
            - Freight Wagons Management Unit – AVV
            - Freight Wagons Efficiency Unit
        - Services Division
          - Energetics Unit
          - Facility Management Section
            - Facility Efficiency Unit
            - Facility Management and Operations Unit
            - Ecology Unit
          - ICT Section
        - Rolling Stock Services Division
          - Maintenance and Repairs Trade Section
            - Rolling Stock Maintenance and Repairs Sales Unit
            - Rolling Stock Maintenance and Repairs Back Office Unit
          - Rolling Stock Maintenance and Repairs Section
            - Maintenance and Repairs Management Unit
            - Maintenance and Repairs Technical Security Unit
          - Rolling Stock Management Section – ECM
            - Motive Power Units Management Unit
            - Freight Wagons Management Unit
            - Inspection of Technical Control Unit
        - Economy Division
          - Accounting Taxes and Reporting Section
            - Accounting Unit
          - Treasury Section
            - Cash-flow Administration Unit
          - Rail Clearing Centre Section
            - Information Systems Support, Methodology and Control Unit
            - Input Control and International Transportation Price Calculation Unit
            - International Transportation Claiming Unit
            - Input Control and Domestic Transportation Price Calculation Unit
            - International Transportation Accounting Unit
            - Transportation Accounting and Clearing Unit

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