ANNUAL REPORT 2019

Železničná spoločnosť Cargo Slovakia, a. s.

ZSSK CARGO

CONTENTS

FOREWORD BY THE VICE-CHAIRMAN OF THE BOARD OF DIRECTORS

After a relatively good start to the year 2019, the situation on the transport market worsened significantly at the beginning of May. Demand for the transport of raw materials and products for the Košice steel plant was the first to fall, and subsequently this trend continued with other customers in the sector.

ZSSK CARGO ended the financial year 2019 with the total volume of transported goods just below 30 million tonnes, which is more than 4.5 million tonnes below the expectations of the business plan. A revenue decline exceeding EUR 33 million was almost entirely caused by the recession in the steel industry. Despite such a significant decline in revenues, the company reported a loss of EUR 1.8 million due to operation of some handling trains in more intense mode which lead to increase in service cost for the obsolete infrastructure.

I personally consider this result successful, given the number of external influences and limitations. The operational measures adopted in the summer of 2019 as well as greater external sales of the Rolling Stock Services Division also significantly contributed to its achievement. In addition, the management has set goals to minimise the transportation costs and increase process efficiency. Thanks to intensive negotiations with suppliers, there was, for example, a decrease in total wagon rental and operation costs, costs of use of the railway transport infrastructure and in prices of traction electricity and diesel.

The crisis in metallurgy industry not only cut the company's revenues, but also significantly reduced the possibilities of providing services related to the implementation of transport policies of the state and of the European Commission. In order to reduce the deficit, the management intensified close monitoring of the transport economy, broken down into level of individual trains, customers and commodities. Based on the analyses, we make changes to technologies and frequency of service or enter into negotiations with individual customers about the transport conditions.

In the future, of course, we will only be interested in profitable contracts or contracts of strategic importance for our major customers. A strong emphasis on efficiency and profitability and diversification are a clear response to the crisis in metallurgy and market liberalisation and restructuring.

As more than two thirds of our shipments are associated with metallurgy, we are very sensitive to any decline in this sector. I believe that gradual penetration into foreign markets in Poland, the Czech Republic and Hungary, as well as cooperation with partners, for example, in Croatia, will allow us to partially reduce our dependence on this segment in the future, as we transport not only raw materials for the steel works but also timber, cars and other goods abroad.

Development in recent years shows a change in flows of raw materials for the metallurgical industry, which long seemed to be constant. Year 2018 was exceptional because in spite of growing needs of the industry, volume of raw materials transported went down.

Capacity problems of the Ukrainian Railways, from where ZSSK CARGO transported supplies of goods to Slovakia, the Czech Republic, Austria and Hungary were the reason for such decline. Customers in cooperation with our company immediately looked for new routes or new sources of supply. The close cooperation between ZSSK CARGO sales and operational experts and all key customers resulted in a reliable and regular transport of raw materials from seaports and on new transport routes in volume of more than 1.5 million tonnes in 2019. Although new solutions did not fully compensate for the losses, they significantly mitigated the impact on continuity of production and confirmed the quality of services we provide.

Successful penetration into foreign markets was made possible by making organisational changes and strengthening cooperation with strategic partners. One example is a cooperation with carrier Inter Cargo in Poland or deployment of Vectron multi-system locomotives or locomotives of series 131 and 363 in international transport. Thanks to the new locomotives, we have now signed new transport contracts in Slovakia and nine European countries.

The above-mentioned efficiency will not be possible without even more intensive introduction and use of new technologies and digitisation. Over the last two years, for example, we have made significant progress in use of IT systems and big data. Measuring consumption of traction media has enabled us to purchase traction energy more efficiently and deploy the individual series of locomotives and dispatch trains in a better way. At the end of last year, we completed a process of introducing an electronic consignment note, and today communication with customers is mostly held in digital form. In the future, I expect 100 percent digitalisation of data exchange with business partners or the state. Progress has also been made in monitoring of freight wagons via GPS devices. We not only monitor the position of wagons, but also obtain information for maintenance and repair planning, operations or for asserting claims against third parties in an event of damaged wagons.

At the time of Annual Report closing, the recession is not only continuing, but even exacerbated by COVID-19 pandemic. The situation in rail freight sector remains serious and without any fundamental prospects for improvement in the near future. Therefore, it is more than necessary to take measures to ensure viability of the company in an event of continuing recession and a longer or shorter coronary crisis. Its economic impacts will be affected mainly by the duration of government measures and length of prolonged shut-down of production enterprises in Slovakia and Europe. I cannot estimate the exact impacts, but it is certain that COVID-19 will have a significant negative effect not only on ZSSK CARGO's economic results, but also on the whole economy.

But all bad things are good for a reason. I believe that we as a company will recover from the crisis wiser, more creative and able to find solutions to the most difficult problems that life will bring to us. I believe that rail freight transport today plays an even more important role in protecting health, the environment and ensuring sustainable economic development. Our task is not only to generate profit, but also to fulfil ecological and transport goals of the Government of the Slovak Republic and the European Commission. I am certain that even in these difficult times, we will succeed in achieving them.

Ing. Miroslav Hopta

Vice-Chairman of the Board of Directors and Director of Operations Division

Železničná spoločnosť Cargo Slovakia, a. s.

LIST OF USED ABBREVIATIONS

AVV	General Contract for Use of Wagons (Allgemeiner Vertrag für die Verwendung von Güterwagen)
BTS	BULK TRANSSHIPMENT SLOVAKIA, a. s.
CEF	Connecting Europe Facility
ČD CARGO	České dráhy Cargo (Czech rail freight operator)
DB Cargo	Deutsche Bahn Cargo (German rail freight operator)
ECM	Entity in Charge of Maintenance
EIR	Effective Interest Rate
EU	European Union
EVO	Vojany Power Station (Elektrárne Vojany)
GPS	Global Positioning System
HR	Human Resources
IAS	International Accounting Standards
IASB	International Accounting Standards Board
ICT	Information and Communication Technologies
IFRIC	International Financial Reporting Interpretations Committee
IFRS	International Financial Reporting Standards
ISA	International Standards on Auditing
ISO	International Organization for Standardization
IT	Information Technologies
JLR	Jaguar Land Rover
MPU	Motive Power Unit
MTC	Ministry of Transport and Construction
PGV	Regulation on Use of Wagons in International Rail Transport of Goods

RIV	Agreement Governing the Exchange and Use of Wagons between Railway Undertakings (Regolamento Internazionale Veicoli)
SKAU	Slovak Chamber of Auditors (Slovenská komora audítorov)
SR	Slovak Republic
STN	Slovak Technical Standard (Slovenská technická norma)
TAF TSI	Technical Specification for Interoperability – Telematic Applications for Freight
UDVA	Auditing Oversight Authority (Úrad pre dohľad nad výkonom auditu)
VAT	Value Added Tax
ZSSK	Železničná spoločnosť Slovensko, a. s. (Slovak rail passenger operator)
ZSSK CARGO	Železničná spoločnosť Cargo Slovakia, a. s. (Slovak rail freight operator)
ŽS	Železničná spoločnosť, a. s. (Slovak rail passenger and freight operator)
ŽSR	Železnice Slovenskej republiky (Slovak rail infrastructure manager)

MILESTONES

- A year-over-year decrease in volume of transported goods mainly caused by a decline in shipments for the needs of metallurgy industry in the Slovak Republic and surrounding countries, which was partially offset by gaining new transport orders and increasing the existing transport volumes:
  - an increase in shipments from Polish ports,
  - stabilisation of shipments of JLR passenger cars to Belgium for DB Cargo,
  - gaining orders for a transport of KIA passenger cars in an eastward direction to an importer in Ukraine,
  - gaining orders for a transport of PSA passenger cars to France for Express Group, with a test train run in November 2019 using Vectron locomotive from ZSSK CARGO fleet as far as the German/French border.
- A surveillance audit successfully conducted by the external company TÜV SÜD Slovakia, s. r. o. for the product “East Slovak Transshipment Yards”.
- Approval of application for a financial contribution towards retrofitting of freight wagons in accordance with the terms of CEF call (retrofitting of 2,050 wagons in the amount of EUR 0.5 million).
- Design and start of the installation of monitoring equipment on a total of 5,000 freight wagons.
- Adapting the Operations Information System and the Train Dispatching System to the TAF TSI standard, the substance of which is more efficient and reliable communication between infrastructure managers and carriers.
- Introducing an electronic consignment note in domestic transport, including electronic submission and delivery in international transport.
- Introducing time tariff zones for consumption of traction electricity, which helped ZSSK CARGO save more than EUR 0.5 million in 2019.
- In 2019, ZSSK CARGO implemented investment projects aimed at full reconstruction of its track yards, repair channels and access roads at depots and wagon repair workshops to enhance operability of workplaces from the infrastructure point of view and contribute to improve occupational safety. Compared to previous years, this is a several-fold increase in investments going towards the renewal of this type of fixed assets.
- EUR 4.579 million was invested in buildings and structures, which is the historical maximum since the establishment of ZSSK CARGO.

FREIGHT TRANSPORT

In 2019, our company transported almost 29,958 thousand tonnes of goods, with the transport output reaching 6,070 million net tonne-kilometres and the average transport distance being 202.6 km. On a year-over-year basis, we recorded a decrease of 4,428 thousand tonnes and 659 million net tonne-kilometres, the average transport distance rose by 6.9 km.

Compared to 2018, the company achieved the highest increase in the volume transported per commodity in chemical products (+ 82 thousand tonnes), mainly due to exports of fertilisers, and in petroleum products (+ 81 thousand tonnes), driven especially by the east-west transit. The greatest decline was recorded in the commodities of iron ore (-1,858 thousand tonnes) and metals (-1,131 thousand tonnes) as a result of redirecting cheaper Chinese steel to European markets. A few months of closures on the broad-gauge railway line also contributed to this decline.

Trend of increasing imports of overseas coal and iron ore through the Adriatic ports, but especially the Baltic ones, continued. Logistics of these shipments was ensured along the whole route by ZSSK CARGO, which placed high demands on the utilization of wagons, locomotives and operating staff.

Freight transport by commodities

In thousands of tonnes	2019	2018	2017	2016	2015	2019/2018
Iron ore	10,263	12,121	12,533	12,764	12,497	0.85
Coal	4,326	5,123	4,717	4,674	4,279	0.84
Metals	3,649	4,780	5,204	5,377	4,906	0.76
Building material	2,980	3,514	3,621	3,041	3,306	0.85
Petroleum products	2,388	2,307	2,691	2,696	2,073	1.04
Timber	2,246	2,434	2,415	2,371	2,312	0.92
Chemical products	1,971	1,889	2,201	2,177	2,563	1.04
Intermodal transport	1,044	1,175	1,181	1,434	1,606	0.89
Non-specified	794	773	820	872	936	1.03
Foodstuffs	297	270	282	231	250	1.10
Total	**29,958**	**34,386**	**35,665**	**35,637**	**34,728**	**0.87**

Freight transport by transport modes

Domestic	2019	2018	2017	2016	2015	2019/2018
Transported goods (in thous. of tonnes)	3,630	3,958	4,140	4,279	4,302	0.92
Operation performance (in mil. net tkm)	670	722	766	812	820	0.93
Import	**2019**	**2018**	**2017**	**2016**	**2015**	**2019/2018**
Transported goods (in thous. of tonnes)	12,125	14,926	14,675	13,722	13,761	0.81
Operation performance (in mil. net tkm)	1,962	2,334	2,309	2,079	2,031	0.84
Export	**2019**	**2018**	**2017**	**2016**	**2015**	**2019/2018**
Transported goods (in thous. of tonnes)	7,425	8,683	9,481	9,358	8,486	0.86
Operation performance (in mil. net tkm)	1,066	1,345	1,450	1,419	1,276	0.79
Transit	**2019**	**2018**	**2017**	**2016**	**2015**	**2019/2018**
Transported goods (in thous. of tonnes)	6,778	6,819	7,369	8,278	8,179	0.99
Operation performance (in mil. net tkm)	2,372	2,328	2,483	2,762	2,712	1.02
Freight transport in Total	**2019**	**2018**	**2017**	**2016**	**2015**	**2019/2018**
Transported goods (in thous. of tonnes)	29,958	34,386	35,665	35,637	34,728	0.87
Operation performance (in mil. net tkm)	6,070	6,729	7,008	7,072	6,839	0.90

STRUCTURE OF MPU

Inventory status of ZSSK CARGO MPUs as at 31 December 2019

MPUs	Total	Up to 15 years	Up to 30 years	Over 30 years
Electric locomotives	239	3	7	229
Diesel locomotives	240	55	16	169
Diesel coaches	1	-	-	1
Total	**480**	**58**	**23**	**399**

FREIGHT WAGONS

Age structure of ZSSK CARGO freight wagon fleet

	Total	0-5 years	6-10 years	11-15 years	16-20 years	21-25 years	26-30 years	Over 30 years
Covered wagons	172	-	-	150	1	2	-	19
Open wagons	164	-	-	156	-	-	-	8
Flat wagons	1,294	-	459	307	312	196	-	20
Other freight wagons	1	-	-	-	-	-	-	1
Freight wagons - total	**1,631**	**-**	**459**	**613**	**313**	**198**	**-**	**48**

Besides above-mentioned wagons in full ownership, ZSSK CARGO rented 200 wagons through the financial leasing and other wagons in the form of the operating lease, in particular from Cargo Wagon, a. s. which is a joint venture of ZSSK CARGO.

Structure of ZSSK CARGO freight wagons fleet

Year	2019	2018	2017	2016	2015
Covered wagons	172	171	126	204	206
Open wagons	164	166	89	71	73
Flat wagons	1,294	1,295	1,115	1,075	727
Other freight wagons	1	1	4	11	11
Freight wagons - total	**1,631**	**1,633**	**1,334**	**1,361**	**1,017**

Leasing

Year	2019	2018	2017	2016	2015
Covered wagons	-	-	150	150	150
Open wagons	200	200	300	356	356
Flat wagons	-	-	200	247	598
Other freight wagons	-	-	-	-	-
Freight wagons - total	**200**	**200**	**650**	**753**	**1 104**

Age structure of ZSSK CARGO freight wagons fleet according to wagons series

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	164	-	-	156	-	-	-	8
G - ordinary covered wagon	4	-	-	-	-	-	-	4
H - special covered wagon	155	-	-	150	1	2	-	2
K - ordinary flat wagon	4	-	-	-	-	-	-	4
L - special flat wagon	202	-	200	2	-	-	-	-
R - ordinary flat bogie wagon	312	-		14	283	-	-	15
S - special flat bogie wagon	776	-	259	291	29	196	-	1
T - wagon with opening roof	13	-	-	-	-	-	-	13
Z - tank wagon	1	-	-	-	-	-	-	1
Total	**1,631**	**-**	**459**	**613**	**313**	**198**	**-**	**48**

CAPITAL INVESTMENTS OF ZSSK CARGO

(Accounting balance as at 31 December 2019 in EUR)

Company	Number of shares (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.	435,904	paper	40	6,660,337.54
Cargo Wagon, a. s.	101	paper	34	3,402,500.00
ZSSK CARGO Intermodal, a. s.	25	paper	100	27,500.00
				10,100,922.59

INTEGRATED MANAGEMENT SYSTEM

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

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

In the 4th quarter of 2019, an independent certification company TÜV SÜD Slovakia reviewed functionality of the integrated management system and confirmed that the management system certificates were rightfully awarded pursuant to ISO 9001 and ISO 45001 standards.

In 2019, we successfully implemented the requirements of ISO 45001 standard in the company and obtained a certificate in accordance with this standard.

We hold following certificates:

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

- 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.

according to STN ISO 45001:2019:

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

HUMAN RESOURCES

The company employed 5,513 employees as of 31 December 2018. Within external mobility, 243 employees from available resources on the labour market were hired while employment contracts were terminated with 387 employees. Owing to mobility and employment optimisation, the headcount recorded by the company as at 31 December 2019 was 5,371 employees.

This represents a reduction of 142 employees (-2.6%) compared to 2018.

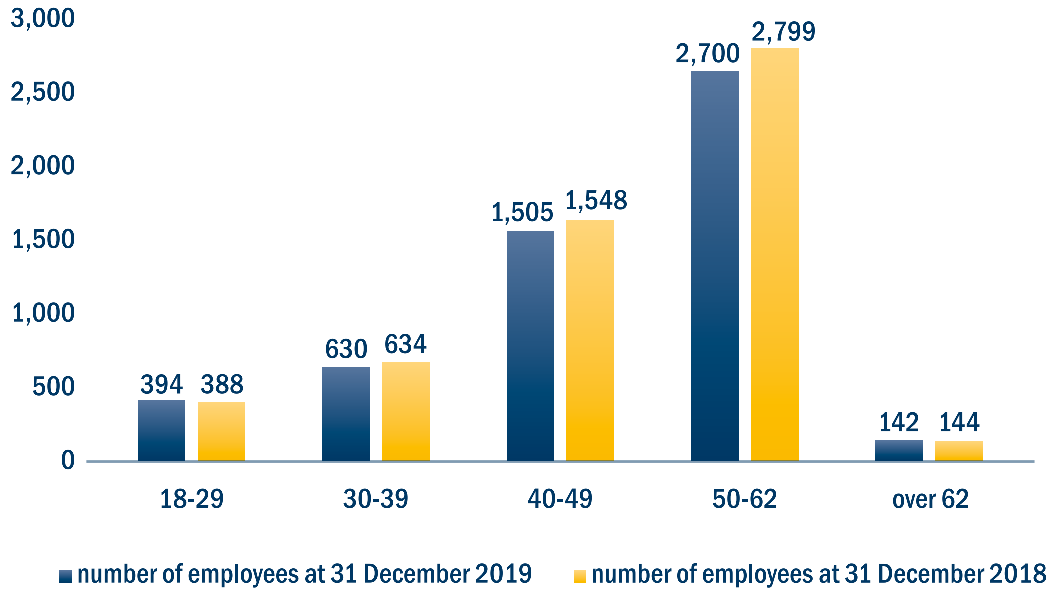
Structure of the employees according to the sex as at 31 December 2019

Men	4,056	75.52 %
Women	1,315	24.48 %
Total	**5,371**	**100.00 %**

Structure of the employees according to the type of work as at 31 December 2019

Administrative employees	713	13.27 %
Technical-economic employees in operation and workers	4,658	86.73 %
Total	**5,371**	**100.00 %**

Age structure of the employees

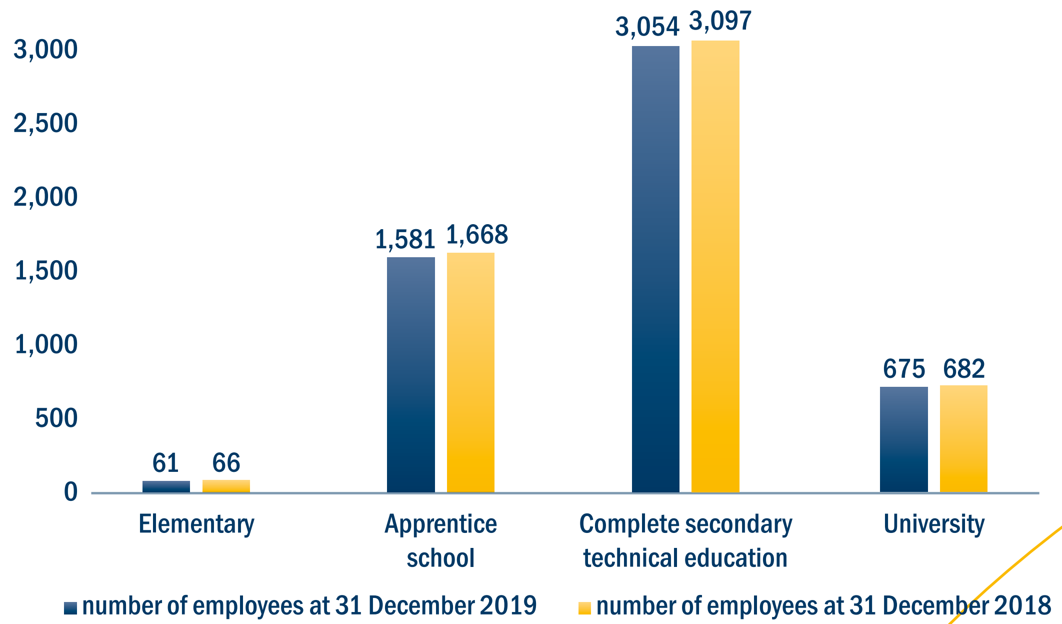


Decrease in the number of employees affected the structure of employees in terms of age and education:

- **with respect to the employees structure according to their age**, the largest decrease in number of employees was found in the age category 50 – 62 years (- 99 employees) where the highest number of employees (2,700 employees) is recorded.

  The average age of employees as of 31 December 2019 was **47.84 years.**

Education structure of the employees



- **with respect to the employee structure according to education,** the largest decrease in number of employees was in the category employees with apprentice school (-87 employees). The largest number of employees (3,054 employees) is registered in the category Complete secondary technical education.

REMUNERATION

The average wage in 2019 was EUR 1,066 which represents a 4.6 % increase compared to 2018.

The company took a specific approach to the remuneration for key professions (in particular MPU drivers, conductors of freight trains, coach foremen, wagon masters and repair professions) in order to stabilise their headcount.

In accordance with the company's collective agreement and the rules for using the social fund, various benefits were provided beyond scope of the Labour Code.

The company had a collective agreement with 11 trade unions.

EDUCATION

As part of the HR development in area of education in the company, boarding courses for MPU drivers for driving freight trains and a course for wagon masters aimed at attaining professional competence required under the Railways Act were also held in 2019.

RISKS

- High dependence on the metallurgical industry.
- Continuously growing competition between road and rail carriers, with the freight market becoming saturated.
- High fixed costs, which ZSSK CARGO cannot immediately reduce in an event of decreased transport volumes, and their growing share in the overall cost structure.
- The risk of personnel costs being increased by changes in current legislation (significant increase of minimum wage, an increase in extra pay for work at night and during weekends, introduction of recreational vouchers and other benefits).
- The risk of cost increases due to higher traction energy prices.
- The risk of increase in costs for materials due to a significant increase in prices of spare parts, while there is a risk of them gradually becoming unavailability for obsolete locomotives.

EXPECTED FUTURE DEVELOPMENT

Due to a decline in the metallurgical industry and related industries during 2019, ZSSK CARGO does not expect an increase in transport volumes, while anticipating tougher competition in the Slovak Republic. To cover declines in the domestic market, the company will focus actively on increasing international transport volumes in connection with the use of new multi-system locomotives and the provision of transport services along entire transport route. During 2020-2021, the company will focus intensively on the implementation of measures to increase labour productivity, enhance the efficiency of internal processes and utilisation of capacities. After the successful completion of internal processes, ZSSK CARGO plans to continue modernising strategic series of locomotives, implementing projects aimed at reducing the operating costs, improving the working environment and safety at workplaces. As to motor traction, it plans to renew the locomotives used for shunting operations at depots and wagon repair workshops and to re-motorise the locomotives used for carriage in order to reduce energy intensity and increase operational reliability.

PARTICULAR INFORMATION FOR THE YEAR 2019

In 2019, the process of significant renewal and development of assets was not started, which was primarily caused by a slowdown in production faced by the company's major customers and lower generation of funds for future modernisation. Despite the unfavourable situation, the company managed to implement approximately 85% of the investment plan for 2019 without increasing the amount of the debt on a year-over-year basis. Large investment projects reflecting a medium-term investment plan are expected to be realised in the future after the implementation of internal measures aimed at significantly increasing labour productivity and efficiency in usage of available assets.

In 2019, 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 at 31 December 2019 that would significantly affect the fair presentation of facts disclosed in the attached financial statements. In January 2020, the company received dividends in the amount of EUR 800 thousand from associated company BULK TRANSSHIPMENT SLOVAKIA, a. s. Based on the decision of the sole shareholder of the company, Ing. Martin Vozár, MBA, was removed from the office of Chairman of the Board of Directors on 23 April 2020. Appointed as the Chairman of the Board of Directors was Ing. Roman Gono.

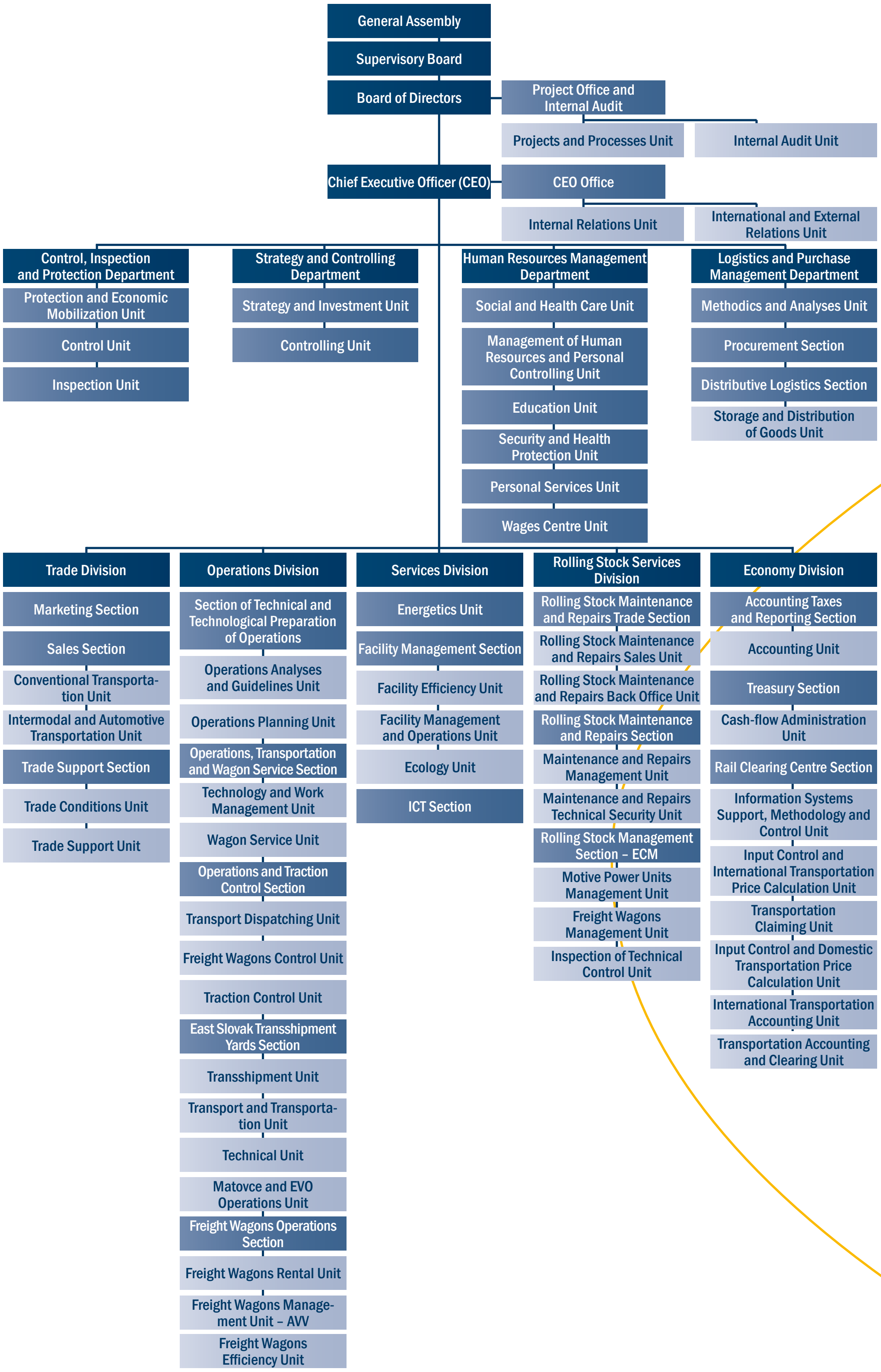
It will be proposed to the statutory body that a recognised accounting loss of EUR 1,820 thousand for 2019 should be reclassified to accumulated losses from previous years.

SELECTED ECONOMIC INDICATORS

(ACCORDING TO THE DATA OF CONSOLIDATED FINANCIAL STATEMENTS)

In thousands of EUR	2019	2018
Total assets	524,098	343,436
Long-term tangible property	211,970	234,585
Equity	129,819	128,153
Loans (short-term + long-term)	95,843	88,621
Revenues	283,113	289,390
Costs	(282,994)	(288,633)
Profit/(loss) from financial operations	(1,834)	(560)
Share of the profit of the joint venture and associated company	3,388	2,430
Income tax	(106)	(76)
Profit (Loss) for the period	**1,567**	**2,551**
Other comprehensive income for the period	99	76
Total comprehensive income for the period	**1,666**	**2,627**

ORGANIZATION STRUCTURE AS AT 31 DECEMBER 2019



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 2019

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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 2019, 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 2019, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by EU ("IFRS EU").

Basis for Opinion

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

Emphasis of Matter

We draw attention to Note 22 to the financial statements, the Company recorded provisions of EUR 19,759 thousand as at 31 December 2019 and EUR 21,610 thousand as at 31 December 2018 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.

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

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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

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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 2019 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.

28 April 2020
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 2019

In thousands of EUR	Note	31 December 2019	31 December 2018
Revenues			
Transportation and related revenues	3	266,950	274,847
Other revenues	4	16,163	14,543
		283,113	**289,390**
Costs and expenses			
Consumables and services	5	(115,322)	(164,650)
Staff costs	6	(96,496)	(94,099)
Depreciation, amortisation and impairment of property, plant and equipment	12, 13	(74,373)	(34,983)
Other operating revenues (expenses), net	7	3,198	5,099
		(282,993)	**(288,633)**
Finance costs			
Interest expense	8	(4,776)	(1,499)
Other finance revenues (costs), net	9	2,942	939
		(1,834)	**(560)**
Income tax	11	(106)	(76)
Profit (Loss) for the period		**(1,820)**	**121**
Other comprehensive income for the period		-	-
Total comprehensive income for the period		**(1,820)**	**121**

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

Approved by Ing. Roman Gono and Ing. Ľubomír Kuťka on behalf of the Board of Directors on 28 April 2020.

Statement of financial position as at 31 December 2019

In thousands of EUR	Note	31 December 2019	31 December 2018
ASSETS			
Non-current assets			
Property, plant and equipment	13	211,970	234,585
Intangible assets	12	10,950	10,562
Right-of-use assets	14	202,929	-
Group loans	17, 25	12,733	12,125
Investment in joint ventures and associates	15	10,073	6,624
Investment in subsidiaries	15	28	28
Other non-current assets	10	549	526
		449,232	**264,450**
Current assets			
Inventories	16	7,869	7,198
Trade and other receivables	17	49,601	58,210
Cash and cash equivalents	18	365	33
		57,835	**65,441**
TOTAL ASSETS		**507,067**	**329,891**
EQUITY AND LIABILITIES			
Shareholder's equity			
Share capital	19	401,646	401,646
Legal reserve fund	19	73	61
Other funds	19	1,228	1,228
Accumulated losses	19	(290,159)	(288,327)
Total equity		**112,788**	**114,608**
Non-current liabilities			
Interest-bearing loans and borrowings	20	19,924	14,420
Employee benefits	21	13,273	13,895
Provisions	22	36,276	39,096
Trade and other payables	23	-	13
Lease liabilities (2018: Finance lease liabilities)	24	145,167	2,443
Other non-current liabilities	23	68	71
		214,708	**69,938**
Current liabilities			
Interest-bearing loans and borrowings	20	75,919	74,201
Employee benefits	21	1,297	1,053
Provisions	22	2,520	2,166
Trade and other payables	23	51,915	66,234
Lease liabilities (2018: Finance lease liabilities)	24	47,920	1,691
		179,571	**145,345**
Total liabilities		**394,279**	**215,283**
TOTAL		**507,067**	**329,891**

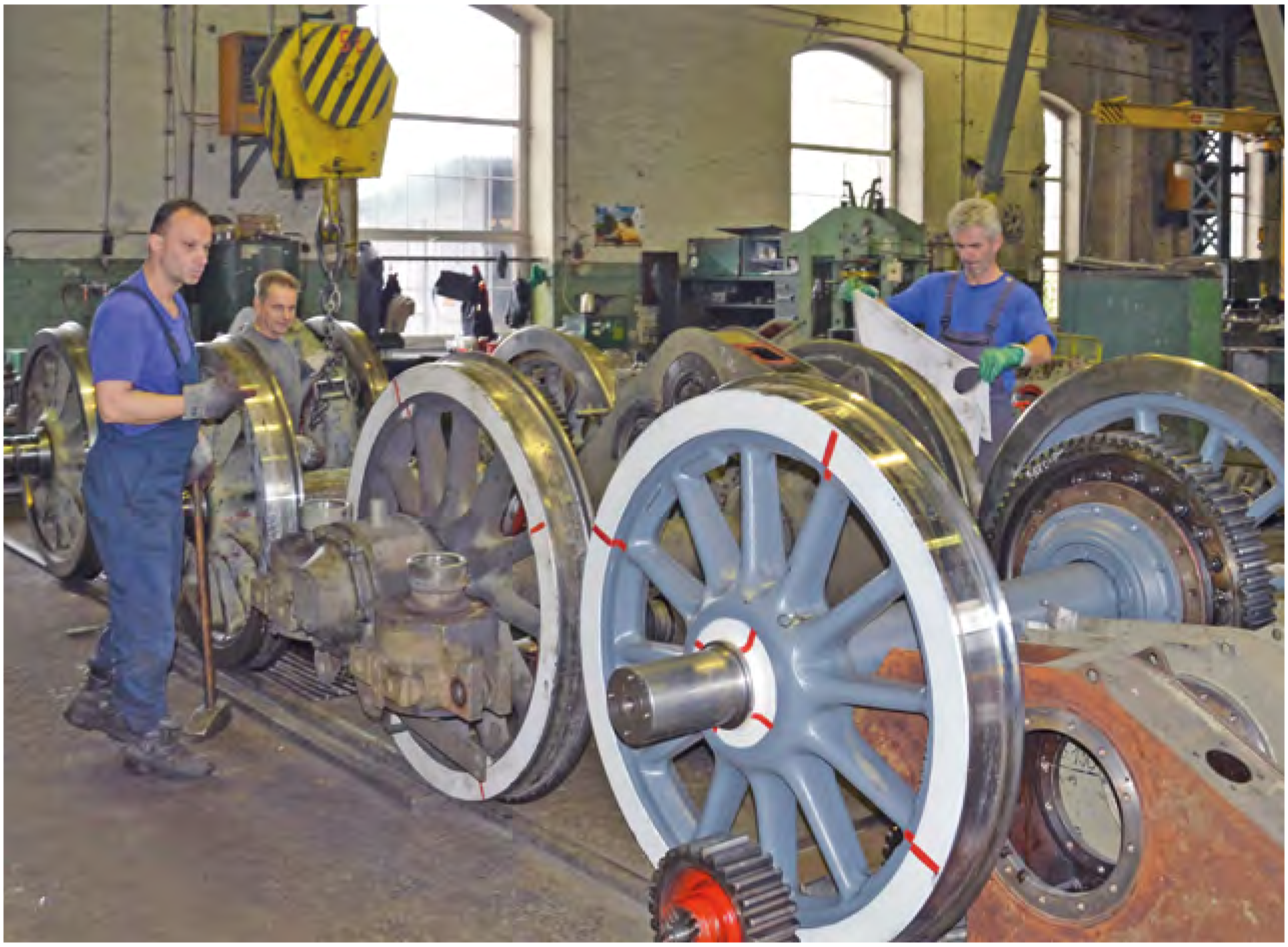
The accounting policies and notes form an integral part of the financial statements.

Approved by Ing. Roman Gono and Ing. Ľubomír Kuťka on behalf of the Board of Directors on 28 April 2020.

Statement of changes in equity as at 31 December 2019

In thousands of EUR	Share capital	Legal reserve fund	Other funds	Accumulated losses	Total
At 1 January 2018	**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**
Profit for the period	-	-	-	(1,820)	(1,820)
Other comprehensive income	-	-	-	-	-
Total comprehensive income	-	-	-	(1,820)	(1,820)
Legal reserve fund	-	12	-	(12)	-
At 31 December 2019	**401,646**	**73**	**1,228**	**(290,159)**	**112,788**

The accounting policies and notes form an integral part of the financial statements.
Approved by Ing. Roman Gono and Ing. Ľubomír Kuťka on behalf of the Board of Directors on 28 April 2020.



Statement of cash flows
for the year ended 31 December 2019

In thousands of EUR	Note	31 December 2019	31 December 2018
Cash flows from operating activities			
Profit / (Loss) before tax		(1,714)	197
Adjustments for:			
Non-cash items			
Depreciation, amortisation and impairment of property, plant and equipment and intangible assets	12, 13	74,373	35,009
Gain on sale of property, plant and equipment		(502)	(325)
Allowance of receivables and inventories	16, 17	(763)	(10)
Interest expense	8	4,776	1,499
Interest income and shares of profits		(609)	(609)
Movements in provisions and employee benefits		(2,845)	(6,050)
Non-cash contribution to share capital in affiliated company	15	(2,379)	(381)
		70,337	**29,330**
Working capital adjustments:			
Decrease (increase) in inventories		675	(739)
Decrease (increase) in trade and other receivables		8,004	(5,936)
Increase (decrease) in trade and other payables		(18,561)	(5,041)
Cash flows from operating activities		**60,455**	**17,614**
Income tax paid	11	(106)	(79)
Net cash flows from operating activities		**60,349**	**17,535**
Cash flows from investing activities:			
Purchase of property, plant and equipment	12, 13	(22,152)	(21,287)
Proceeds from sale of property, plant and equipment		717	415
Net cash flows from investing activities		**(21,435)**	**(20,872)**
Cash flows from financing activities:			
Proceeds from loans and borrowings	20	13,491	47,050
Repayment of loans and borrowings	20	(8,450)	(17,618)
Interest paid		(1,029)	(1,117)
Payments of lease liabilities (2018: Finance lease liabilities)	24	(44,775)	(4,414)
Net cash flows from financing activities		**(40,763)**	**23,901**
Net (decrease) increase in cash and cash equivalents		**(1,849)**	**20,564**
Cash and cash equivalents at 1 January	**18**	**(31,108)**	**(51,672)**
Cash and cash equivalents at 31 December	**18**	**(32,957)**	**(31,108)**

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

Approved by Ing. Roman Gono and Ing. Ľubomír Kuťka on behalf of the Board of Directors on 28 April 2020.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

Information on Reporting entity

Železničná spoločnosť Cargo Slovakia, a. s. ("ZSSK CARGO" or "the Company"), a joint stock company registered in the Slovak Republic, was founded on 1 January 2005 as one of two successor companies to Železničná spoločnosť, a. s. ("ŽS"). ZSSK CARGO was incorporated within the Commercial Register of the 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 at the Commercial Register of the District Court Bratislava I, Záhradnícka 10, 812 44 Bratislava, Slovakia.

2.1 BASIS OF PREPARATION AND MEASUREMENT

These separate financial statements were approved and authorized for issue by the Board of Directors on 28 April 2020. The General Assembly held on 1 July 2019 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 2019 to 31 December 2019.

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 loss of EUR 1,820 thousand for the year and total accumulated loss of EUR 290,159 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 from Antimonopoly authorities, registering transfer of shares and the fulfillment of other conditional clauses the final transaction documents were signed in May 2015– Agreement on transfer of movable assets for consideration and subsequent lease back of means of transport (Agreement on sale of 12,342 railway carriages and lease back of 8,216 railway carriages) and Bank loan agreement between financing banks and Cargo Wagon, a. s. used to finance the purchase of railway carriages. The whole transaction was completed on 10 July 2015, when ZSSK CARGO received a payment for the sale of carriages in amount of EUR 216.6 million (incl. VAT) which was used to decrease the Company´s debt. The Company began to lease a significant part of its freight wagons. The purpose of establishing of the two companies is to decrease the Company's debt as well as gradual achieving of balanced economic results in the mid-term, while at the same time implementing further internal measures to increase productivity and effectivity of internal processes. Regarding ZSSK CARGO Intermodal, a. s. the Company has closed an international tender without selecting a qualified partner in 2015. The Company will support activities of intermodal transportation within ZSSK CARGO and the future of ZSSK CARGO Intermodal, a. s. will be determined in near period.

The successful future rail freight transport consolidation, with an aim of achieving balanced results in the mid-term while continuing to implement internal measures, which should increase the productivity and effectivity of internal processes, considering a decreasing transports and increasing competition, will depend on additional supporting measures and a new regulatory framework for rail freight transporters and fees set for usage of rail infrastructure after year 2019. In 2020, with outlook for 2021-2022, the support for rail freight transport in Slovakia continues in form of reduced network fees.

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

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

Statement of compliance

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

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

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 2019. The following standards, amendments and improvements issued by the IASB and adopted by the EU are effective for the current accounting period:

Initial application of new standards and amendments to existing standards and new interpretations applicable to the current period

The following standards and amendments to existing standards and new interpretations issued by the International Accounting Standards Board (IASB) and endorsed by the EU are applicable for the current accounting period:

- IFRS 16 "Leases" - adopted by the EU on 31 October 2017 (effective for annual periods beginning on 1 January 2019 or later),
- Amendments to IFRS 9 "Financial Instruments" - Negative Prepayment - Adopted by the EU on 22 March 2018 (effective for annual periods beginning on 1 January 2019 or later),
- Amendments to IAS 19 "Employee Benefits" - Modifying, curtailing or settling a plan (effective for annual periods beginning on 1 January 2019 or later),
- Amendments to IAS 28 "Investments in Associates and Joint Ventures" - Long-term Participation in Associates and Joint Ventures (effective for annual periods beginning on 1 January 2019 or later),
- Amendments to various standards due to the "IFRS Quality Improvement Project (2015-2017 cycle)" resulting from the annual IFRS Quality Improvement Project (IFRS 3, IFRS 11, IAS 12 and IAS 23), which

primarily aim to eliminate discrepancies and clarify the text (effective for annual periods beginning on 1 January 2019 or later),

- IFRIC 23 "Uncertainty in the Income Tax Assessment" (effective for annual periods beginning on 1 January 2019 or later).

Standards and amendments to existing standards and interpretations issued by the IASB and endorsed by the EU that have not yet entered into effect

At the date of approval of these financial statements, the following new standards and amendments to existing standards and interpretations issued by the IASB and approved by the EU that have not yet entered into force have been issued:

- Amendments to IAS 1 "Presentation of Financial Statements" and IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors" - Definition of term "Significant" - adopted by the EU on 29 November 2019 (effective for annual periods beginning on 1 January 2020 or later),
- Amendments to References to the IFRS Conceptual Framework - adopted by the EU on 29 November 2019 (effective for annual periods beginning on 1 January 2020 or later),
- Amendments to IFRS 9 "Financial Instruments", IAS 39 "Financial Instruments: Recognition and Measurement" and IFRS 7 "Financial Instruments: Disclosures" - Reference interest rate reform - adopted by the EU on 15 January 2020 (effective for annual periods beginning on 1 January 2020 or later).

New standards and amendments to existing standards issued by the IASB that have not yet been endorsed by the EU

At present, IFRS as adopted by the EU does not differ materially from those adopted by the International Accounting Standards Board (IASB) except for the following new standards, amendments to existing standards and new interpretations that have not been approved for use in the EU at the reporting date (effective dates above apply to IFRS in full):

- IFRS 14 "Regulatory Accruals Accounts" (effective for annual periods beginning on 1 January 2016 or later) - the European Commission has decided not to begin the process of adopting this provisional standard and waits for its final version,
- IFRS 17 "Insurance Contracts" (effective for annual periods beginning on 1 January 2021 or later),
- Amendments to IFRS 3 "Business Combinations" - Business definition (applies to business combinations that are acquired on the first or any subsequent day of the first reporting period beginning on 1 January 2020 or later and the acquisition of assets that occurred on the beginning of this period or later),
- Amendments to IFRS 10 "Consolidated Financial Statements" and IAS 28 "Investments in Associates and Joint Ventures" - Sale or deposit of assets between an investor and its associate or joint venture and other amendments (effective date has been deferred until the project of equity method research is terminated).

The Company has decided not to apply these new standards and amendments to existing standards and new interpretations before their effective dates. The Company expects that the adoption of these new standards, amendments to existing standards and new interpretations will not have a material impact on the financial statements in the period of initial application.

If not stated otherwise, the Company does not expect significant influence of abovementioned new standards, their amendments and interpretations on separate financial statements.

IFRS 16 'Leases' became effective as of 1 January 2019. Due to the fact that the Company is extensively using right-of-use assets in form of a lease, the implementation of new IFRS standard has a significant impact on financial statements (statement of comprehensive income, statement of financial position, statement of changes in equity and cash flow statement) of the Company.

Main leased classes of assets are comprised of leased railway freight carriages, locomotives (MPU), buildings and other assets (transport and utility vehicles).

The Company has been applying the Standard from 1 January 2019 using the Modified Retrospective Approach method and did not restate prior periods.

In the statement of financial position, contracts disclosed as operating leases in prior periods are reclassed as liabilities from leases, which are recorded as present values of future remaining leasing installments, discounted by loan interest rate and a corresponding right-of-use assets. These identified assets are recorded in amounts of corresponding liabilities, which are adjusted for any installments accrued prior to first application of the standard.

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	**211,288**
Of which:	
Wagons	190,461
Locomotives	13,053
Buildings	6,761
Other	1,013

In thousands of EUR	1 January 2019
LIABILITIES	
Non-current and current liabilities	
Lease liabilities	**198,344**
Of which:	
Wagons	178,990
Locomotives	11,600
Buildings	6,761
Other	993

The following table shows the reconciliation of lease liabilities as of 1 January 2019 with operating lease liabilities as at 31 December 2018:

In thousands of EUR	1 January 2019
Operating lease liabilities as at 31 December 2018	226,208
Impact of discounted incremental interest rate as at 1 January 2019	(30,702)
Discounted operating lease liabilities as at 1 January 2019	195,506
Minus:	
Liabilities related to short-term leases	1,267
Liabilities related to the lease of low values assets	29
Plus:	
Liabilities related to leases previously classified as finance leases	4,134
Lease payments relating to the renewal of contracts not included in operating lease liabilities as at 31 December 2018	-
Lease liabilities as at 1 January 2019	**198,344**

In valuing lease liabilities that were previously classified as operating leases, the Company used an incremental interest rate as at 1 January 2019 for discounting. The weighted interest rate used was 1.79%.

The effect of applying IFRS 16 to the statement of comprehensive income for 2019 is as follows:

In thousands of EUR	31 December 2019	31 December 2018
Expenses		
Consumables and services	(47,023)	-
Depreciation, amortization and impairment of tangible assets	44,241	-
Interest costs	3,418	-
Impact of the application of IFRS 16 on the achieved result for the accounting period (increase in loss)	**636**	**-**
Profit (loss) for the accounting period if the reporting of leases in accordance with IFRS 16 had not been applied	**(1,184)**	**121**

The same effect in the amount of EUR 636 thousand was achieved by implementing the IFRS 16 standard also on the statement of changes in equity as at 31 December 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 useful lives and residual values of property, plant and equipment

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Functional and presentation currency

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

Foreign currency transactions are translated into EUR using the reference foreign exchange rate pertaining in the day preceding the transaction, as determined and published by the European Central Bank or the National Bank of Slovakia. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the balance sheet date. All differences are 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 venture, associate and subsidiary

Securities and interests in joint venture, associate 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 venture, associate and subsidiary 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.

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.

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Financial assets measured at fair value through profit or loss

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

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

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

Impairment of financial assets

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

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

For all financial assets other than trade receivables and lease receivables, the Company applies the general approach under IFRS 9, based on the assessment of a significant increase in credit risk since initial recognition. Under such approach, loss allowance on financial assets is 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 2019 and 2018, 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 2019 and 2018, 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 at inception date. An arrangement is considered to contain a lease if the contract conveys the right to control the use of an identified asset for a period in exchange for consideration.

This applies when the Company has both of the following:

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

Company as a lessee

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

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

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

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

Company as a lessor

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

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

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

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

Revenue recognition

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

Revenue from transport and related services and from repair and maintenance and other such services is 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 2019	31 December 2018
Inland transport:		
Transport of goods	28,555	30,509
Wagon deposition	10,761	9,133
Haulage fees	1,047	1,093
	40,363	**40,735**
International transport:		
Import	102,285	102,568
Export	88,471	97,513
Transit	12,561	12,420
	203,317	**212,501**
Other transport related revenues:		
Usage of wagons under RIV, PGV and AVV regimes	9,796	11,736
Wagon rentals	7,288	4,307
Cross-border services	2,966	2,999
Other	3,220	2,569
	23,270	**21,611**
	266,950	**274,847**

4. OTHER REVENUES

In thousands of EUR	31 December 2019	31 December 2018
Repairs and maintenance	6,802	6,569
Operational performance	1,807	2,065
Asset rentals	5,121	3,332
Other	2,433	2,577
	16,163	**14,543**

5. CONSUMABLES AND SERVICES

In thousands of EUR	31 December 2019	31 December 2018
Traction electricity	(26,449)	(27,263)
Foreign segments	(20,512)	(15,337)
Network fees	(13,157)	(22,030)
Traction crude oil	(9,823)	(10,890)
Third party transhipment services	(9,122)	(7,836)
Materials	(7,544)	(8,637)
IT services and telecommunication charges	(6,095)	(6,353)
Repair and maintenance	(4,774)	(6,091)
Cross-border services	(4,357)	(3,461)
Other energy costs	(3,125)	(3,625)
Rentals	(2,117)	(3,568)
Security services	(1,352)	(1,369)
Travelling and entertainment	(1,290)	(1,306)
Wagon rentals	(1,257)	(42,306)
Cleaning of cars, property, waste disposal	(836)	(709)
Advisory and consultancy fees	(683)	(1,299)
Training	(371)	(361)
Medical care	(307)	(312)
Other	(2,151)	(1,897)
	(115,322)	**(164,650)**

Consumables and services include amounts charged by ŽSR of EUR 45,006 thousand (2018: EUR 54,887 thousand), primarily relating to the usage of ŽSR's network (the Company has a one-year contract with ŽSR which specifies planned kilometres and charge rates for different types of transport) and to the purchase of traction energy (refer to Note 25).

A significant year-over-year decrease is related to the application of the IFRS 16 standard, when the costs of renting property (buildings, locomotives, wagons) in the total amount of EUR 47,023 thousand were excluded from services.

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6. STAFF COSTS

In thousands of EUR	31 December 2019	31 December 2018
Wages and salaries	(66,534)	(65,507)
Social security costs	(27,723)	(27,597)
Employee benefits (Note 21)	(681)	731
Termination payments (Note 22)	(1,558)	(1,726)
	(96,496)	**(94,099)**

Number of employees at 31 December 2019 was 5,371 (2018: 5,513), thereof seven were members of management (as members of the Board of Directors or directors of individual departments). Average number of employees as at 31 December 2019 was 5,445 (2018: 5,549).

The average salary in 2019 amounted to EUR 1,066 (2018: EUR 1,019).

7. OTHER OPERATING REVENUES (EXPENSES), NET

In thousands of EUR	31 December 2019	31 December 2018
Profit on sale of property, plant, equipment and inventories	1,268	1,400
Release (creation) of provision for legal cases and other provisions (Note 22)	998	4,233
Release (creation) of provision for environmental matters (Note 22)	1,665	-
Release (creation) of allowance for doubtful debts	(593)	151
Insurance of assets	(931)	(938)
Other	791	253
	3,198	**5,099**

8. INTEREST EXPENSE

In thousands of EUR	31 December 2019	31 December 2018
Interest on loans and borrowings	(914)	(1,000)
Interest charges on lease liabilities	(47)	(120)
Unwinding of discount on provisions and employee benefits	(386)	(367)
Interest expense on the right to use the asset	(3,418)	-
Other	(11)	(12)
	(4,776)	**(1,499)**

9. OTHER FINANCE REVENUES (COSTS), NET

In thousands of EUR	31 December 2019	31 December 2018
Foreign exchange gains (losses), net	(22)	(23)
Other revenues (costs), net	2,964	962
	2,942	**939**

10. OTHER NON-CURRENT ASSETS

In thousands of EUR	31 December 2019	31 December 2018
Advanced payments	480	480
Accrued expenses	69	46
	549	**526**

11. INCOME TAX

The reported income tax represents a withholding tax paid abroad in the amount of EUR 106 thousand (2018: EUR 76 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 2019	31 December 2018
Profit (Loss) before tax	(1,714)	197
Tax charge at statutory tax rate of 21% (2018: 21%)	(360)	41
Tax paid abroad and tax license	(106)	(76)
Forfeit tax loss carry forwards	-	84
Unrecognized deferred tax asset (incl. impact of change in tax rate)	(3,357)	(516)
Non-deductible expenses	3,717	391
Total income tax	**(106)**	**(76)**

Deferred tax assets and liabilities are related to the following (for the year ended 31 December 2019 an income tax rate of 21% applicable in future accounting period was used, for the year ended 31 December 2018: 21%):

In thousands of EUR	31 December 2019	31 December 2018
Deferred tax assets		
Tax loss carried forward	1,270	-
Provision for environmental matters	4,149	4,538
Provision for employee benefits	2,854	2,944
Allowance for trade and other receivables	862	740
Allowance for inventories	105	388
Provision for legal cases	3,542	3,308
Termination payments	455	174
Customer bonuses	336	1,008
Other overdue liabilities (over 3 years)	568	570
Property, plant and equipment and intangible assets	2,188	2,141
Other	2,295	6,185
	18,624	**21,996**
Deferred tax liabilities		
Other	(32)	(47)
	(32)	**(47)**
Valuation allowance	**(18,592)**	**(21,949)**
Net deferred tax assets (liabilities)	**-**	**-**

A valuation allowance of EUR 18,592 thousand (2018: EUR 21,949 thousand) has been recognised for temporary deductible differences due to uncertainty as to the realization of tax benefits in future years. The Company will continue to assess the valuation allowance and, to the extent it is determined that such allowance is no longer required, the tax benefits of the remaining deferred tax assets will be recognised at that time.

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

The company reported a tax loss in the amount of EUR 6,048 thousand in 2019.

12. INTANGIBLE ASSETS

In thousands of EUR	Software	Assets under construction	Total
Acquisition cost			
At 1 January 2019	**36,021**	**342**	**36,363**
Additions	-	2,365	2,365
Transfers	2,547	(2,547)	-
At 31 December 2019	**38,568**	**160**	**38,728**
Accumulated amortization			
At 1 January 2019	**(25,801)**	**-**	**(25,801)**
Charge for the period	(1,977)	-	(1,977)
At 31 December 2019	**(27,778)**	**-**	**(27,778)**
Net book value at 31 December 2019	**10,790**	**160**	**10,950**

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**

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 2019	**69,126**	**468,125**	**10,964**	**548,215**
IFRS 16 transfer as at 1 January 2019	-	(25,381)	-	(25,381)
Additions	-	-	19,658	19,658
Disposals	(1,073)	(8,354)	-	(9,427)
Transfers	6,947	17,604	(24,551)	-
At 31 December 2019	**75,000**	**451,994**	**6,071**	**533,065**
Accumulated depreciation				
At 1 January 2019	**(31,238)**	**(281,858)**	**(534)**	**(313,630)**
IFRS 16 transfer as at 1 January 2019	-	8,303	-	8,303
Additions	(1,598)	(24,083)	-	(25,681)
Disposals	985	7,134	-	8,119
Impairment loss	297	1,497	-	1,794
At 31 December 2019	**(31,554)**	**(289,007)**	**(534)**	**(321,095)**
Net book value at 31 December 2019	**43,446**	**162,987**	**5,537**	**211,970**

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**

Land and buildings consist 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 2019.

The impairment test required by IAS 36 was performed by management of the Company as at 31 December 2019. 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 2020 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 financial statements and was adjusted for factors of time, risk and liquidity.

As a result of the procedures described above, the Company has decreased an impairment loss by EUR 1,794 thousand (2018: increase in impairment loss by EUR 6,302 thousand) due to a higher usage of assets and an increase of cash inflows mainly from a transport revenues' increase in 2019 and expected utilization of assets and expected transported volumes (mainly in diesel traction) in the next period.

Property, plant and equipment in the ownership of the Company with a total acquisition value of EUR 612 thousand (EUR 709 thousand at 31 December 2018) and with a net book value of EUR 383 thousand (EUR 451 thousand at 31 December 2018) 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 EUR 240,104 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 15,795 thousand.

14. RIGHT-OF-USE ASSETS

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

In thousands of EUR	Land and buildings	Wagons	Locomotives	Others	Total
Acquisition cost					
At 1 January 2019	**-**	**-**	**-**	**-**	**-**
Implementation of IFRS 16 as at 1 January 2019	6,761	177,095	9,434	920	194,210
IFRS 16 transfer as at 1 January 2019	-	13,366	3,619	93	17,078
Additions	-	225	39,583	258	40,066
Disposals	(7)	-	-	-	(7)
At 31 December 2019	**6,754**	**190,686**	**52,636**	**1,271**	**251,347**
Accumulated depreciation					
At 1 January 2019	**-**	**(3,073)**	**-**	**-**	**(3,073)**
Additions	(1,033)	(39,853)	(4,997)	(499)	(46,382)
Disposals	-	-	-	-	-
Impairment loss (net)	-	1,037	-	-	1,037
At 31 December 2019	**(1,033)**	**(41,889)**	**(4,997)**	**(499)**	**(48,418)**
Net book value at 31 December 2019	**5,721**	**148,797**	**47,639**	**772**	**202,929**

One of the contracts contain an extension option, which grants additional 4 years of lease term, with specified conditions. Lessor does not have such option. Since the Company cannot estimate future use of the option, the extended lease term beyond July 2023 is not included in Right-of-use asset. The option maturity date is 2 years prior to the end of lease period, i.e. July 2021. The Company has estimated that the full usage of option would result in additional liability from lease of EUR 84.67 million.

Other lease contracts, which were recorded as operating lease contracts in prior periods, do not contain lease term extension option.

For all lease contracts, which were recorded as financial leasing contracts in prior periods, the Company plans to utilize options for purchase of underlying assets after the end of lease term.

15. INVESTMENT IN JOINT VENTURE, ASSOCIATE AND SUBSIDIARY

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

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

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

Details of the Company's joint venture, associate and subsidiary at 31 December 2019 are as follows:

Corporate name	Registration country	Ownership	Carrying amount of investment	Equity	Profit/ Loss
Investment in joint venture and associate					
BULK TRANSSHIPMENT SLOVAKIA, a. s.	Slovak Republic	40%	6,660	35,436	2,034
Cargo Wagon, a. s.	Slovak Republic	34%	3,403	37,930	7,571
Total investments			**10,063**		
Investments in subsidiaries					
ZSSK CARGO Intermodal, a. s.	Slovak Republic	100%	27.5	21	(1)

The Company has made a contribution in kind to the associate BULK TRANSSHIPMENT SLOVAKIA, a. s. concerning of fixed assets in the amount of EUR 3,450 thousand. The associate's majority shareholder also contributed in amount, equal to his shareholding part, which did not result in change of shareholding value of any shareholder. The share capital of the associate was increased by EUR 8,625 thousand. Changes in share capital have been recorded in the Commercial Register as at 31 December 2019.

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

Corporate name	Registration country	Ownership	Carrying amount of investment	Equity	Profit/ Loss
Investment in joint venture and associate					
BULK TRANSSHIPMENT SLOVAKIA, a. s.	Slovak Republic	40%	3,210	24,838	683
Cargo Wagon, a. s.	Slovak Republic	34%	3,403	30,067	6,328
Total investments			**6,613**		
Investments in subsidiaries					
ZSSK CARGO Intermodal, a. s.	Slovak Republic	100%	27.5	22	(0.5)

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

In thousands of EUR 2019	Non-current assets	Current assets	Total assets	Equity	Non-current liabilities	Current liabilities	Total liabilities	Revenues	Profit
BULK TRANSSHIPMENT SLOVAKIA, a. s.*	42,638	5,880	**48,518**	35,436	9,605	3,477	**13,082**	14,445	**2,034**
Cargo Wagon, a. s.	140,406	12,646	**153,052**	37,930	88,914	26,208	**115,122**	37,192	**7,571**
Total	**183,044**	**18,526**	**201,570**	**73,366**	**98,519**	**29,685**	**128,204**	**51,637**	**9,605**

In thousands of EUR 2018	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**	30,067	107,834	23,797	**131,631**	35,925	**6,328**
Total	**190,205**	**11,364**	**201,569**	**54,905**	**119,394**	**27,270**	**146,664**	**48,741**	**7,011**

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

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

Subsidiary ZSSK CARGO Intermodal, a. s. has no activity as at 31 December 2019.

16. INVENTORIES

In thousands of EUR	At cost 2019	At lower of cost or net realizable value 2019	At cost 2018	At lower of cost or net realizable value 2018
Machine and metal-working materials	3,589	3,397	4,274	3,585
Electrical materials	2,173	1,873	2,962	1,833
Chemicals and rubber	1,389	1,387	647	630
Diesel fuel	729	729	717	717
Protective tools	237	236	184	181
Other	252	247	260	252
Total	**8,369**	**7,869**	**9,044**	**7,198**

The Company expects to use up stocks amounted to EUR 19,309 thousand (2018: EUR 21,517 thousand) in a period of more than twelve months after the date of creation these financial statements.

17. TRADE AND OTHER RECEIVABLES

In thousands of EUR	31 December 2019	31 December 2018
Domestic trade receivables	35,333	39,745
Foreign trade receivables	12,367	13,397
VAT receivables	2,326	1,884
Other receivables	3,681	6,708
Allowance for impaired trade and other receivables	(4,106)	(3,523)
	49,601	**58,211**

At 31 December 2019 overdue receivables amounted to EUR 5,629 thousand (EUR 4,888 thousand at 31 December 2018).

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

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

The Company reported a long-term group loan in amount of EUR 10,000 thousand 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
2019	**49,601**	48,049	1,552	-	-	-	-
2018	**58,211**	56,563	1,648	-	-	-	-

18. CASH AND CASH EQUIVALENTS

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

In thousands of EUR	31 December 2019	31 December 2018
Cash at banks and on hand and cash equivalents	365	33
Bank overdrafts	(33,322)	(31,141)
	(32,957)	**(31,108)**

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

Bank overdrafts as of 31 December are as follows:

In thousands of EUR	31 December 2019		31 December 2018	
	Overdraft limit	Drawn down	Overdraft limit	Drawn down
ING Bank N.V., pob. zahr. banky	20,000	14,147	20,000	13,650
Citibank Europe plc, pob. zahr. banky	15,000	10,876	15,000	10,125
Slovenská sporiteľňa, a. s.	10,000	6,270	10,000	5,120
Tatra banka, a. s.	20,000	1,304	20,000	871
Všeobecná úverová banka, a. s.	25,000	725	20,000	551
Československá obchodná banka, a. s.	10,000	-	10,000	824
	100,000	**33,322**	**95,000**	**31,141**

19. 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 2018 statutory result was approved by the Company's General Assembly on 1 July 2019 and was booked in the amount of EUR 12 thousand to legal reserve fund and the amount of EUR 109 thousand was booked to accumulated losses.

20. INTEREST-BEARING LOANS AND BORROWINGS

In thousands of EUR	Maturity date	31 December 2019	31 December 2018
Long-term loans			
Secured			
Slovenská sporiteľňa, a. s.	31 December 2024	22,500	14,676
Unsecured			
Československá obchodná banka, a. s.	31 March 2027	3,625	3,332
UniCredit Bank Czech Republic and Slovakia, a. s., pob. zahr. banky	31 March 2021	896	1,494
Total		**27,021**	**19,502**
Short-term portion of loans		**7,097**	**5,082**
Long-term portion of loans		**19,924**	**14,420**

In thousands of EUR	Maturity date	31 December 2019	31 December 2018
Short-term loans			
Secured			
Všeobecná úverová banka, a. s.	31 December 2019	14,500	14,000
Československá obchodná banka, a. s.	30 June 2020	6,500	6,500
ING Bank N.V., pob. zahr. banky	31 July 2019	-	3,478
Unsecured			
Tatra banka, a. s.	31 March 2021	14,500	14,000
Short-term loans		**35,500**	**37,978**
Short-term portion of loans (see above)		**7,097**	**5,082**
Overdrafts (Note 18)		**33,322**	**31,141**
Short-term portion of loans		**75,919**	**74,201**
Total		**95,843**	**88,621**

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 75,518 thousand (EUR 65,446 thousand at 31 December 2018), and with a nominal value of EUR 105,000 thousand (EUR 105,000 thousand as of 31 December 2018) except for 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 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 2019, the Company has no obligation to comply with any financial covenants.

The fair value of interest-bearing loans and borrowings amounts to EUR 95,843 thousand (EUR 88,621 thousand at 31 December 2018).

All interest-bearing loans and borrowings bear floating interest which range from 0.750% p.a. to 1.300% p.a. (0.780% p.a. to 2.700% p.a. in 2018) except for the fixed interest loan from UniCredit Bank Czech Republic and Slovakia, a. s., pob. zahr. banky.

21. EMPLOYEE BENEFITS

In thousands of EUR	Retirement benefits	Jubilee payments	Disability benefits	Total
At 1 January 2019	**12,162**	**2,751**	**35**	**14,948**
Current service cost	440	99	-	539
Interest expense	219	49	1	269
Actuarial gains and losses	(87)	(58)	(4)	(149)
Utilization of benefits	(599)	(323)	(11)	(933)
Past service cost	(148)	36	8	(104)
At 31 December 2019	**11,987**	**2,554**	**29**	**14,570**
Current 31 December 2019	943	346	8	1,297
Non-current 31 December 2019	11,044	2,208	21	13,273
At 31 December 2019	**11,987**	**2,554**	**29**	**14,570**

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**

The principal actuarial assumptions used were as follows:

	2019	2018
Discount rate (% p.a.)	1.09	1.80
Future salary increases (%)	2.50	7.00
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 2019	Discount rate (1.00%)	Average income (1.00%)	Mortality (-10.00%)
Net liability from employee benefits	14,570	(1,174)	415	159

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

22. PROVISIONS

In thousands of EUR	Environmental	Legal	Terminations	Other	Total
At 1 January 2019	**21,610**	**15,750**	**829**	**3,073**	**41,262**
Additions	-	1,351	2,168	-	3,519
Interest costs	-	-	15	-	15
Reversals	(1,665)	(232)	(217)	-	(2,114)
Utilization	(186)	-	(627)	-	(813)
Transfers	-	-	-	(3,073)	(3,073)
At 31 December 2019	**19,759**	**16,869**	**2,168**	**-**	**38,796**
Current 31 December 2019	352	-	2,168	-	2,520
Non-current 31 December 2019	19,407	16,869	-	-	36,276
At 31 December 2019	**19,759**	**16,869**	**2,168**	**-**	**38,796**

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**

Environmental matters

In 2019, 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 19,759 thousand (EUR 21,610 thousand at 31 December 2018) are required to remedy the significant environmental issues relating to water, oil and fuel management identified in the past.

Their exact estimates are not necessarily accurate due to several uncertainties involving continuous development of laws and regulatory requirements in the areas of environment and methods, timing and extent of corrective actions which could have a potentially significant impact on the economic results of the Company in future periods. A discount rate of 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 12,509 thousand.

Other

The provision relates mainly to one long-term contract for leasing wagons which has been partially classified as an onerous contract. The provision has been converted into the right to use the leased asset (Note 14) after application of IFRS 16.

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

In thousands of EUR	31 December 2019	31 December 2018
Domestic trade payables	30,696	43,419
Foreign trade payables	5,093	5,124
Payables due to employees	6,733	7,202
Payables due to social institutions	3,911	4,271
Other payables	5,482	6,231
	51,915	**66,247**

At 31 December 2019 overdue trade payables amounted to EUR 5,102 thousand (EUR 1,354 thousand at 31 December 2018). For details of related party payables, refer to Note 25.

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

In thousands of EUR	31 December 2019	31 December 2018
At 1 January	**71**	**96**
Additions	636	634
Utilization	639	659
At 31 December	**68**	**71**

24. COMMITMENTS AND CONTINGENCIES

Finance lease commitments

At 31 December 2019 the Company has finance lease commitments relating to the acquisition of 200 wagons, 4 powered vehicles and 4 freight road vehicles (200 wagons, 4 powered vehicles and 2 freight road vehicles at 31 December 2018), which were previously reported as finance leases. As at 31 December 2019, the Company has concluded fixed-term contracts that were previously reported as operating leases, mainly relating to the lease of wagons, road motor vehicles and other equipment. Both groups of leases are reported under lease liabilities.

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 2019		31 December 2018	
	Minimum lease payments	Present value of payments	Minimum lease payments	Present value of payments
Within one year	50,429	47,920	1,764	1,691
After one year but not more than five years	131,070	125,518	2,472	2,443
More than five years	20,293	19,649	-	-
Total minimum lease payments	**201,792**	**193,087**	**4,236**	**4,134**
Less: future finance charges	(8,705)	-	(102)	-
Present value of minimum lease payments	**193,087**	**193,087**	**4,134**	**4,134**

As at 31 December 2018, finance lease liabilities were reported under contractual and contingent liabilities. More information on the transfer of operating lease liabilities as at 1 January 2019 is provided in section 2.2 Changes in accounting policies and disclosures.

Investing commitments

The Company's investment expenditure for the period from 1 January 2020 to 31 December 2020 (1 January 2019 to 31 December 2019) is as follows:

In thousands of EUR	31 December 2019	31 December 2018
Land and buildings	1,440	176
Machines, equipment and other assets	2,484	504
Intangible assets	768	2,039
	4,692	**2,719**

Expenditures of EUR 4,692 thousand (EUR 2,719 thousand at 31 December 2018) 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. The Constitutional Court of the Slovak Republic granted the constitutional complaint and annulled the first decision of the Supreme Court of the Slovak Republic. The Supreme Court of the Slovak Republic on 12 June 2019 rejected again (second time) the applicant's appeal.

Council of the Antimonopoly Office of the SR confirmed the first instance decision of the Antimonopoly Office of the Slovak Republic to the Company imposed a fine of EUR 2,991 thousand for abusing a dominant position on the market for the sale and lease of electric locomotives and on the market for refuelling motor locomotives of private railway undertakings in the period from 3 March 2009 to 31 December 2010.

The Company considers the decision of the Board of the Antimonopoly Office of the Slovak Republic to be illegal. The Company defends itself against the decision of the Board of the Antimonopoly Office of the Slovak Republic by filing an administrative lawsuit on 15 January 2020 for several factual and legal reasons.

25. RELATED PARTY DISCLOSURES

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

The following tables provide the total amount of transactions which have been entered into with related parties for the years ended 31 December 2019 and 2018:

In thousands of EUR	31 December 2019			
Related party	Sales to related parties	Purchases from related parties	Amounts owed by related parties	Amounts owed to related parties
ŽSR	1,003	45,006	36	6,115
ZSSK	13,891	10,695	961	431
Slovenský plynárenský priemysel	-	1,076	-	280
Cargo Wagon, a. s. (joint venture)	862	34,528	12,762	3,565
BTS (associate)	951	10,142	134	2,041
Other related parties	616	533	23	19

In thousands of EUR	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 (associate)	934	8,073	110	1,313
Other related parties	903	550	14	36

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 2019 and 2018 are as follows:

Board of Directors:

Ing. Roman Gono, chairman of the board (since 24 April 2020)

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. Martin Vozár, MBA, chairman of the board and CEO (since 7 July 2016 till 23 April 2020)

Supervisory Board:

Ing. Ján Lupták, chairman of the board (since 12 October 2017)

Ing. Ivan Gránsky, member (since 13 July 2016)

Peter Pikna, member (since 1 January 2020)

Jozef Róbert Šmigalla, member (since 1 January 2020)

Ing. Bartolomej Kun, member (since 1 January 2015 till 31 December 2019)

Mgr. Zita Verčíková, member (since 1 January 2015 till 31 December 2019)

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

The Board of Directors' total remuneration approximated EUR 46 thousand (EUR 44 thousand in 2018). The total remuneration of members of the Supervisory Board amounted to EUR 20 thousand (EUR 23 thousand in 2018).

Loans granted

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

26. FINANCIAL RISK MANAGEMENT

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

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

Interest rate risk

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

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

In thousands of EUR	31 December 2019	31 December 2018
EURIBOR (+0.5%)	(418)	(574)
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 2019 and 2018 consist of the following:

In thousands of EUR	31 December 2019	31 December 2018
Long-term loan facilities available	1,500	13,992
Short-term loan facilities available	24,225	27,454
Total loan facilities available	**25,725**	**41,446**

As at 31 December 2019 and at 31 December 2018 the Company did not have any banks guarantee.

The table below summarises the maturity profile of the Company's financial liabilities at 31 December 2019 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	-		-	18,799	1,125	19,924
Trade and other payables	5,102	46,813	-	-	-	51,915
Obligations under leases	-	12,955	34,965	125,518	19,649	193,087
Short-term loans	-	1,924	73,995	-	-	75,919
	5,102	**61,692**	**108,960**	**144,317**	**20,774**	**340,845**

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**

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. (BUDAMAR LOGISTICS, a. s., U. S. Steel Košice, s. r. o. and ŠPED-TRANS Levice, a. s. in 2018), sales to which represent 53 % of transport and related revenues (57 % in 2018), 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 2019 and 31 December 2018.

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.

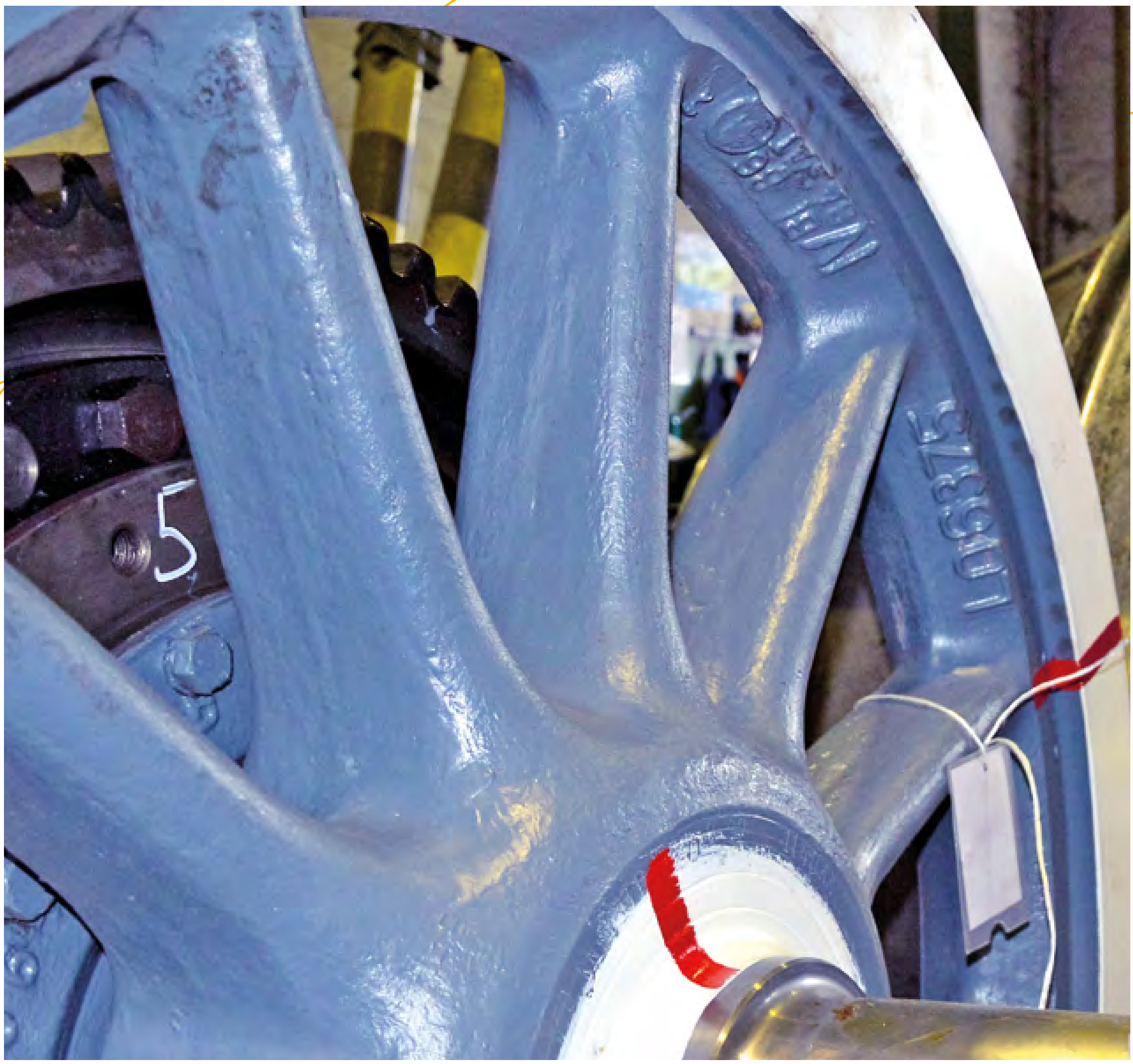
In thousands of EUR	31 December 2019	31 December 2018
Long-term debt, net of current portion (excluding subordinated debt and lease obligations)	19,924	14,420
Short-term debt, including current portion of long-term debt (excluding lease obligations)	75,919	74,201
Debt	**95,843**	**88,621**
Equity	**112,788**	**114,608**
Debt to equity ratio (%)	**85%**	**77%**

27. EVENTS AFTER THE BALANCE SHEET DATE

No events occurred subsequent to 31 December 2019 that might have a material effect on the fair presentation of the matters disclosed in these financial statements except for the following:

- BULK TRANSSHIPMENT SLOVAKIA, a. s. paid dividends to Company in the total amount EUR 800 thousand during January 2020,
- Based on the decision of the Sole shareholder of the Company, Ing. Martin Vozár, MBA was appealed from the position of Chairman of the Board of Directors on 23 April 2020. Ing. Roman Gono has been appointed as the Chairman of the Board of Directors,
- In the first months of 2020, COVID-19 (coronavirus) spread from China to the rest of the world and its negative impact is becoming more and more widespread. At the time of publishing these financial statements, the entity's management did not have a significant negative impact on its activities, but as the situation is constantly changing and evolving, no future consequences can be foreseen. The Company constantly monitors the potential impact and takes all steps to mitigate the negative effects on the Company, its operations and its employees. Any negative impact or losses shall be included by the entity in its 2020 accounts and financial statements.

Approved by Ing. Roman Gono and Ing. Ľubomír Kuťka on behalf of the Board of Directors on 28 April 2020.



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 2019

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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 2019, 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 2019, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by EU ("IFRS EU").

Basis for Opinion

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

Emphasis of Matter

We draw attention to Note 22 to the consolidated financial statements, the Group recorded provisions of EUR 19,759 thousand as at 31 December 2019 and EUR 21,610 thousand as at 31 December 2018 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.

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

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

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

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

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

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

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

THIS IS A TRANSLATION OF THE ORIGINAL SLOVAK REPORT

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 2019 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.

28 April 2020
Bratislava, Slovak Republic

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

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

THIS IS A TRANSLATION OF THE ORIGINAL SLOVAK REPORT

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2019

In thousands of EUR	Note	31 December 2019	31 December 2018
Revenues			
Transportation and related revenues	3	266,950	274,847
Other revenues	4	16,163	14,543
		283,113	**289,390**
Costs and expenses			
Consumables and services	5	(115,323)	(164,650)
Staff costs	6	(96,496)	(94,099)
Depreciation, amortisation and impairment of property, plant and equipment	12, 13	(74,373)	(34,983)
Other operating revenues (expenses), net	7	3,198	5,099
		(282,994)	**(288,633)**
Finance costs			
Interest expense	8	(4,776)	(1,499)
Other finance revenues (costs), net	9	2,942	939
Share of the profit of the joint ventures	15	3,388	2,430
		1,554	**1,870**
Income tax	11	(106)	(76)
Profit (Loss) for the period		**1,567**	**2,551**
Cash flow hedges in joint venture	19	99	76
Items possible to move to profit (loss) total		99	76
Other comprehensive income for the period		**99**	**76**
Total comprehensive income for the period		**1,666**	**2,627**
Profit attributable to:			
Shareholder of the Company		1,666	2,627
Non-controlling interest of other owners of subsidiaries		-	-

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

Approved by Ing. Roman Gono and Ing. Ľubomír Kuťka on behalf of the Board of Directors on 28 April 2020.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION FOR THE YEAR ENDED 31 DECEMBER 2019

In thousands of EUR	Note	31 December 2019	31 December 2018
ASSETS			
Non-current assets			
Property, plant and equipment	13	211,970	234,585
Intangible assets	12	10,950	10,562
Right-of-use assets	14	202,929	-
Group loans	17, 25	12,733	12,125
Investment in joint ventures	15	27,110	20,175
Other non-current assets	10	549	526
		466,241	**277,973**
Current assets			
Inventories	16	7,869	7,198
Trade and other receivables	17	49,601	58,210
Cash and cash equivalents	18	387	55
		57,857	**65,463**
TOTAL ASSETS		**524,098**	**343,436**
EQUITY AND LIABILITIES			
Shareholder's equity			
Share capital	19	401,646	401,646
Legal reserve fund	19	73	61
Other funds	19	1,228	1,228
Accumulated losses	19	(273,128)	(274,782)
TOTAL EQUITY		**129,819**	**128,153**
Non-current liabilities			
Interest-bearing loans and borrowings	20	19,924	14,420
Employee benefits	21	13,273	13,895
Provisions	22	36,276	39,096
Trade and other payables	23	-	13
Lease liabilities (2018: Finance lease liabilities)	24	145,167	2,443
Other non-current liabilities	23	68	71
		214,708	**69,938**
Current liabilities			
Interest-bearing loans and borrowings	20	75,919	74,201
Employee benefits	21	1,297	1,053
Provisions	22	2,520	2,166
Trade and other payables	23	51,915	66,234
Lease liabilities (2018: Finance lease liabilities)	24	47,920	1,691
		179,571	**145,345**
Total liabilities		**394,279**	**215,283**
TOTAL EQUITY AND LIABILITIES		**524,098**	**343,436**

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

Approved by Ing. Roman Gono and Ing. Ľubomír Kuťka on behalf of the Board of Directors on 28 April 2020.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2019

In thousands of EUR	Share capital	Legal reserve fund	Other funds	Accumulated losses	Total
At 1 January 2018	**401,646**	**46**	**1,228**	**(283,235)**	**119,685**
Loss 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**
Profit for the period	-	-	-	1,567	1,567
Other comprehensive income	-	-	-	99	99
Total comprehensive income	-	-	-	1,666	1,666
Legal reserve fund	-	12	-	(12)	-
Other changes	-	-	-	-	-
At 31 December 2019	**401,646**	**73**	**1,228**	**(273,128)**	**129,819**

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

Approved by Ing. Roman Gono and Ing. Ľubomír Kuťka on behalf of the Board of Directors on 28 April 2020.

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2019

In thousands of EUR	Note	31 December 2019	31 December 2018
Cash flows from operating activities			
Profit / (Loss) before tax		1,666	2,627
Adjustments for:			
Non-cash items			
Depreciation, amortisation and impairment of property, plant and equipment and intangible assets	12, 13	74,373	35,009
Gain on sale of property, plant and equipment	7	(502)	(325)
Allowance of receivables and inventories	16, 17	(763)	(10)
Interest expense	8	4,776	1,499
Interest income and shares of profits		(609)	(609)
Share of the profit of the joint ventures		(3,388)	(2,430)
Movements in provisions and employee benefits		(2,845)	(6,050)
Non-cash contribution to share capital in affiliated company	15	(2,379)	(381)
		70,329	**29,330**
Working capital adjustments			
Decrease (increase) in inventories		675	(739)
Decrease (increase) in trade and other receivables		8,004	(5,936)
Increase (decrease) in trade and other payables		(18,553)	(5,042)
Cash flows from operating activities		**60,455**	**17,613**
Income tax paid	11	(106)	(79)
Net cash flows from operating activities		**60,349**	**17,534**
Cash flows from investing activities			
Purchase of property, plant and equipment	12, 13	(22,152)	(21,287)
Proceeds from sale of property, plant and equipment		717	415
Net cash flows from investing activities		**(21,435)**	**(20,872)**
Cash flows from financing activities			
Proceeds from loans and borrowings	20	13,491	47,050
Repayment of loans and borrowings	20	(8,450)	(17,618)
Interest paid		(1,029)	(1,117)
Payments of finance lease liabilities	24	(44,775)	(4,414)
Net cash flows from financing activities		**(40,763)**	**23,901**
Net (decrease) increase in cash and cash equivalents		**(1,849)**	**20,563**
Cash and cash equivalents at 1 January	**18**	**(31,086)**	**(51,649)**
Cash and cash equivalents at 31 December	**18**	**(32,935)**	**(31,086)**

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

Approved by Ing. Roman Gono and Ing. Ľubomír Kuťka on behalf of the Board of Directors on 28 April 2020.

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 venture, associate 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, Slovakia.

2.1 BASIS OF PREPARATION AND MEASUREMENT

These consolidated financial statements were approved and authorized for issue by the Board of Directors on 28 April 2020. The General Assembly held on 1 July 2019 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 2019 to 31 December 2019. Joint venture and associate are consolidated using the equity method and subsidiary using the full consolidation method.

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 1,666 thousand for the year and total accumulated loss of EUR 273,128 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 shareholder`s agreement governing relations between both shareholders AAE and ZSSK CARGO has been also signed.

After an approval of the Antimonopoly authorities, registering transfer of share and the fulfillment of other conditional clauses the final transaction documents were signed in May 2015– Agreement on transfer of movable assets for consideration and subsequent lease back of means of transport (Agreement on sale of 12,342 railway carriages and lease back of 8,216 railway carriages) and Bank loan agreement between financing banks and Cargo Wagon, a. s. used to finance the purchase of railway carriages. Whole transaction was completed on 10 July 2015, when ZSSK CARGO received a payment for the sale of carriages of EUR 216.6 million (incl. VAT) which was used to decrease Group´s debt. The Group began to lease a significant part of its freight wagons. The purpose of establishing of the two companies is to decrease the Company's debt as well as gradual achieving of balanced economic results in the mid-term, while at the same time implementing further internal measures to increase productivity and effectivity of internal processes. Regarding ZSSK CARGO Intermodal, a. s. the Group has closed the international tender without selecting a qualified partner in 2015. The Group will support intermodal activities within ZSSK CARGO and the future of ZSSK CARGO Intermodal, a. s. will be determined in near period.

The successful future rail freight transport consolidation, with the goal being the achievement of balanced results in the mid-term while continuing to implement internal measures, which should increase the productivity and effectivity of internal processes, considering the decreasing transports and fiercer competition will depend on additional supporting measures and a new regulatory framework for rail freight transporters and the fee set for the usage of rail infrastructure after the year 2019. In 2020 with outlook for 2021-2022 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 2019. The following standards, amendments and improvements issued by the IASB and adopted by the EU are effective for the current accounting period:

Initial application of new standards and amendments to existing standards and new interpretations applicable to the current period

The following standards and amendments to existing standards and new interpretations issued by the International Accounting Standards Board (IASB) and endorsed by the EU are applicable for the current accounting period:

- IFRS 16 "Leases" - adopted by the EU on 31 October 2017 (effective for annual periods beginning on 1 January 2019 or later),
- Amendments to IFRS 9 "Financial Instruments" - Negative Prepayment - Adopted by the EU on 22 March 2018 (effective for annual periods beginning on 1 January 2019 or later),
- Amendments to IAS 19 "Employee Benefits" - Modifying, curtailing or settling a plan (effective for annual periods beginning on 1 January 2019 or later),
- Amendments to IAS 28 "Investments in Associates and Joint Ventures" - Long-term Participation in Associates and Joint Ventures (effective for annual pe-

riods beginning on 1 January 2019 or later),

- Amendments to various standards due to the “IFRS Quality Improvement Project (2015-2017 cycle)” resulting from the annual IFRS Quality Improvement Project (IFRS 3, IFRS 11, IAS 12 and IAS 23), which primarily aim to eliminate discrepancies and clarify the text (effective for annual periods beginning on 1 January 2019 or later),
- IFRIC 23 “Uncertainty in the Income Tax Assessment” (effective for annual periods beginning on 1 January 2019 or later).

Standards and amendments to existing standards and interpretations issued by the IASB and endorsed by the EU that have not yet entered into effect

At the date of approval of these financial statements, the following new standards and amendments to existing standards and interpretations issued by the IASB and approved by the EU that have not yet entered into force have been issued:

- Amendments to IAS 1 “Presentation of Financial Statements” and IAS 8 “Accounting Policies, Changes in Accounting Estimates and Errors” - Definition of term “Significant” - adopted by the EU on 29 November 2019 (effective for annual periods beginning on 1 January 2020 or later),
- Amendments to References to the IFRS Conceptual Framework - adopted by the EU on 29 November 2019 (effective for annual periods beginning on 1 January 2020 or later),
- Amendments to IFRS 9 “Financial Instruments”, IAS 39 “Financial Instruments: Recognition and Measurement” and IFRS 7 “Financial Instruments: Disclosures” - Reference interest rate reform - adopted by the EU on 15 January 2020 (effective for annual periods beginning on 1 January 2020 or later).

New standards and amendments to existing standards issued by the IASB that have not yet been endorsed by the EU

At present, IFRS as adopted by the EU does not differ materially from those adopted by the International Accounting Standards Board (IASB) except for the following new standards, amendments to existing standards and new interpretations that have not been approved for use in the EU at the reporting date (effective dates above apply to IFRS in full):

- IFRS 14 “Regulatory Accruals Accounts” (effective for annual periods beginning on 1 January 2016 or later) - the European Commission has decided not to begin the process of adopting this provisional standard and waits for its final version,
- IFRS 17 “Insurance Contracts” (effective for annual periods beginning on 1 January 2021 or later),
- Amendments to IFRS 3 “Business Combinations” - Business definition (applies to business combinations that are acquired on the first or any subsequent day of the first reporting period beginning on 1 January 2020 or later and the acquisition of assets that occurred on the beginning of this period or later),
- Amendments to IFRS 10 “Consolidated Financial Statements” and IAS 28 “Investments in Associates and Joint Ventures” - Sale or deposit of assets between an investor and its associate or joint venture and other amendments (effective date has been deferred until the project of equity method research is terminated).

The Group has decided not to apply these new standards and amendments to existing standards and new interpretations before their effective dates. The Group expects that the adoption of these new standards, amendments to existing standards and new interpretations will not have a material impact on the financial statements in the period of initial application.

If not stated otherwise, the Company does not expect significant influence of abovementioned new standards, their amendments and interpretations on separate financial statements.

IFRS 16 ‚Leases‘ became effective as of 1 January 2019. Due to the fact that the Group is extensively using right-of-use assets in form of a lease, the implementation of new IFRS standard has a significant impact on financial statements (statement of comprehensive income, statement of financial position, statement of changes in equity and cash flow statement) of the Group.

Main leased classes of assets are comprised of leased railway freight carriages, locomotives (MPU), buildings and other assets (transport and utility vehicles).

The Group has been applying the Standard from 1 January 2019 using the Modified Retrospective Approach method and did not restate prior periods.

In the statement of financial position, contracts disclosed as operating leases in prior periods are reclassed as liabilities from leases, which are recorded as present values of future remaining leasing installments, discounted by loan interest rate and a corresponding right-of-use assets. These identified assets are recorded in amounts of corresponding liabilities, which are adjusted for any installments accrued prior to first application of the standard.

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	**211,288**
Of which:	
Wagons	190,461
Locomotives	13,053
Buildings	6,761
Other	1,013

In thousands of EUR	1 January 2019
LIABILITIES	
Non-current and current liabilities	
Lease liabilities	**198,344**
Of which:	
Wagons	178,990
Locomotives	11,600
Buildings	6,761
Other	993

The following table shows the reconciliation of lease liabilities as of 1 January 2019 with operating lease liabilities as at 31 December 2018:

In thousands of EUR	1 January 2019
Operating lease liabilities as at 31 December 2018	226,208
Impact of discounted incremental interest rate as at 1 January 2019	(30,702)
Discounted operating lease liabilities as at 1 January 2019	195,506
Minus:	
Liabilities related to short-term leases	1,267
Liabilities related to the lease of low values assets	29
Plus:	
Liabilities related to leases previously classified as finance leases	4,134
Lease payments relating to the renewal of contracts not included in operating lease liabilities as at 31 December 2018	-
Lease liabilities as at 1 January 2019	**198,344**

In valuing lease liabilities that were previously classified as operating leases, the Group used an incremental interest rate as at 1 January 2019 for discounting. The weighted interest rate used was 1.79%.

The effect of applying IFRS 16 to the statement of comprehensive income for 2019 is as follows:

In thousands of EUR	31 December 2019	31 December 2018
Expenses		
Consumables and services	(47,023)	-
Depreciation, amortization and impairment of tangible assets	44,241	-
Interest costs	3,418	-
Impact of the application of IFRS 16 on the achieved result for the accounting period (increase in loss)	**636**	**-**
Profit (loss) for the accounting period if the reporting of leases in accordance with IFRS 16 had not been applied	**931**	**2,551**

The same effect in the amount of EUR 636 thousand was achieved by implementing the IFRS 16 standard also on the statement of changes in equity as at 31 December 2019.

2.3 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

Critical judgments in applying accounting policies

In the process of applying accounting policies, management of the Group has made certain judgments that have a significant effect on the amounts 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 of the Group uses the work of specialists, its previous experience and its own interpretations of the relevant regulations in determining the need for environmental provisions.

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 useful lives and residual values of property, plant and equipment

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Functional and presentation currency

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

Foreign currency transactions are translated into EUR using the reference foreign exchange rate pertaining in the day preceding the transaction, as determined and published by the European Central Bank or the National Bank of Slovakia. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the balance sheet date. All differences are 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 venture, associate and subsidiary

Securities and interests in joint venture, associate 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 venture, associate and subsidiary 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.

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 2019 and 2018, 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 2019 and 2018, no financial liabilities have been designated as derivative financial instruments.

Cash and cash equivalents

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

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

Employee benefits

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

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

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

Termination payments

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

Provisions

A provision is 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 at inception date. An arrangement is considered to contain a lease if the contract conveys the right to control the use of an identified asset for a period in exchange for consideration.

This applies when the Group has both of the following:

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

Group as a lessee

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

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

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

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

Group as a lessor

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

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

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

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

Revenue recognition

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

Revenue from transport and related services and from repair and maintenance and other such services is 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 2019	31 December 2018
Inland transport:		
Transport of goods	28,555	30,509
Wagon deposition	10,761	9,133
Haulage fees	1,047	1,093
	40,363	**40,735**
International transport:		
Import	102,285	102,568
Export	88,471	97,513
Transit	12,561	12,420
	203,317	**212,501**
Other transport related revenues:		
Usage of wagons under RIV, PGV and AVV regimes	9,796	11,736
Wagon rentals	7,288	4,307
Cross-border services	2,966	2,999
Other	3,220	2,569
	23,270	**21,611**
	266,950	**274,847**

4. OTHER REVENUES

In thousands of EUR	31 December 2019	31 December 2018
Repairs and maintenance	6,802	6,569
Operational performance	1,807	2,065
Property rentals	5,121	3,332
Other	2,433	2,577
	16,163	**14,543**

5. CONSUMABLES AND SERVICES

In thousands of EUR	31 December 2019	31 December 2018
Traction electricity	(26,449)	(27,263)
Foreign segments	(20,512)	(15,337)
Network fees	(13,157)	(22,030)
Traction crude oil	(9,823)	(10,890)
Third party transhipment services	(9,122)	(7,836)
Materials	(7,544)	(8,637)
IT services and telecommunication charges	(6,095)	(6,353)
Repair and maintenance	(4,774)	(6,091)
Cross-border services	(4,357)	(3,461)
Other energy costs	(3,125)	(3,625)
Rentals	(2,117)	(3,568)
Security services	(1,352)	(1,369)
Travelling and entertainment	(1,290)	(1,306)
Wagon rentals	(1,257)	(42,306)
Cleaning of cars, property, waste disposal	(836)	(709)
Advisory and consultancy fees	(683)	(1,299)
Training	(371)	(361)
Medical care	(307)	(312)
Other	(2,152)	(1,897)
	(115,323)	**(164,650)**

Consumables and services include amounts charged by ŽSR of EUR 45,006 thousand (2018: EUR 54,887 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 to the purchase of traction energy (refer to Note 25).

A significant year-over-year decrease is related to the application of the IFRS 16 standard, when the costs of renting property (buildings, locomotives, wagons) in the total amount of EUR 47,023 thousand were excluded from services.

6. STAFF COSTS

In thousands of EUR	31 December 2019	31 December 2018
Wages and salaries	(66,534)	(65,507)
Social security costs	(27,723)	(27,597)
Employee benefits (Note 21)	(681)	731
Termination payments (Note 22)	(1,558)	(1,726)
	(96,496)	**(94,099)**

Number of employees at 31 December 2019 was 5,371 (2018: 5,513), thereof seven were members of management (as members of the Board of Directors or directors of individual departments). Average number of employees as at 31 December 2019 was 5,445 (2018: 5,549).

The average salary in 2019 amounted to EUR 1,066 (2018: EUR 1,019).

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7. OTHER OPERATING REVENUES (EXPENSES), NET

In thousands of EUR	31 December 2019	31 December 2018
Profit on sale of property, plant, equipment and inventories	1,268	1,400
Release (creation) of provision for legal cases and other provisions (Note 22)	998	4,233
Release (creation) of provision for environmental matters (Note 22)	1,665	-
Release (creation) of allowance for doubtful debts	(593)	151
Insurance of assets	(931)	(938)
Other	791	253
	3,198	**5,099**

8. INTEREST EXPENSE

In thousands of EUR	31 December 2019	31 December 2018
Interest on loans and borrowings	(914)	(1,000)
Interest charges on lease liabilities	(47)	(120)
Unwinding of discount on provisions and employee benefits	(386)	(367)
Interest expense on the right to use the asset	(3,418)	-
Other	(11)	(12)
	(4,776)	**(1,499)**

9. OTHER FINANCE REVENUES (COSTS), NET

In thousands of EUR	31 December 2019	31 December 2018
Foreign exchange gains (losses), net	(22)	(23)
Other revenues (costs), net	2,964	962
	2,942	**939**

10. OTHER NON-CURRENT ASSETS

In thousands of EUR	31 December 2019	31 December 2018
Advanced payments	480	480
Accrued expenses	69	46
	549	**526**

11. INCOME TAX

The reported income tax represents a withholding tax paid abroad in the amount of EUR 106 thousand (2018: EUR 76 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 2019	31 December 2018
Profit (Loss) before tax	1,666	2,627
Tax charge at statutory tax rate of 21% (2018: 21%)	350	552
Tax paid abroad and tax license	(106)	(76)
Forfeit tax loss carry forwards	-	84
Unrecognized deferred tax asset (incl. impact of change in tax rate)	(4,067)	(1,027)
Non-deductible expenses	3,717	391
Total income tax	**(106)**	**(76)**

Deferred tax assets and liabilities are related to the following (for the year ended 31 December 2019 an income tax rate of 21% applicable in future accounting period was used, for the year ended 31 December 2018: 21%):

In thousands of EUR	31 December 2019	31 December 2018
Deferred tax assets		
Tax loss carried forward	1,270	-
Provision for environmental matters	4,149	4,538
Provision for employee benefits	2,854	2,944
Allowance for trade and other receivables	862	740
Allowance for inventories	105	388
Provision for legal cases	3,542	3,308
Termination payments	455	174
Customer bonuses	336	1,008
Other overdue liabilities (over 3 years)	568	570
Property, plant and equipment and intangible assets	2,188	2,141
Other	2,295	6,185
	18,624	**21,996**
Deferred tax liabilities		
Deferred tax on revaluation of joint venture	(1,994)	(856)
Other	(32)	(47)
	(2,026)	**(903)**
Valuation allowance	**(16,598)**	**(21,093)**
Net deferred tax assets (liabilities)	**-**	**-**

A valuation allowance of EUR 16,598 thousand (2018: EUR 21,093 thousand) has been recognised for temporary deductible differences due to uncertainty as to the realization of tax benefits in future years. The Group will continue to assess the valuation allowance and, to the extent it is determined that such allowance is no longer required, the tax benefits of the remaining deferred tax assets will be recognised at that time.

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

The Group reported a tax loss in the amount of EUR 6,048 thousand in 2019.

12. INTANGIBLE ASSETS

In thousands of EUR	Software	Assets under construction	Total
Acquisition cost			
At 1 January 2019	**36,021**	**342**	**36,363**
Additions	-	2,365	2,365
Transfers	2,547	(2,547)	-
At 31 December 2019	**38,568**	**160**	**38,728**
Accumulated amortization			
At 1 January 2019	**(25,801)**	**-**	**(25,801)**
Charge for the period	(1,977)	-	(1,977)
At 31 December 2019	**(27,778)**	**-**	**(27,778)**
Net book value at 31 December 2019	**10,790**	**160**	**10,950**

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**

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 2019	**69,126**	**468,125**	**10,964**	**548,215**
IFRS 16 transfer as at 1 January 2019	-	(25,381)	-	(25,381)
Additions	-	-	19,658	19,658
Disposals	(1,073)	(8,354)	-	(9,427)
Transfers	6,947	17,604	(24,551)	-
At 31 December 2019	**75,000**	**451,994**	**6,071**	**533,065**
Accumulated depreciation				
At 1 January 2019	**(31,238)**	**(281,858)**	**(534)**	**(313,630)**
IFRS 16 transfer as at 1 January 2019	-	8,303	-	8,303
Additions	(1,598)	(24,083)	-	(25,681)
Disposals	985	7,134	-	8,119
Impairment loss	297	1,497	-	1,794
At 31 December 2019	**(31,554)**	**(289,007)**	**(534)**	**(321,095)**
Net book value at 31 December 2019	**43,446**	**162,987**	**5,537**	**211,970**

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**

Land and buildings consist 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 2019.

The impairment test required by IAS 36 was performed by management of the Group as at 31 December 2019. 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 2020 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 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 1,794 thousand (2018: increase in impairment loss by EUR 6,302 thousand) due to a higher usage of assets and a increase of cash inflows mainly from a transport revenues’ increase in 2019 and expected utilization of assets and expected transported volumes (mainly in diesel traction) in the next period.

Property, plant and equipment in the ownership of the Group with a total acquisition value of EUR 612 thousand (EUR 709 thousand at 31 December 2018) and with a net book value of EUR 383 thousand (EUR 451 thousand at 31 December 2018) 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 EUR 240,104 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 15,795 thousand.

14. RIGHT-OF-USE ASSETS

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

In thousands of EUR	Land and buildings	Wagons	Locomotives	Others	Total
Acquisition cost					
At 1 January 2019	**-**	**-**	**-**	**-**	**-**
Implementation of IFRS 16 as at 1 January 2019	6,761	177,095	9,434	920	194,210
IFRS 16 transfer as at 1 January 2019	-	13,366	3,619	93	17,078
Additions	-	225	39,583	258	40,066
Disposals	(7)	-	-	-	(7)
At 31 December 2019	**6,754**	**190,686**	**52,636**	**1,271**	**251,347**
Accumulated depreciation					
At 1 January 2019	**-**	**(3,073)**	**-**	**-**	**(3,073)**
Additions	(1,033)	(39,853)	(4,997)	(499)	(46,382)
Disposals	-	-	-	-	-
Impairment loss (net)	-	1,037	-	-	1,037
At 31 December 2019	**(1,033)**	**(41,889)**	**(4,997)**	**(499)**	**(48,418)**
Net book value at 31 December 2019	**5,721**	**148,797**	**47,639**	**772**	**202,929**

One of the contracts contain an extension option, which grants additional 4 years of lease term, with specified conditions. Lessor does not have such option. Since the Group cannot estimate future use of the option, the extended lease term beyond July 2023 is not included in Right-of-use asset. The option maturity date is 2 years prior to the end of lease period, i.e. July 2021. The Group has estimated that the full usage of option would result in additional liability from lease of EUR 84.67 million.

Other lease contracts, which were recorded as operating lease contracts in prior periods, do not contain lease term extension option.

For all lease contracts, which were recorded as financial leasing contracts in prior periods, the Group plans to utilize options for purchase of underlying assets after the end of lease term.

15. INVESTMENT IN JOINT VENTURE, ASSOCIATE AND SUBSIDIARY

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

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.

Details of the Group's joint venture, associate and subsidiary at 31 December 2019 are as follows:

Corporate name	Registration country	Ownership	Carrying amount of investment	Equity	Profit/ Loss
Investment in joint venture and associate					
BULK TRANSSHIPMENT SLOVAKIA, a. s.	Slovak Republic	40%	6,660	35,436	2,034
Cargo Wagon, a. s.	Slovak Republic	34%	3,403	37,930	7,571
Total investments			**10,063**		
Investments in subsidiaries					
ZSSK CARGO Intermodal, a. s.	Slovak Republic	100%	27.5	21	(1)

The Group has made a contribution in kind to the associate BULK TRANSSHIPMENT SLOVAKIA, a. s. concerning of fixed assets in the amount of EUR 3,450 thousand. The associate's majority shareholder also contributed in amount, equal to his shareholding part, which did not result in change of shareholding value of any shareholder. The share capital of the associate was increased by EUR 8,625 thousand. Changes in share capital have been recorded in the Commercial Register as at 31 December 2019.

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

Corporate name	Registration country	Ownership	Carrying amount of investment	Equity	Profit/ Loss
Investment in joint venture and associate					
BULK TRANSSHIPMENT SLOVAKIA, a. s.	Slovak Republic	40%	3,210	24,838	683
Cargo Wagon, a. s.	Slovak Republic	34%	3,403	30,067	6,328
Total investments			**6,613**		
Investments in subsidiaries					
ZSSK CARGO Intermodal, a. s.	Slovak Republic	100%	27.5	22	(0.5)

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

Subsidiary ZSSK CARGO Intermodal, a. s. has no activity as at 31 December 2019.

The Group's share of assets and liabilities as at 31 December 2019 and 2018 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 2019	31 December 2018
Current assets	2,352	1,210
Non-current assets	17,055	14,738
Total assets	**19,407**	**15,948**
Current liabilities	1,391	1,389
Non-current liabilities	3,842	4,624
Total liabilities	**5,233**	**6,013**
Net assets	**14,174**	**9,935**

In thousands of EUR	31 December 2019	31 December 2018
Revenues	5,840	5,169
Costs	(4,798)	(4,823)
Profit before income tax	**1,042**	**346**
Income tax expense	(228)	(73)
Net profit (loss)	**814**	**273**

The Group's share of the assets and liabilities as at 31 December 2019 and 2018 and income and expenses for the years then ended of the Cargo Wagon, a. s. are as follows:

In thousands of EUR	31 December 2019	31 December 2018
Current assets	4,300	2,835
Non-current assets	47,738	52,142
Total assets	**52,038**	**54,977**
Current liabilities	8,911	8,093
Non-current liabilities	30,231	36,656
Total liabilities	**39,142**	**44,749**
Net assets	**12,896**	**10,228**

In thousands of EUR	31 December 2019	31 December 2018
Revenues	12,645	12,143
Costs	(9,002)	(9,401)
Profit before income tax	**3,643**	**2,742**
Income tax expense	(1,069)	(585)
Net profit (loss)	**2,574**	**2,157**

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 thousand and other adjustments affecting the amount of investment were reflected in equity accounts in prior periods.

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

As of 31 December 2019, the company is dormant with no operation.

16. INVENTORIES

In thousands of EUR	At cost 2019	At lower of cost or net realizable value 2019	At cost 2018	At lower of cost or net realizable value 2018
Machine and metal-working materials	3,589	3,397	4,274	3,585
Electrical materials	2,173	1,873	2,962	1,833
Chemicals and rubber	1,389	1,387	647	630
Diesel fuel	729	729	717	717
Protective tools	237	236	184	181
Other	252	247	260	252
Total	**8,369**	**7,869**	**9,044**	**7,198**

The Group expects to use up stocks amounted to EUR 19,309 thousand (2018: EUR 21,517 thousand) in a period of more than twelve months after the date of creation these financial statements.

17. TRADE AND OTHER RECEIVABLES

In thousands of EUR	31 December 2019	31 December 2018
Domestic trade receivables	35,333	39,745
Foreign trade receivables	12,367	13,397
VAT receivables	2,326	1,884
Other receivables	3,681	6,708
Allowance for impaired trade and other receivables	(4,106)	(3,523)
	49,601	**58,211**

At 31 December 2019 overdue receivables amounted to EUR 5,629 thousand (EUR 4,888 thousand at 31 December 2018).

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

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

The Group reported a long-term group loan in amount of EUR 10,000 thousand 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
2019	**49,601**	48,049	1,552	-	-	-	-
2018	**58,211**	56,563	1,648	-	-	-	-

18. CASH AND CASH EQUIVALENTS

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

In thousands of EUR	31 December 2019	31 December 2018
Cash at banks and on hand and cash equivalents	387	55
Bank overdrafts	(33,322)	(31,141)
	(32,935)	**(31,086)**

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

Bank overdrafts as of 31 December are as follows:

In thousands of EUR	31 December 2019		31 December 2018	
	Overdraft limit	Drawn down	Overdraft limit	Drawn down
ING Bank N.V., pob. zahr. banky	20,000	14,147	20,000	13,650
Citibank Europe plc, pob. zahr. banky	15,000	10,876	15,000	10,125
Slovenská sporiteľňa, a. s.	10,000	6,270	10,000	5,120
Tatra banka, a. s.	20,000	1,304	20,000	871
Všeobecná úverová banka, a. s.	25,000	725	20,000	551
Československá obchodná banka, a. s.	10,000	-	10,000	824
	100,000	**33,322**	**95,000**	**31,141**

19. 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 2018 statutory result was approved by the Group's General Assembly on 1 July 2019 and was booked in the amount of EUR 12 thousand to legal reserve fund and the amount of EUR 109 thousand was booked to accumulated losses.

20. INTEREST-BEARING LOANS AND BORROWINGS

In thousands of EUR	Maturity date	31 December 2019	31 December 2018
Long-term loans			
Secured			
Slovenská sporiteľňa, a. s.	31 December 2024	22,500	14,676
Unsecured			
Československá obchodná banka, a. s.	31 March 2027	3,625	3,332
UniCredit Bank Czech Republic and Slovakia, a. s., pob. zahr. banky	31 March 2021	896	1,494
Total		**27,021**	**19,502**
Short-term portion of loans		**7,097**	**5,082**
Long-term portion of loans		**19,924**	**14,420**
Short-term loans			
Secured			
Všeobecná úverová banka, a. s.	31 December 2019	14,500	14,000
Československá obchodná banka, a. s.	30 June 2020	6,500	6,500
ING Bank N.V., pob. zahr. banky	31 July 2019	-	3,478
Unsecured			
Tatra banka, a. s.	31 March 2021	14,500	14,000
Short-term loans		**35,500**	**37,978**
Short-term portion of loans (see above)		**7,097**	**5,082**
Overdrafts (Note 18)		**33,322**	**31,141**
Short-term portion of loans		**75,919**	**74,201**
Total		**95,843**	**88,621**

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 75,518 thousand (EUR 65,446 thousand at 31 December 2018), and with a nominal value of EUR 105,000 thousand (EUR 105,000 thousand as of 31 December 2018) except for the 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 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 2019, the Group has no obligation to comply with any financial covenants.

The fair value of interest-bearing loans and borrowings amounts to EUR 95,843 thousand (EUR 88,621 thousand at 31 December 2018).

All interest-bearing loans and borrowings bear floating interest which range from 0.750% p.a. to 1.300% p.a. (0.780% p.a. to 2.700% p.a. in 2018) except for the fixed interest loan from UniCredit Bank Czech Republic and Slovakia, a. s., pob. zahr. banky.

21. EMPLOYEE BENEFITS

In thousands of EUR	Retirement benefits	Jubilee payments	Disability benefits	Total
At 1 January 2019	**12,162**	**2,751**	**35**	**14,948**
Current service cost	440	99	-	539
Interest expense	219	49	1	269
Actuarial gains and losses	(87)	(58)	(4)	(149)
Utilization of benefits	(599)	(323)	(11)	(933)
Past service cost	(148)	36	8	(104)
At 31 December 2019	**11,987**	**2,554**	**29**	**14,570**
Current 31 December 2019	943	346	8	1,297
Non-current 31 December 2019	11,044	2,208	21	13,273
At 31 December 2019	**11,987**	**2,554**	**29**	**14,570**

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**

The principal actuarial assumptions used were as follows:

	2019	2018
Discount rate (% p.a.)	1.09	1.80
Future salary increases (%)	2.50	7.00
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 2019	Discount rate (1.00%)	Average income (1.00%)	Mortality (-10.00%)
Net liability from employee benefits	14,570	(1,174)	415	159

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

22. PROVISIONS

In thousands of EUR	Environmental	Legal	Terminations	Other	Total
At 1 January 2019	**21,610**	**15,750**	**829**	**3,073**	**41,262**
Additions	-	1,351	2,168	-	3,519
Interest costs	-	-	15	-	15
Reversals	(1,665)	(232)	(217)	-	(2,114)
Utilization	(186)	-	(627)	-	(813)
Transfers	-	-	-	(3,073)	(3,073)
At 31 December 2019	**19,759**	**16,869**	**2,168**	**-**	**38,796**
Current 31 December 2019	352	-	2,168	-	2,520
Non-current 31 December 2019	19,407	16,869	-	-	36,276
At 31 December 2019	**19,759**	**16,869**	**2,168**	**-**	**38,796**

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**

Environmental matters

In 2019, 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 19,759 thousand (EUR 21,610 thousand at 31 December 2018) 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.

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 12,509 thousand.

Other

The provision relates mainly to one long-term contract for leasing wagons which has been partially classified as an onerous contract. The provision has been converted into the right to use the leased asset (Note 14) after application of IFRS 16.

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

In thousands of EUR	31 December 2019	31 December 2018
Domestic trade payables	30,696	43,419
Foreign trade payables	5,093	5,124
Payables due to employees	6,733	7,202
Payables due to social institutions	3,911	4,271
Other payables	5,482	6,231
	51,915	**66,247**

At 31 December 2019 overdue trade payables amounted to EUR 5,102 thousand (EUR 1,354 thousand at 31 December 2018). For details of related party payables, refer to Note 25.

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

In thousands of EUR	31 December 2019	31 December 2018
At 1 January	**71**	**96**
Additions	636	634
Utilization	639	659
At 31 December	**68**	**71**

24. COMMITMENTS AND CONTINGENCIES

Finance lease commitments

At 31 December 2019 the Group has finance lease commitments relating to the acquisition of 200 wagons, 4 powered vehicles and 4 freight road vehicles (200 wagons, 4 powered vehicles and 2 freight road vehicles at 31 December 2018), which were previously reported as finance leases. As at 31 December 2019, the Group has concluded fixed-term contracts that were previously reported as operating leases, mainly relating to the lease of wagons, road motor vehicles and other equipment. Both groups of leases are reported under lease liabilities.

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 2019		31 December 2018	
	Minimum lease payments	Present value of payments	Minimum lease payments	Present value of payments
Within one year	50,429	47,920	1,764	1,691
After one year but not more than five years	131,070	125,518	2,472	2,443
More than five years	20,293	19,649	-	-
Total minimum lease payments	**201,792**	**193,087**	**4,236**	**4,134**
Less: future finance charges	(8,705)	-	(102)	-
Present value of minimum lease payments	**193,087**	**193,087**	**4,134**	**4,134**

As at 31 December 2018, finance lease liabilities were reported under contractual and contingent liabilities. More information on the transfer of operating lease liabilities as at 1 January 2019 is provided in section 2.2 Changes in accounting policies and disclosures.

Investing commitments

The Group's investment expenditure for the period from 1 January 2020 to 31 December 2020 (1 January 2019 to 31 December 2019) is as follows:

In thousands of EUR	31 December 2019	31 December 2018
Land and buildings	1,440	176
Machines, equipment and other assets	2,484	504
Intangible assets	768	2,039
	4,692	**2,719**

Expenditures of EUR 4,692 thousand (EUR 2,719 thousand at 31 December 2018) 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 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. The Constitutional Court of the Slovak Republic granted the constitutional complaint and annulled the first decision of the Supreme Court of the Slovak Republic. The Supreme Court of the Slovak Republic on 12 June 2019 rejected again (second time) the applicant's appeal.

Council of the Antimonopoly Office of the SR confirmed the first instance decision of the Antimonopoly Office of the Slovak Republic to the Group imposed a fine of EUR 2,991 thousand for abusing a dominant position on the market for the sale and lease of electric locomotives and on the market for refuelling motor locomotives of private railway undertakings in the period from 3 March 2009 to 31 December 2010.

The Group considers the decision of the Board of the Antimonopoly Office of the Slovak Republic to be illegal. The Group defends itself against the decision of the Board of the Antimonopoly Office of the Slovak Republic by filing an administrative lawsuit on 15 January 2020 for several factual and legal reasons.

25. RELATED PARTY DISCLOSURES

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

The following tables provide the total amount of transactions which have been entered into with related parties for the years ended 31 December 2019 and 2018:

In thousands of EUR	31 December 2019			
Related party	Sales to related parties	Purchases from related parties	Amounts owed by related parties	Amounts owed to related parties
ŽSR	1,003	45,006	36	6,115
ZSSK	13,891	10,695	961	431
Slovenský plynárenský priemysel	-	1,076	-	280
Cargo Wagon, a. s. (joint venture)	862	34,528	12,762	3,565
BTS (associate)	951	10,142	134	2,041
Other related parties	616	533	23	19

In thousands of EUR	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 (associate)	934	8,073	110	1,313
Other related parties	903	550	14	36

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 2019 and 2018 are as follows:

Board of Directors:

Ing. Roman Gono, chairman of the board (since 24 April 2020)

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. Martin Vozár, MBA, chairman of the board and CEO (since 7 July 2016 till 23 April 2020)

Supervisory Board:

Ing. Ján Lupták, chairman of the board (since 12 October 2017)

Ing. Ivan Gránsky, member (since 13 July 2016)

Peter Pikna, member (since 1 January 2020)

Jozef Róbert Šmigalla, member (since 1 January 2020)

Ing. Bartolomej Kun, member (since 1 January 2015 till 31 December 2019)

Mgr. Zita Verčíková, member (since 1 January 2015 till 31 December 2019)

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

The Board of Directors' total remuneration approximated EUR 46 thousand (EUR 44 thousand in 2018). The total remuneration of members of the Supervisory Board amounted to EUR 20 thousand (EUR 23 thousand in 2018).

Loans granted

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

26. FINANCIAL RISK MANAGEMENT

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

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

Interest rate risk

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

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

In thousands of EUR	31 December 2019	31 December 2018
EURIBOR (+0.5%)	(418)	(574)
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 2019 and 2018 consist of the following:

In thousands of EUR	31 December 2019	31 December 2018
Long-term loan facilities available	1,500	13,992
Short-term loan facilities available	24,225	27,454
Total loan facilities available	**25,725**	**41,446**

As at 31 December 2019 and at 31 December 2018 the Group did not have any banks guarantee.

The table below summarises the maturity profile of the Group's financial liabilities at 31 December 2019 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	-	-	-	18,799	1,125	19,924
Trade and other payables	5,102	46,813	-	-	-	51,915
Obligations under leases	-	12,955	34,965	125,518	19,649	193,087
Short-term loans	-	1,924	73,995	-	-	75,919
	5,102	**61,692**	**108,960**	**144,317**	**20,774**	**340,845**

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 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**

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. (BUDAMAR LOGISTICS, a. s., U.S. Steel Košice, s. r. o. and ŠPED-TRANS Levice, a. s. in 2018), sales to which represent 53% of transport and related revenues (57% in 2018), 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 2019 and 31 December 2018.

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 2019	31 December 2018
Long-term debt, net of current portion (excluding subordinated debt and lease obligations)	19,924	14,420
Short-term debt, including current portion of long-term debt (excluding finance lease obligations)	75,919	74,201
Debt	**95,843**	**88,621**
Equity	**129,819**	**128,153**
Debt to equity ratio (%)	**74%**	**69%**

27. EVENTS AFTER THE BALANCE SHEET DATE

No events occurred subsequent to 31 December 2019 that might have a material effect on the fair presentation of the matters disclosed in these financial statements except for the following:

- BULK TRANSSHIPMENT SLOVAKIA, a. s. paid dividends to Group in the total amount EUR 800 thousand during January 2020,
- Based on the decision of the Sole shareholder of the Group, Ing. Martin Vozár, MBA was appealed from the position of Chairman of the Board of Directors on 23 April 2020. Ing. Roman Gono has been appointed as the Chairman of the Board of Directors,
- In the first months of 2020, COVID-19 (coronavirus) spread from China to the rest of the world and its negative impact is becoming more and more widespread. At the time of publishing these financial statements, the entity's management did not have a significant negative impact on its activities, but as the situation is constantly changing and evolving, no future consequences can be foreseen. The Group constantly monitors the potential impact and takes all steps to mitigate the negative effects on the Group, its operations and its employees. Any negative impact or losses shall be included by the entity in its 2020 accounts and financial statements.

Approved by Ing. Roman Gono and Ing. Ľubomír Kuťka on behalf of the Board of Directors on 28 April 2020.

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