ANNUAL REPORT 2021

ZSSK CARGO

Železničná spoločnosť Cargo Slovakia, a. s.

CONTENTS

FOREWORD BY THE CHAIRMAN OF THE BOARD OF DIRECTORS

The year 2021 was a challenging year, but from a commercial point of view it was much more successful than the previous one. In 2021, our company transported a total of 31.4 million tonnes of goods, which represents a significant year-over-year increase of 5.2 million tonnes. This was also reflected in achieving the historically best economic results since the beginning of the company's existence, which we can be rightfully proud of. In terms of transport volumes, iron ore was the decisive commodity and metallurgy-related shipments predominated overall. The input raw materials further included coal, dolomite and scrap and it was also metals and slag from production.

What made the year challenging was the continuing COVID-19 pandemic and related absences of both our employees and those of our customers. In addition to the significant year-over-year increase in transport volumes, a positive assessment should also be given to the achieved transport revenues, which rose by almost 20 per cent, as well as the successful ongoing recovery process. As part of this process, we managed to streamline our operations and undertook the unpopular but necessary optimisation of the headcount. Changes in the organisational structure were adapted to the requirements of the market and customers. The reduced headcount was reflected in significant savings in personnel costs and increased labour productivity.

The whole year was marked by negative pandemic effects, which, however, were offset by significantly greater revenues. In general, the impact of the pandemic on the economy and rail freight transport, especially in the second half of 2021, was not so strong as in 2020, when many major customers of ZSSK CARGO had to significantly reduce or even discontinue their production. The changes in the development of global metallurgy, which almost returned to pre-crisis levels, also had a positive effect on our performance. The decline in Chinese exports and, on the other hand, an increase in the production of steel plants throughout the European Union were also felt by ZSSK CARGO.

Personally, I am very pleased that the achievements made in our business policy and the results of successful business activities had a considerable effect on our performance figures. A good example is the transport of cars and getting new transport orders in this area.

Roman GONO
Chairman of the Board of Directors
Železničná spoločnosť Cargo Slovakia, a. s.

In cooperation with DB Cargo, we created the Slovakia Shuttle train, which collects wagon loads in Žilina-Teplička, and we gained new transport orders for shipments of steel coils in our Shimmns wagons from Poland, the Czech Republic, Italy and Romania in import and transit. Shipments of raw timber for the two largest sawmills in Slovakia in block trains composed of our Sps wagons from Germany and especially the Czech Republic, transit shipments of gypsum in our Eas wagons.

We also gained new major shipments of methanol to Austria and Romania, with the re-pumping in Čierna nad Tisou, as well as shipments of iron ore to Serbia with transshipment in Čierna nad Tisou. Domestic shipments of cement increased, new orders for shipments of rubber were gained, with the utilisation of our Habbillns wagons on their way back from Koper. It should be mentioned that we also continue to cooperate with our customer in the implementation of a successful project concerning domestic shipments and imports of timber for the Slovak wood processing industry, where we jointly ensure the transport of single wagon loads to selected collection stations, where train sets are assembled from these wagons, which are then headed to the consignee as block trains. In 2021, we transported 222 block trains thus formed. We see great potential in this cooperation and perceive it as one of the ways to maintain the system of single wagon loads in combination with the planned support from the State.

The circumstances with an adverse impact on our railway company include the gradual transition where heating plants and power plants burn other fuels, and this happens not only in Slovakia. The year-over-year decrease in shipments for the energy sector was more than 150,000 tonnes.

In 2021, the course of automotive shipments was also quite odd, when in the first half of the year there was an increase in transport volumes, but then a new problem appeared which was the lack of semiconductor components and which forced car manufacturers to limit or even suspend production.

The year 2021 also brought an enormous increase in the prices of several commodities, such as iron, timber, and chemical products. The increase in prices caused the costs of our inputs to be increased by virtually all suppliers. Being a company that is required to abide by the basic economic rules, we must eliminate the growth of input costs, especially by adjusting the prices at which shipments are made and by looking for suitable internal solutions.

We are aware that a sharp rise in prices reduces the competitiveness of rail freight, but external factors are forcing us to adjust prices in relation to all customers.

Intermodal transport is one of the areas that did not develop as we expected within the so-called New Silk Road. Freight traffic flows from Asia to Europe are a very interesting segment of the transport market where we see great potential. The surrounding countries perceive them in the same way, which can be seen in their approach to building intermodal transshipment facilities or direct support for these shipments in the form of subsidies. Unfortunately, such systematic support is lacking in Slovakia so far, so we must state there are intermodal trains travelling from Asia to Europe, but bypassing Slovakia.

However, the year 2021 also brought many positives. We managed to set up a customer centre with an extended scope of activities, which has been in operation since July, dealing with all situations regarding important information about shipments for customers every day until 10 p.m.

During that remarkably difficult year, we managed to make several investments in the company's systems, property, working environment, employees, as well as its material equipment. I am personally grateful for the successful comprehensive reconstruction of the Zvolen depot, which had appeared in investment plans for several years and was finally completed. Another positive news includes a number of other small or large projects which were successfully implemented. We concluded the year 2021 with an agreement with the employees' representatives, the result of which is a collective agreement signed for 2022.

The positive news is that in 2021, a concept was approved for the development of the locomotive fleet for 2021 to 2030, on the basis of which we plan to renew the locomotive fleet.

Last year was the European Year of Rail, when ZSSK CARGO also contributed through various activities to the promotion of rail transport not only in Slovakia but also in Europe. We will continue many activities, which proves that our company intends to meet the defined goals of the approved transport policy as well as environmental goals. Therefore, we will continue to assert ourselves in the domestic and foreign markets. Our goal is to strengthen cooperation with strategic partners in the promotion of rail freight transport as well as in seeking further business activities. To retain the existing customers and have more satisfied business partners, we will continue to focus our attention on professional cooperation.

My personal ambition is to have not only as many satisfied customers as possible, but also employees. I am convinced that only with the help of our employees can we meet all the demanding challenges and ZSSK CARGO can continue following the path of prosperity and efficiency with an emphasis on meeting the environmental and transport goals.


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ZSSK CARGO

LIST OF USED ABBREVIATIONS

AVV	General Contract for Use of Wagons (Allgemeiner Vertrag für die Verwendung von Güterwagen)
BTS	BULK TRANSSHIPMENT SLOVAKIA, a. s.
ECM	Entity in Charge of Maintenance
EIR	Effective Interest Rate
EURIBOR	Euro Interbank Offered Rate
EU	European Union
EVO	Vojany Power Station (Elektrárne Vojany)
IAS	International Accounting Standards
IASB	International Accounting Standards Board
ICT	Information and Communication Technologies
IFRIC	International Financial Reporting Interpretations Committee
IFRS	International Financial Reporting Standards
ISA	International Standards on Auditing
ISO	International Organization for Standardization
IT	Information technologies
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)
STN	Slovak Technical Standard (Slovenská technická norma)
VAT	Value Added Tax
ZSSK	Železničná spoločnosť Slovensko, a. s. (Slovak passenger operator)
ZSSK CARGO	Železničná spoločnosť Cargo Slovakia, a. s.
ŽS	Železničná spoločnosť, a. s. (Slovak rail passenger and freight operator)
ŽSR	Železnice Slovenskej republiky (Slovak rail infrastructure manager)

MILESTONES

- The ongoing COVID-19 pandemic affected the whole year 2021. The "home office" regime was used to a greater extent to protect the employees. It has become an accepted and full-fledged way of working in professions whose nature allows such distance work.
- Continuation of extensive use of new IT tools (video meetings) with a positive impact on the reassessment of the voice services used and the number of business trips.
- Completion of selected recovery plan measures which positively contributed to the achieved economic results.
- Early repayment of the shareholder loan by Cargo Wagon, a. s.
- Payment of dividends by the business companies - Cargo Wagon, a. s. and BULK TRANSSHIPMENT SLOVAKIA, a. s.

FREIGHT TRANSPORT

In 2021, ZSSK CARGO transported a total of 31,385 thousand tonnes of goods, which represents an increase of 5,163 thousand tonnes (+19.7%), compared to 2020. Freight traffic reached a value of 6,351.3 million net tonne-kilometres, representing a year-over-year increase of 976.4 million net tonne-kilometres (+18.2%). Average transport distance was 202.4 km, which was 2.6 km shorter than in 2020.

A significant increase in transport volumes was recorded mainly due to a decline in Chinese steel exports and the resulting increase in the production of other steel plants. This was also reflected in an increase of 4,904 thousand tonnes in ZSSK CARGO shipments for the metallurgical sector.

The year-over-year increase in transport volumes was not only the result of market recovery but is also attributable to successful business activities of our company. For example, recovering car shipments from competing railway carriers, creating in cooperation with DB Cargo a new block train route to increase exports of metallurgical products to Germany and France, while these trains also offered their capacity to gain additional shipments, especially those transported by road, to Germany and other regions. Other gained or significantly increased shipments include exports of steel slabs to Poland and Austria, domestic shipments of gravel for highway construction, cement exports, gypsum transit, methanol import and transit, paper exports, oil bitumen exports, imports of petroleum products, and the like. We continued cooperating with our customer in the implementation of a successful project concerning domestic shipments and imports of timber for the Slovak wood processing industry, with the utilisation of single wagon load collection stations where train sets were assembled from these wagons, which were then headed to the consignee as a block train.

We recorded an adverse impact on the development of transport in the energy sector, where transport volumes decreased by 157 thousand tonnes on a year-over-year basis, which was caused by the transition of heating plants and power plants to burning other fuels. As to intermodal transport, the largest declines in volume were recorded in wood chip exports, and shipments of MAERSK containers as well as containers for COSCO and KMS also decreased. Transit shipments of semi-trailers, which took place in the first half of 2020, were no longer carried out.

Freight transport by commodities

In thousands of tonnes	2021	2020	2019	2018	2017	2021/2020
Iron ore	12,351	9,560	10,263	12,121	12,533	1.29
Metals	4,049	3,023	3,649	4,780	5,204	1.34
Coal	3,699	2,915	4,326	5,123	4,717	1.27
Building materials	2,948	2,497	2,980	3,514	3,621	1.18
Petroleum products	2,447	2,382	2,388	2,307	2,691	1.03
Timber	2,052	1,985	2,245	2,434	2,415	1.03
Chemical products	1,959	1,837	1,971	1,889	2,201	1.07
Intermodal transport	776	1,009	1,044	1,175	1,181	0.77
Non-specified	902	809	794	773	820	1.11
Foodstuffs	202	205	297	270	282	0.99
Total	**31,385**	**26,222**	**29,958**	**34,386**	**35,665**	**1.20**

Freight transport by transport modes

Domestic	2021	2020	2019	2018	2017	2021/2020
Transported goods (in thous. of tonnes)	3,570	3,258	3,630	3,958	4,140	1.10
Operation performance (in mil. net tkm)	674	607	671	722	767	1.11
Import	**2021**	**2020**	**2019**	**2018**	**2017**	**2021/2020**
Transported goods (in thous. of tonnes)	13,395	10,427	12,125	14,926	14,674	1.28
Operation performance (in mil. net tkm)	2,188	1,838	1,962	2,334	2,309	1.19
Export	**2021**	**2020**	**2019**	**2018**	**2017**	**2021/2020**
Transported goods (in thous. of tonnes)	7,941	6,878	7,425	8,683	9,481	1.15
Operation performance (in mil. net tkm)	1,103	933	1,066	1,345	1,450	1.18
Transit	**2021**	**2020**	**2019**	**2018**	**2017**	**2021/2020**
Transported goods (in thous. of tonnes)	6,479	5,659	6,778	6,819	7,369	1.14
Operation performance (in mil. net tkm)	2,386	1,997	2,372	2,329	2,483	1.19
Freight transport in Total	**2021**	**2020**	**2019**	**2018**	**2017**	**2021/2020**
Transported goods (in thous. of tonnes)	31,385	26,222	29,958	34,386	35,665	1.20
Operation performance (in mil. net tkm)	6,351	5,375	6,070	6,729	7,008	1.18

STRUCTURE OF MPUs

Inventory status of ZSSK CARGO MPUs as at 31 December 2021

MPUs	Total	Up to 15 years	Up to 30 years	Over 30 years
Electric locomotives	224	-	9	215
Diesel locomotives	214	51	26	137
Diesel coaches	1	-	-	1
Total	**439**	**51**	**35**	**353**

FREIGHT WAGONS

Age structure of ZSSK CARGO freight wagons fleet as at 31 December 2021

	Total	0-5 years	6-10 years	11-15 years	16-20 years	21-25 years	26-30 years	Over 30 years
Covered wagons	161	-	-	150	1	2	-	8
Open wagons	363	-	55	301	-	-	-	7
Flat wagons	1,292	-	450	302	297	225	-	18
Other freight wagons	17	-	-	-	-	-	-	17
Freight wagons in Total	**1,833**	**-**	**505**	**753**	**298**	**227**	**-**	**50**

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

Structure of ZSSK CARGO freight wagons fleet as at 31 December 2021

Year	2021	2020	2019	2018	2017
Covered wagons	161	164	172	171	126
Open wagons	363	364	164	166	89
Flat wagons	1,292	1,294	1,294	1,295	1,115
Other freight wagons	17	1	1	1	4
Freight wagons in Total	**1,833**	**1,823**	**1,631**	**1,633**	**1,334**

Leasing

Year	2021	2020	2019	2018	2017
Covered wagons	-	-	-	-	150
Open wagons	-	-	200	200	300
Flat wagons	-	-	-	-	200
Other freight wagons	-	-	-	-	-
Freight wagons in Total	**-**	**-**	**200**	**200**	**650**

Age structure of ZSSK CARGO freight wagons fleet according to wagons series as at 31 December 2021

Series	Total	0-5 years	6-10 years	11-15 years	16-20 years	21-25 years	26-30 years	Over 30 years
E - open high-sided wagon of regular construction	163	-	-	156	-	-	-	7
F - open wagon of specific construction	200	-	55	145	-	-	-	-
G - covered wagon of regular construction	3	-	-	-	-	-	-	3
H - covered wagon of specific construction	154	-	-	150	1	2	-	1
K - flat wagon of regular construction	4	-	-	-	-	-	-	4
L - flat wagon of specific construction	202	-	200	2	-	-	-	-
R - flat bogie wagon of regular construction	311	-	-	-	297	-	-	14
S - flat bogie wagon of specific construction	775	-	250	300	-	225	-	-
T - wagon with opening roof	4	-	-	-	-	-	-	4
Z - tank wagon	1	-	-	-	-	-	-	1
U - wagon of specific construction	16	-	-	-	-	-		16
Total	**1,833**	**-**	**505**	**753**	**298**	**227**	**-**	**50**

CAPITAL INVESTMENTS OF ZSSK CARGO

(Accounting balance as at 31 December 2021 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

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

The quality of the transport process is a significant priority for the company's management, which also constantly monitors assuring customer satisfaction. In accordance with applicable legislation, the company's management actively participates in improving the occupational safety and health of employees with a view to minimising the risk of bodily injuries suffered by employees or the risk of property damage suffered by the company or the customer.

In the 4th quarter of 2021, the independent certification company TÜV SÜD Slovakia checked the functionality of the integrated management system and confirmed that the management system certificates were rightfully awarded pursuant to ISO 9001 and ISO 45001. In 2021, we managed to successfully combine two certified products, which were implemented due to organisational changes in the company.

We hold following certificates:

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

- Railway freight transport (logistics trains).
- Rolling stock maintenance and repairs, storage and distribution of goods.
- 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 4,753 employees as of 31 December 2020. Within external mobility 142 employees from available resources on the labour market were hired while employment contracts were terminated with 523 employees. Owing to mobility and employment optimisation, the headcount recorded by the company as at 31 December 2021 was 4,373 employees.

This represents a reduction of 380 employees (-8.00%) compared to 2020.

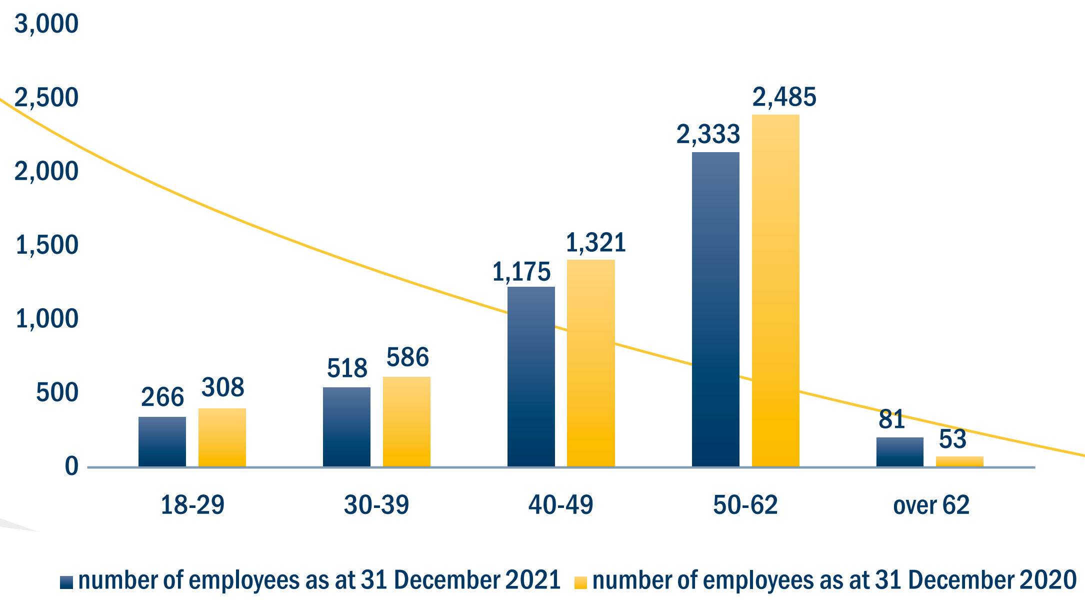
Structure of the employees according to the sex as at 31 December 2021

Men	3,329	76.13 %
Women	1,044	23.87 %
Total	**4,373**	**100.00 %**

Structure of the employees according to the type of work as at 31 December 2021

Administrative employees	591	13.51 %
Technical-economic employees in operation and workers	3,782	86.49 %
Total	**4,373**	**100.00 %**

Age structure of the employees

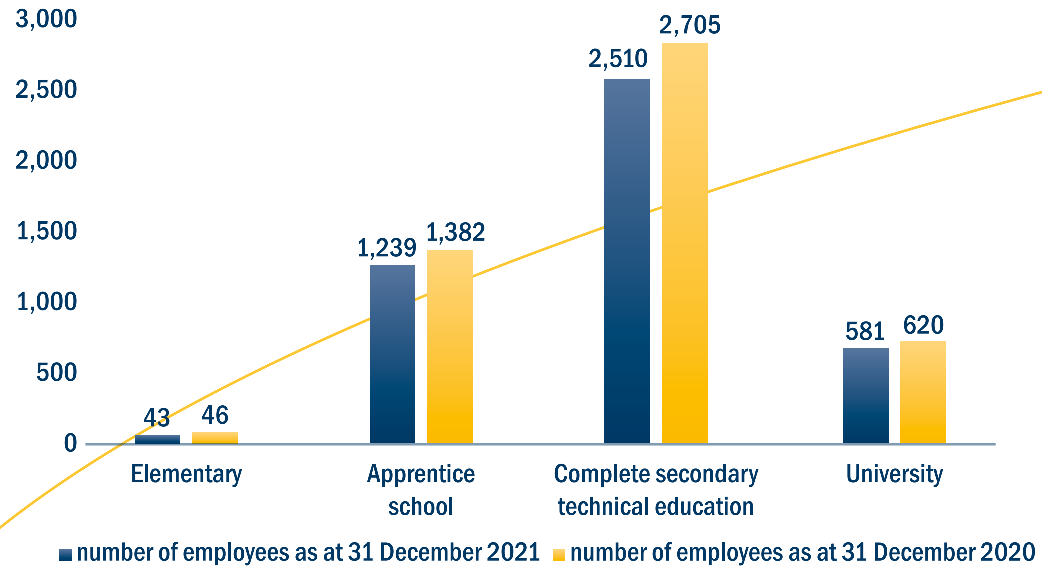


Decrease in the number of employees affected the structure of employees in terms of age and education:

- **With respect to the employees structure according the age,** the largest decrease in number of employees was found in the age category 50-62 years (- 152 employees) where the highest number of employees (2,333 employees) is recorded.

  The average age of employees as of 31 December 2021 was **49.26 years.**

Education structure of the employees



- **With respect to the employees structure according to the education,** the largest decrease in number of employees was in the category employees with complete secondary technical education (- 195 employees) where the highest number of employees (2,510 employees) is recorded.

Remuneration

The average wage in 2021 was EUR 1,195.17 which represents a 11.77% increase compared to 2020.

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

During the year, a new remuneration system was gradually introduced, which provides greater flexibility, targetedness and fair remuneration focused on employee performance, especially in key professions.

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

RISKS

- High dependence on the metallurgical industry (metallurgy-related commodities form the main group of shipments, in 2021 they significantly contributed to the achieved volumes, compared to the previous year);
- Tough competition between road and rail carriers, with the freight market becoming saturated (rail freight is not sufficiently supported to achieve the environmental objectives in line with the principles of the EU White Paper "Roadmap to a Single European Transport Area – Towards a competitive and resource efficient transport system" and the objectives of Paris Agreement, compared to the surrounding countries, especially in the segment of single wagon loads);
- Persistently high fixed costs in relation to the achieved performance figures and their significant share in the overall cost structure. When transport volumes decrease, ZSSK CARGO cannot reduce them immediately;
- The risk of personnel costs being increased by changes in current legislation (significant increase in the minimum wage, an increase in extra pay for work at night and during weekends, the introduction of recreational vouchers and other benefits);
- The risk of cost increases due to higher traction energy prices, which negatively affects the profitability of shipments and their competitiveness;
- The risk of material costs rising due to a significant increase in the prices of spare parts, while there is a risk of them gradually becoming unavailability for obsolete locomotives.

EXPECTED FUTURE DEVELOPMENT

Due to the ongoing COVID-19 pandemic during 2021 and the uncertain outlook for the future, ZSSK CARGO does not expect a significant increase in shipments and transport volumes in the near future. The year 2021 was above average in terms of transport volumes achieved in metallurgy and the major customers expect a slight decline for at least 2022. The decline in volumes may further deepen the competition within the Slovak Republic and in the Central European region due to free transport capacities. To cover declines in the domestic market, the company will continue to focus actively on increasing international transport volumes in connection with the use of new multi--system locomotives and the provision of transport services along the entire transport route.

During 2022, the company will also focus intensively on the implementation of measures to increase labour productivity, enhance the efficiency of internal processes and the utilisation of capacities. In 2022, costs will be significantly negatively affected by rising diesel and traction electricity prices, as well as high inflation and the unavailability of selected types of materials and spare parts.

ZSSK CARGO plans to continue modernising and renewing the strategic series of locomotives, implementing projects aimed at reducing the operating costs, improving the working environment and safety at workplaces. 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 2021

In 2021, as in previous years, the process of significant renewal and development of assets failed to be launched. The ongoing COVID-19 pandemic and the uncertain future did not allow us to start major investments and renewing the obsolete fleet. As early as the end of 2020, a gradual recovery in transport volumes in the metallurgical and related industries began to manifest itself. The increased transport volumes were maintained throughout the year 2021, which was reflected in a year-over-year increase of almost 20% in transport revenues. In the first half of 2021, the implementation of selected recovery plan measures was completed. Optimisation measures and increased transport volumes contributed to the growth of the operating profit. The generated profit was used to reduce the debt. Thanks to the early repayment of the shareholder loan, it was reduced by EUR 34 million on a year-over-year basis. On the other hand, less than EUR 14 million was invested in 2021, which, of course, did not help reduce the investment debt and will require higher capital expenditure in the future.

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

In 2021, the company did not expend any research and development costs.

The company does not have any business unit abroad.

No events have occurred subsequent to the end of the financial year as of 31 December 2021 that would significantly affect the fair presentation of facts disclosed in the attached financial statements.

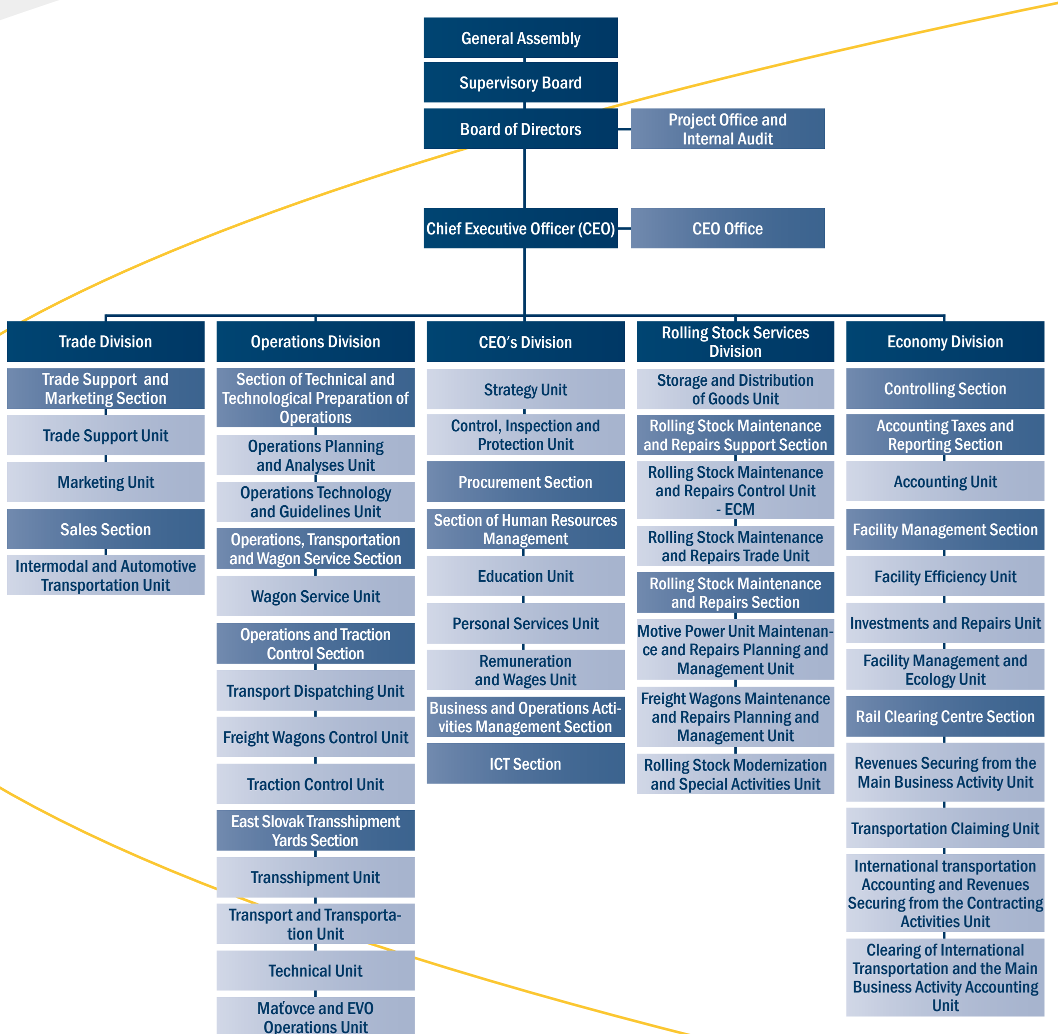
It will be proposed to the statutory body that the recognised accounting profit of EUR 6,349 thousand for 2021 should be mandatorily allocated to the statutory reserve fund and the remainder should be transferred to cover accumulated losses from previous years.

SELECTED ECONOMIC INDICATORS

(According to the data of consolidated financial statements)

In thousands of EUR	2021	2020
Total assets	555,671	482,158
Long-term tangible property	192,703	210,021
Equity	106,387	100,214
Loans (short-term + long-term)	86,045	122,033
Revenues	279,076	245,270
Costs	(270,821)	(274,637)
Profit (Loss) from the financial operations	(3,782)	(3,545)
Share of the profit of the joint venture and associated company	2,170	3,207
Income tax	(454)	(112)
Profit (Loss) for the period	**6,189**	**(29,817)**
Other comprehensive income for the period	-	144
Total comprehensive income for the period	**6,189**	**(29,672)**

ORGANIZATION STRUCTURE AS AT 31 DECEMBER 2021



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 2021

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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 2021, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including 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 2021, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by EU ("IFRS EU").

Basis for Opinion

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

Emphasis of Matter

We draw attention to Note 22 Provisions to the financial statements. The Company recorded provisions of EUR 17,450 thousand as at 31 December 2021 for the remediation of environmental burdens. Estimates of the future costs relating to environmental burdens are not necessarily accurate, due to uncertainties concerning the constant development of laws and regulatory requirements on the environment and the methods, timing and extent of corrective action, and so cannot be precisely specified. These costs could have a significant impact on the Company's financial results in future accounting periods.

Our opinion is not modified in respect of this matter.

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

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

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

THIS IS A TRANSLATION OF THE ORIGINAL SLOVAK REPORT

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

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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

EY
Building a better working world

Report on Other Legal and Regulatory Requirements

Report on Information Disclosed in the Annual Report

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

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

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

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

- Information disclosed in the annual report prepared for 2021 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.

26 April 2022
Bratislava, Slovak Republic

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

Ing. Dalimil Draganovský, statutory auditor
SKAU Licence No. 893

THIS IS A TRANSLATION OF THE ORIGINAL SLOVAK REPORT

Statement of comprehensive income for the year ended 31 December 2021

In thousands of EUR	Note	31 December 2021	31 December 2020
Revenues			
Transportation and related revenues	3	261,228	227,079
Other revenues	4	17,848	18,191
		279,076	**245,270**
Costs and expenses			
Consumables and services	5	(109,920)	(101,634)
Staff costs	6	(87,626)	(96,771)
Depreciation, amortisation and impairment of property, plant and equipment	12, 13, 14	(77,281)	(75,976)
Other operating revenues (expenses), net	7	4,006	(256)
		(270,821)	**(274,637)**
Finance costs			
Interest expense	8	(4,316)	(4,115)
Other finance revenues (costs), net	9	2,864	1,370
		(1,452)	**(2,745)**
Income tax	11	(454)	(112)
Profit (Loss) for the period		**6,349**	**(32,224)**
Other comprehensive income for the period		-	-
Total comprehensive income for the period		**6,349**	**(32,224)**

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 26 April 2022.

Statement of financial position
for the year ended 31 December 2021

In thousands of EUR	Note	31 December 2021	31 December 2020
ASSETS			
Non-current assets			
Property, plant and equipment	13	192,703	210,021
Intangible assets	12	8,600	10,305
Right-of-use assets	14	271,866	157,499
Group loans	17, 25	-	13,343
Investment in joint ventures and associates	15	10,073	10,073
Investment in subsidiaries	15	28	28
Other non-current assets	10	26	51
		483,296	**401,320**
Current assets			
Inventories	16	7,983	8,413
Trade and other receivables	17	44,877	52,736
Cash and cash equivalents	18	41	39
		52,901	**61,188**
TOTAL ASSETS		**536,197**	**462,508**
EQUITY AND LIABILITIES			
Shareholder's equity			
Share capital	19	401,646	401,646
Legal reserve fund	19	73	73
Other funds	19	1,228	1,228
Accumulated losses	19	(316,034)	(322,383)
Total equity		**86,913**	**80,564**
Non-current liabilities			
Interest-bearing loans and borrowings	20	16,025	19,125
Employee benefits	21	11,865	12,693
Provisions	22	24,481	35,322
Lease liabilities	24	230,249	112,256
Other non-current liabilities	23	191	118
		282,811	**179,514**
Current liabilities			
Interest-bearing loans and borrowings	20	70,020	102,908
Employee benefits	21	828	622
Provisions	22	2,482	4,091
Trade and other payables	23	51,222	48,245
Lease liabilities	24	41,921	46,564
		166,473	**202,430**
Total liabilities		**449,284**	**381,944**
TOTAL EQUITY AND LIABILITIES		**536,197**	**462,508**

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 26 April 2022.

Statement of changes in equity as at 31 December 2021

In thousands of EUR	Share capital	Legal reserve fund	Other funds	Accumulated losses	Total
At 1 January 2020	**401,646**	**73**	**1,228**	**(290,159)**	**112,788**
Profit for the period	-	-	-	(32,224)	(32,224)
Other comprehensive income	-	-	-	-	-
Total comprehensive income	-	-	-	(32,224)	(32,224)
Legal reserve fund	-	-	-	-	-
At 31 December 2020	**401,646**	**73**	**1,228**	**(322,383)**	**80,564**
Profit for the period	-	-	-	6,349	6,349
Other comprehensive income	-	-	-	-	-
Total comprehensive income	-	-	-	6,349	6,349
Legal reserve fund	-	-	-	-	-
At 31 December 2021	**401,646**	**73**	**1,228**	**(316,034)**	**86,913**

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 26 April 2022.

Statement of cash flows for the year ended 31 December 2021

In thousands of EUR	Note	31 December 2021	31 December 2020
Cash flows from operating activities			
Profit (Loss) before tax		6,803	(32,112)
Adjustments for:			
Non-cash items			
Depreciation, amortisation and impairment of property, plant and equipment and intangible assets	12, 13, 14	77,218	75,063
Gain on sale of property, plant and equipment		(996)	(952)
Allowance of receivables and inventories	16, 17	(704)	(201)
Interest expense	8	4,316	4,115
Interest income and shares of profits		(2,913)	(1,410)
Out - of - court settlement of a legal dispute		(5,500)	-
Movements in provisions and employee benefits	21, 22	(7,676)	(821)
		70,548	**43,682**
Working capital adjustments:			
Decrease (Increase) in inventories		272	(543)
Decrease (Increase) in trade and other receivables		8,746	(2,437)
Increase (Decrease) in trade and other payables		(615)	(6,691)
Cash flows from operating activities		**78,951**	**34,010**
Income tax paid	11	(128)	(112)
Net cash flows from operating activities		**78,823**	**33,898**
Cash flows from investing activities:			
Purchase of property, plant and equipment	12, 13	(14,230)	(14,049)
Repayment of a loan from a related entity including interest	17	13,926	-
Proceeds from sale of property, plant and equipment		3,222	3,998
Dividends received	15	2,330	800
Net cash flows from investing activities		**5,248**	**(9,251)**
Cash flows from financing activities:			
Proceeds from loans and borrowings	20	8,200	32,800
Repayment of loans and borrowings	20	(65,209)	(11,397)
Interest paid		(1,193)	(1,217)
Proceeds from lease liabilities	24	2,211	1,600
Payments of lease liabilities	24	(49,099)	(51,547)
Net cash flows from financing activities		**(105,090)**	**(29,761)**
Net (decrease) increase in cash and cash equivalents		**(21,019)**	**(5,113)**
Cash and cash equivalents at 1 January	**18**	**(38,070)**	**(32,957)**
Cash and cash equivalents at 31 December	**18**	**(59,089)**	**(38,070)**

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 26 April 2022.

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 Indentification Number 20 219 200 65.

The Slovak Republic is the sole shareholder of the Company through the Ministry of Transport and Construction of the Slovak Republic ("MTC") with its registered office on Námestie slobody 6, 811 06 Bratislava. The Company does not belong to any group for consolidation purposes. The Company is not an unlimited liability partner in any other company.

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

Principal activities

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

The registered office of ZSSK CARGO
Drieňová 24
820 09 Bratislava
Slovak Republic

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

2.1 BASIS OF PREPARATION AND MEASUREMENT

These separate financial statements were approved and authorized for issue by the Board of Directors on 26 April 2022. The General Assembly held on 15 July 2021 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 2021 to 31 December 2021.

The financial statements were prepared using the going concern assumption that the Company will continue its operations for the foreseeable future. The Company reported a profit of EUR 6,349 thousand for the year and total accumulated loss of EUR 316,034 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. In 2021, a lease agreement was signed with Cargo Wagon, a. s. to adjust the number and extend the lease of railway wagons until 2029 under favorable conditions compared to the original contract. Regarding ZSSK CARGO Intermodal, a. s. the Company has closed an international tender without selecting a qualified partner in 2015. The Company will support activities of intermodal transportation within ZSSK CARGO and the future of ZSSK CARGO Intermodal, a. s. will be determined in near period.

The successful future rail freight transport consolidation, with an aim of achieving balanced results in the mid-term while continuing to implement internal measures, which should increase the productivity and effectivity of internal processes, considering a decreasing transports and increasing competition, will depend on additional supporting measures and a new regulatory framework for rail freight transporters and fees set for usage of rail infrastructure after year 2021. In 2022, with outlook for 2023-2024, 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 the following amendments to IFRS during the accounting period:

- IFRS 16 Leases - Covid 19 Related Rent Concessions (Amendment).
- IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 (Amendments) - Interest Rate Benchmark Reform – Phase 2.

Application of these amendments to standards did not have any impact on the financial statements of the Company.

At the date of authorization of these financial statements, the following new and amended Standards were in issue but not yet effective:

- Amendment to IFRS 10 and IAS 28 - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (issued on 11 September 2014 and effective for annual periods beginning on the date, which will be set by IASB). The amendments have not yet been endorsed by the EU.
- Amendment to IAS 1 - Presentation of Financial Statements: Classification of Liabilities as Current or Non-current (issued on 23 January 2020 and effective for annual periods beginning on or after 1 January 2023). This amendment has not yet been endorsed by the EU.

- IFRS 16 Leases - Covid 19 Related Rent Concessions beyond 30 June 2021 (Amendment). Amendment is effective retrospectively for annual periods beginning on or after 1 April 2021.
- IAS 1 Presentation of Financial Statements – Amendment related to Disclosure of Accounting policies (effective for annual periods beginning on or after 1 January 2023). This amendment has not yet been endorsed by the EU.
- IAS 8 Accounting policies, Changes in Accounting Estimates and Errors – Amendment related to Definition of Accounting Estimates (effective for annual periods beginning on or after 1 January 2023). This amendment has not yet been endorsed by the EU.
- IAS 12 Income taxes – Amendment related to Deferred Tax related to Assets and Liabilities arising from a Single Transaction (effective for annual periods beginning on or after 1 January 2023). This amendment has not yet been endorsed by the EU.
- IFRS 3 Business Combinations - Amendments updating a reference to the Conceptual Framework (effective for annual periods beginning on or after 1 January 2022).
- IAS 16 Property, Plant and Equipment - Amendments prohibiting a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use (effective for annual periods beginning on or after 1 January 2022).
- IAS 37 Provisions, Contingent Liabilities and Contingent Assets - Amendments regarding the costs to include when assessing whether a contract is onerous (effective for annual periods beginning on or after 1 January 2022).
- Annual Improvements 2018 - 2020 (effective for annual periods beginning on or after 1 January 2022).

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.

A global pandemic caused by COVID-19

The COVID-19 pandemic affected the functioning of many companies and countries, including Slovakia, which had a global impact on the global economy and disrupted many economic chains. The virus has exposed the Company, its employees, customers and business partners to potential health and operational risks. The Company's management has considered the impact of COVID-19 and the ongoing coronary crisis as a result of which the Company has seen a significant decline in transports.

Management will continue to monitor potential impacts and take all possible steps to mitigate any adverse effects on the Company and its employees.

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.

- 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 2021 and 2020, 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; or
- 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, and
- A hybrid (combined) instrument is not measured at fair value with changes in fair value reported in current period net profit.

Hedging

Hedge accounting 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 2021 and 2020, 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 recognizes 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 2021	31 December 2020
Inland transport:		
Transport of goods	29,506	26,155
Wagon deposition	11,447	7,408
Haulage fees	1,038	943
	41,991	**34,506**
International transport:		
Import	99,957	84,437
Export	93,752	80,704
Transit	7,916	7,957
	201,625	**173,098**
Other transport related revenues:		
Usage of wagons under RIV, PGV and AVV regimes	7,318	8,294
Wagon rentals	5,055	5,864
Cross-border services	2,550	2,727
Other	2,689	2,590
	17,612	**19,475**
	261,228	**227,079**

4. OTHER REVENUES

In thousands of EUR	31 December 2021	31 December 2020
Repairs and maintenance	5,877	6,437
Operational performance	1,423	1,296
Asset rentals	6,922	5,305
Other	3,626	5,153
	17,848	**18,191**

5. CONSUMABLES AND SERVICES

In thousands of EUR	31 December 2021	31 December 2020
Traction electricity	(24,715)	(22,257)
Foreign segments	(16,563)	(16,920)
Network fees	(11,652)	(11,614)
Third party transhipment services	(10,337)	(8,554)
Materials	(8,735)	(7,424)
Traction crude oil	(8,371)	(7,433)
Repair and maintenance	(7,041)	(3,824)
IT services and telecommunication charges	(6,311)	(6,240)
Cross-border services	(4,161)	(3,899)
Other energy costs	(3,367)	(3,484)
Rentals	(1,194)	(1,422)
Travelling and entertainment	(1,004)	(970)
Security services	(949)	(1,160)
Wagon rentals	(904)	(411)
Cleaning of cars, property, waste disposal	(701)	(766)
Advisory and consultancy fees	(562)	(3,856)
Medical care	(233)	(221)
Training	(209)	(150)
Other	(2,911)	(1,029)
	(109,920)	**(101,634)**

Consumables and services include amounts charged by ŽSR of EUR 41,400 thousand (2020: EUR 38,744 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).

Significant year-on-year increase was achieved by costs for provided consultancy and advisory services. AK Relevans invoiced the share fee after the successful conclusion of the dispute with the applicant member STATELY INVESTMENTS LLC, Delaware USA, against ZSSK and ZSSK CARGO for the payment of the amount of EUR 51,752 thousand with accessories in the amount of EUR 3,331 thousand. The Company was involved in contingent liabilities and, in view of the development of litigation in recent years, did not disclose this litigation in the Notes to the Financial Statements.

6. STAFF COSTS

In thousands of EUR	31 December 2021	31 December 2020
Wages and salaries	(60,924)	(65,370)
Social security costs	(25,173)	(28,695)
Employee benefits (Note 21)	304	410
Termination payments (Note 22)	(1,833)	(3,116)
	(87,626)	**(96,771)**

Number of employees at 31 December 2021 was 4,373 (2020: 4,753), thereof five were members of management (as members of the Board of Directors or directors of individual departments). Average number of employees as at 31 December 2021 were 4,466 (2020: 5,081).

The average salary in 2021 amounted to EUR 1,195 (2020: EUR 1,069).

7. OTHER OPERATING REVENUES (EXPENSES), NET

In thousands of EUR	31 December 2021	31 December 2020
Provision for environmental matters (Note 22)	-	1,971
Profit on sale of property, plant, equipment and inventories	2,073	1,437
Release (Creation) of allowance for doubtful debts	262	(137)
Provision for future obligations (Note 22)	-	(757)
Insurance of assets	(963)	(966)
Provision for legal cases and other provisions (Note 22)	5,394	(1,170)
Depreciation of uncollectible receivables	(2,382)	-
Other	(378)	(634)
	4,006	**(256)**

8. INTEREST EXPENSE

In thousands of EUR	31 December 2021	31 December 2020
Interest on loans and borrowings	(1,158)	(1,147)
Interest charges on lease liabilities	(24)	(16)
Unwinding of discount on provisions and employee benefits (Note 21)	(104)	(182)
Interest expense on the right to use the asset	(3,019)	(2,716)
Other	(11)	(54)
	(4,316)	**(4,115)**

9. OTHER FINANCE REVENUES (COSTS), NET

In thousands of EUR	31 December 2021	31 December 2020
Dividends received (Note 15)	2,330	800
Foreign exchange gains (losses), net	(23)	6
Other revenues (costs), net	557	564
	2,864	**1,370**

10. OTHER NON-CURRENT ASSETS

In thousands of EUR	31 December 2021	31 December 2020
Advanced payments	-	-
Accrued expenses	26	51
	26	**51**

11. INCOME TAX

The reported income tax represents a withholding tax paid abroad in the amount of EUR 128 thousand (2020: EUR 112 thousand) and special business tax of EUR 326 thousand (2020: EUR 0 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 2021	31 December 2020
Profit (Loss) before tax	6,803	(32,224)
Tax charge at statutory tax rate of 21% (2020: 21%)	1,429	(6,767)
Tax paid abroad and tax license	(128)	(112)
Forfeit tax loss carry forwards	47	317
Unrecognized deferred tax asset (incl. impact of change in tax rate)	336	11,509
Non-deductible expenses	(1,812)	(5,059)
Specific business tax	(326)	-
Total income tax	**(454)**	**(112)**

Deferred tax assets and liabilities are related to the following (for the year ended 31 December 2021 an income tax rate of 21% applicable in future accounting period was used, for the year ended 31 December 2020: 21%):

In thousands of EUR	31 December 2021	31 December 2020
Deferred tax assets		
Tax loss carried forward	3,385	3,755
Provision for environmental matters	3,664	3,700
Provision for employee benefits	2,666	2,796
Allowance for trade and other receivables	639	820
Allowance for inventories	138	105
Provision for legal cases	1,554	3,781
Termination payments	441	637
Customer bonuses	731	494
Other overdue liabilities (over 3 years)	7	8
Property, plant and equipment and intangible assets	13,356	9,943
Other	3,887	4,092
	30,468	**30,130**
Deferred tax liabilities		
Other	(32)	(30)
	(32)	**(30)**
Valuation allowance	**(30,436)**	**(30,100)**
Net deferred tax assets (liabilities)	**-**	**-**

A valuation allowance of EUR 30,436 thousand (2020: EUR 30,100 thousand) has been recognised for temporary deductible differences due to uncertainty as to the realization of tax benefits in future years. The Company will continue to assess the valuation allowance and, to the extent it is determined that such allowance is no longer required, the tax benefits of the remaining deferred tax assets will be recognised at that time.

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

The company reported a tax base of EUR 1,181 thousand in 2021 and amortized part of the loss reported in 2019.

12. INTANGIBLE ASSETS

In thousands of EUR	Software	Assets under construction	Total
Acquisition cost			
At 1 January 2021	**40,254**	**89**	**40,343**
Additions	-	555	555
Disposals	(3,447)	-	(3,447)
Transfers	561	(561)	-
At 31 December 2021	**37,368**	**83**	**37,451**
Accumulated amortization			
At 1 January 2021	**(30,038)**	-	**(30,038)**
Charge for the period	(2,260)	-	(2,260)
Disposals	3,447	-	3,447
At 31 December 2021	**(28,851)**	**-**	**(28,851)**
Net book value at 31 December 2021	**8,517**	**83**	**8,600**

In thousands of EUR	Software	Assets under construction	Total
Acquisition cost			
At 1 January 2020	**38,568**	**160**	**38,728**
Additions	-	1,640	1,640
Disposals	(24)	-	(24)
Transfers	1,711	(1,711)	-
At 31 December 2020	**40,254**	**89**	**40,343**
Accumulated amortization			
At 1 January 2020	**(27,778)**	-	**(27,778)**
Charge for the period	(2,285)	-	(2,285)
Disposals	24	-	24
At 31 December 2020	**(30,038)**	**-**	**(30,038)**
Net book value at 31 December 2020	**10,216**	**89**	**10,305**

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 2021	**75,480**	**468,867**	**3,706**	**548,053**
Additions	-	125	13,550	13,675
Disposals	(43)	(14,769)	-	(14,812)
Transfers	1,796	10,154	(11,950)	-
At 31 December 2021	**77,234**	**464,377**	**5,306**	**546,917**
Accumulated depreciation				
At 1 January 2021	**(31,554)**	**(305,639)**	**(534)**	**(338,031)**
Additions	(1,710)	(23,776)	-	(25,518)
Disposals	1,051	12,498	-	12,515
Impairment loss	354	(2,768)	-	(3,107)
Transfers	-	(72)	-	(72)
At 31 December 2021	**(31,859)**	**(319,757)**	**(534)**	**(354,214)**
Net book value at 31 December 2021	**43,621**	**144,620**	**4,772**	**192,703**

In thousands of EUR	Land and buildings	Machines, equipment, other assets	Assets under construction	Total
Acquisition cost				
At 1 January 2020	**75,000**	**451,994**	**6,071**	**533,065**
Additions	-	-	12,409	12,409
Disposals	(1,054)	(15,206)	-	(16,259)
Transfers	1,534	13,240	(14,774)	0
Other transfers	-	18,839	-	18,839
At 31 December 2020	**75,480**	**468,867**	**3,706**	**548,053**
Accumulated depreciation				
At 1 January 2020	**(31,554)**	**(289,007)**	**(534)**	**(321,095)**
Additions	(1,710)	(24,499)	-	(26,208)
Disposals	1,051	15,063	-	16,114
Impairment loss	354	(1,120)	-	(766)
Other transfers	-	(6,076)	-	(6,076)
At 31 December 2020	**(31,859)**	**(305,639)**	**(534)**	**(338,031)**
Net book value at 31 December 2020	**43,621**	**163,228**	**3,172**	**210,021**

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 2021.

The impairment test required by IAS 36 was performed by management of the Company as at 31 December 2021. 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 2022 business plan updated to the latest available information at the balance sheet date and on forecasts of future periods based on best estimates using all available information. The future cash flows were estimated for the next 10 years which is an average remaining useful life of the cash generating unit ‘s assets. The cash flows include unavoidable investment expenditures required to maintain the ability of the cash generating unit to generate revenues and proceeds from scrap value at the end of the useful life. Discount rate of 7.04% used in the calculation was determined based on interest rates for incremental financing of fixed assets purchases by the Company as at the day of preparation of financial statements and was adjusted for factors of time, risk and liquidity.

As a result of the procedures described above, the Company has increased an impairment loss by EUR 3,108 thousand (2020: increase in impairment loss by EUR 766 thousand) due to a higher usage of assets and an increase of cash inflows mainly from 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 653 thousand (EUR 653 thousand at 31 December 2020) and with a net book value of EUR 375 thousand (EUR 392 thousand at 31 December 2020) 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.

The gross carrying amount of any fully depreciated property, plant and equipment that is still in use, is EUR 20,500 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.

The following table shows the amount of the right to use the leased assets in the years ended 31 December 2021 and 2020:

In thousands of EUR	Land and buildings	Wagons	Locomotives	Others	Total
Net book value at 1 January 2021	**5,669**	**108,072**	**43,125**	**633**	**157,499**
Additions	16	0	2,211	98	2,326
Modifications	(44)	158,436	0	177	158,568
Disposals	(225)	0	0	(12)	(237)
Transfers	0	0	0	44	44
Depreciation	(1,835)	(39,579)	(5,597)	(336)	(47,347)
Impairment loss (net)	0	1,014	0	0	1,014
Net book value at 31 December 2021	**3,581**	**227,942**	**39,739**	**604**	**271,866**

In thousands of EUR	Land and buildings	Wagons	Locomotives	Others	Total
Net book value at 1 January 2020	**5,721**	**148,797**	**47,639**	**772**	**202,929**
Additions	1,865	23,087	4,073	375	29,400
Disposals	(115)	(13,106)	(3,044)	-	(16,265)
Other transfers	-	(12,689)	-	(73)	(12,762)
Depreciation	(1,802)	(39,040)	(5,543)	(441)	(46,826)
Impairment loss (net)	-	1,023	-	-	1,023
Net book value at 31 December 2020	**5,669**	**108,072**	**43,125**	**633**	**157,499**

One of the contracts contain an extension option, which grants additional 4 years of lease term, with specified conditions. Lessor does not have such option. Since the Company cannot estimate future use of the option, the extended lease term beyond December 2029 is not included in Right-of-use asset. The option maturity date is 2 years prior to the end of lease period, i.e. December 2027. The Company has estimated that the full usage of option would result in additional liability from lease of EUR 40.42 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 2021 are as follows:

Corporate name	Registration country	Ownership 2021	Carrying amount of investment 2021	Equity 2021	Profit/Loss 2021
Investment in joint venture and associate					
BULK TRANSSHIPMENT SLOVAKIA, a. s.	Slovak Republic	40%	6,660	34,417	1,130
Cargo Wagon, a. s.	Slovak Republic	34%	3,403	46,871	10,684
Total investments			**10,063**		
Investments in subsidiary					
ZSSK CARGO Intermodal, a. s.	Slovak Republic	100%	27.5	21	(0.5)

BULK TRANSSHIPMENT SLOVAKIA, a. s. paid dividends to Company in the total amount EUR 800 thousand during January 2021. Cargo Wagon, a. s. paid dividends to Company in the total amount EUR 1,530 thousand during December 2021.

Subsidiary ZSSK CARGO Intermodal, a. s. has no activity as at 31 December 2021.

Details of the Company's joint venture, associate and subsidiary at 31 December 2020 are as follows:

Corporate name	Registration country	Ownership 2021	Carrying amount of investment 2021	Equity 2021	Profit/Loss 2021
Investment in joint venture and associate					
BULK TRANSSHIPMENT SLOVAKIA, a. s.	Slovak Republic	40%	6,660	35,317	1,901
Cargo Wagon, a. s.	Slovak Republic	34%	3,403	45,776	7,196
Total investments			**10,063**		
Investments in subsidiary					
ZSSK CARGO Intermodal, a. s.	Slovak Republic	100%	27.5	21	(0.5)

BULK TRANSSHIPMENT SLOVAKIA, a. s. paid dividends to Company in the total amount EUR 800 thousand during January 2020.

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

2021 In thousands of EUR	Non-current assets	Current assets	Total assets	Equity	Non-current liabilities	Current liabilities	Total liabilities	Revenues	Profit
BULK TRANSSHIPMENT SLOVAKIA, a. s.*	37,822	5,747	**43,569**	34,417	5,867	3,285	**9,152**	15,236	**1,130**
Cargo Wagon, a. s.	106,848	23,564	**130,412**	46,871	62,824	20,716	**83,611**	38,193	**10,684**
Total	**144,670**	**29,311**	**173,981**	**81,288**	**68,691**	**24,001**	**92,692**	**53,429**	**11,814**

2020 In thousands of EUR	Non-current assets	Current assets	Total assets	Equity	Non-current liabilities	Current liabilities	Total liabilities	Revenues	Profit
BULK TRANSSHIPMENT SLOVAKIA, a. s.*	39,573	6,531	**46,104**	35,317	7,758	3,029	**10,787**	12,543	**1,901**
Cargo Wagon, a. s.	128,896	10,572	**139,468**	45,776	69,156	24,536	**93,692**	37,790	**7,196**
Total	**168,469**	**17,103**	**185,572**	**81,093**	**76,914**	**27,565**	**104,479**	**50,333**	**9,097**

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

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

16. INVENTORIES

In thousands of EUR	At cost 2021	At lower of cost or net realizable value 2021	At cost 2020	At lower of cost or net realizable value 2020
Machine and metal-working materials	4,521	4,232	4,302	4,091
Electrical materials	1,958	1,611	2,024	1,755
Chemicals and rubber	845	836	1,521	1,514
Diesel fuel	734	734	548	548
Protective tools	187	186	232	231
Other	395	385	285	275
Total	**8,640**	**7,983**	**8,912**	**8,413**

The Company expects to use up stocks amounted to EUR 20,192 thousand (2020: EUR 16,109 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 2021	31 December 2020
Domestic trade receivables	36,566	39,134
Foreign trade receivables	9,236	12,165
VAT receivables	605	1,486
Other receivables	1,514	3,857
Allowance for impaired trade and other receivables	(3,044)	(3,906)
	44,877	**52,736**

At 31 December 2021 overdue receivables amounted to EUR 3,162 thousand (EUR 8,238 thousand at 31 December 2020).

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

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

At 31 December 2021 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. Following changes in joint venture financing by the banks, the full loan, including interest, was repaid in December 2021.

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

		Neither past due	Past due but not impaired				
Year	Total	nor impaired	< 90 days	90 - 180 days	180 – 270 days	270 – 365 days	> 365 days
2021	**44,877**	44,441	436	-	-	-	-
2020	**52,736**	49,703	3,033	-	-	-	-

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 2021	31 December 2020
Cash at banks and on hand and cash equivalents	41	39
Bank overdrafts	(59,130)	(38,109)
	(59,089)	**(38,070)**

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 2021		31 December 2020	
	Overdraft limit	Drawn down	Overdraft limit	Drawn down
Tatra banka, a. s.	35,000	28,465	25,000	1,031
Všeobecná úverová banka, a. s.	22,500	13,894	25,000	832
ING Bank N.V., pob. zahr. banky	20,000	8,895	20,000	18,603
Slovenská sporiteľňa, a. s.	15,000	3,010	15,000	11,063
Citibank Europe plc, pob. zahr. banky	15,000	3,004	15,000	5,483
Československá obchodná banka, a. s.	10,000	1,862	10,000	1,096
	117,500	**59,130**	**110,000**	**38,109**

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.

Settlement of loss from previous accounting period

The settlement of the 2020 statutory result was approved by the Company's General Meeting on 15 July 2021 and was booked to accumulated losses.

20. INTEREST-BEARING LOANS AND BORROWINGS

In thousands of EUR	Maturity date	31 December 2021	31 December 2020
Long-term loans			
Secured			
Slovenská sporiteľňa, a. s.	31 December 2024	16,500	22,500
Všeobecná úverová banka, a. s.	31 July 2026	7,790	-
Unsecured			
Československá obchodná banka, a. s.	31 March 2027	2,625	3,125
UniCredit Bank Czech Republic and Slovakia, a. s., pob. zahr. banky	31 March 2021	-	299
Total		**26,915**	**25,924**
Short-term portion of loans		**10,890**	**6,799**
Long-term portion of loans		**16,025**	**19,125**

In thousands of EUR	Maturity date	31 December 2021	31 December 2020
Short-term loans			
Secured			
Všeobecná úverová banka, a. s.	28 February 2022	-	22,500
Citibank Europe plc., pob. zahr. banky	31 March 2022	-	5,000
Unsecured			
Československá obchodná banka, a. s.	30 June 2022	-	8,000
Tatra banka, a. s.	31 March 2022	-	22,500
Short-term loans		**-**	**58,000**
Short-term portion of loans (see above)		**10,890**	**6,799**
Overdrafts (Note 18)		**59,130**	**38,109**
Short-term portion of loans		**70,020**	**102,908**
Total		**86,045**	**122,033**

All loans presented in the table above are secured by promissory notes with a value of EUR 53,091 thousand (EUR 95,087 thousand at 31 December 2020), and with a nominal value of EUR 114,020 thousand (EUR 116,000 thousand as of 31 December 2020) 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).

The long-term loan provided by Všeobecná úverová banka, a. s. is secured by a promissory note (EUR 9,020 thousand) as well as by a lien on 10 locomotives.

At 31 December 2021, the Company has no obligation to comply with any financial covenants.

The fair value of interest-bearing loans and borrowings amounts to EUR 86,045 thousand (EUR 122,033 thousand at 31 December 2020).

All interest-bearing loans and borrowings bear floating interest which range from 0.750% p. a. to 1.500% p. a. (0.750% p. a. to 1.500% p. a. in 2020).

21. EMPLOYEE BENEFITS

In thousands of EUR	Retirement benefits	Jubilee payments	Disability benefits	Total
At 1 January 2021	**10,925**	**2,381**	**9**	**13,315**
Current service cost	411	71	-	**482**
Interest expense	85	19	-	**104**
Actuarial gains and losses	(566)	(71)	(7)	**(644)**
Utilization of benefits	(267)	(297)	-	**(564)**
At 31 December 2021	**10,588**	**2,103**	**2**	**12,693**
Current 31 December 2021	515	313	-	**828**
Non-current 31 December 2021	10,073	1,790	2	**11,865**
At 31 December 2021	**10,588**	**2,103**	**2**	**12,693**

In thousands of EUR	Retirement benefits	Jubilee payments	Disability benefits	Total
At 1 January 2020	**11,987**	**2,554**	**29**	**14,570**
Current service cost	425	92	-	**517**
Interest expense	131	28	-	**159**
Actuarial gains and losses	(836)	32	(15)	**(819)**
Utilization of benefits	(782)	(325)	(5)	**(1,112)**
At 31 December 2020	**10,925**	**2,381**	**9**	**13,315**
Current 31 December 2020	332	288	2	**622**
Non-current 31 December 2020	10,593	2,093	7	**12,693**
At 31 December 2020	**10,925**	**2,381**	**9**	**13,315**

The principal actuarial assumptions used were as follows:

	2021	2020
Discount rate (% p. a.)	1.13	0.78
Future salary increases (%)	2.50	2.50
Mortality probability (male) (%)	0.04 – 2.46	0.04 – 2.46
Mortality probability (female) (%)	0.02 – 1.00	0.02 – 1.00

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 2021	Discount rate (1.00%)	Average income (1.00%)	Mortality (-10.00%)
Net liability from employee benefits	12,693	(1,005)	376	119

In thousands of EUR	31 December 2020	Discount rate (1.00%)	Average income (1.00%)	Mortality (-10.00%)
Net liability from employee benefits	13,315	(1,148)	413	133

22. PROVISIONS

In thousands of EUR	Environmental	Legal	Terminations	Other	Total
At 1 January 2021	**17,618**	**18,007**	**3,032**	**756**	**39,413**
Additions	-	3,010	2,099	-	5,109
Reversals	-	(8,403)	(897)	(744)	(10,044)
Utilization	(168)	(5,212)	(2,135)	-	(7,515)
At 31 December 2021	**17,450**	**7,402**	**2,099**	**12**	**26,963**
Current 31 December 2021	371	-	2,099	12	2,482
Non-current 31 December 2021	17,079	7,402	-	-	24,481
At 31 December 2021	**17,450**	**7,402**	**2,099**	**12**	**26,963**

In thousands of EUR	Environmental	Legal	Terminations	Other	Total
At 1 January 2020	**19,759**	**16,869**	**2,168**	**-**	**38,796**
Additions	-	1,224	3,032	756	5,012
Reversals	(1,970)	(55)	-	-	(2,025)
Utilization	(171)	(31)	(2,168)	-	(2,370)
At 31 December 2020	**17,618**	**18,007**	**3,032**	**756**	**39,413**
Current 31 December 2020	303	-	3,032	756	4,091
Non-current 31 December 2020	17,315	18,007	-	-	35,322
At 31 December 2020	**17,618**	**18,007**	**3,032**	**756**	**39,413**

Environmental matters

In 2021, the Company updated its analysis of potential breaches of environmental regulations at its various sites, with the support of an environment specialist, Centrum environmentálnych služieb, s.r.o. As a result of this analysis, and based on the findings of Centrum environmentálnych služieb, s.r.o., the Company has estimated that costs of EUR 17,450 thousand (EUR 17,618 thousand at 31 December 2020) 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 1.50 % p. a. was used in the calculation.

Legal claims

Provisions for legal claims relate to a number of claims. In 2021, the Company entered into an out-of-court agreement in a dispute over the amount of rent for the Drieňová 24 office building in Bratislava with companies REFIN B.A., s.r.o., REFIN Development, s.r.o. and REFIN S.P., s.r.o. The Company released the provision created in previous periods for this dispute in the amount of EUR 8,156 thousand including accessories.

The Board of the Antimonopoly Office of the Slovak Republic confirmed the first-instance decision of the Antimonopoly Office of the Slovak Republic, which was the imposed fine to the Company in the amount of EUR 2,991 thousand for abusing a dominant position in the market for the sale and rental of electric locomotives. The fine imposed was confirmed by a decision of Krajský súd Bratislava (Regional Court Bratislava) against the Company.

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

In thousands of EUR	31 December 2021	31 December 2020
Domestic trade payables	27,358	24,229
Foreign trade payables	4,200	4,474
Payables due to employees	8,956	9,417
Payables due to social institutions	5,032	4,850
Other payables	5,676	5,275
	51,222	**48,245**

At 31 December 2021 overdue trade payables amounted to EUR 1,116 thousand (EUR 918 thousand at 31 December 2020). 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	2021	2020
At 1 January	**118**	**68**
Additions	580	559
Utilization	507	509
At 31 December	**191**	**118**

24. COMMITMENTS AND CONTINGENCIES

Finance lease commitments

At 31 December 2021 the Company has finance lease commitments relating to the acquisition of 8 powered vehicles and 4 freight road vehicles (4 powered vehicles and 4 freight road vehicles at 31 December 2020), which were previously reported as finance leases. As at 31 December 2021, 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 2021	31 December 2020
Within one year	41,921	46,564
From one to five years	137,906	90,710
Over five years	92,343	21,546
Present value of lease payments	**272,170**	**158,820**

In valuing lease liabilities that were previously classified as operating leases, the Company used an incremental interest rate to discount. The weighted interest rate used was 1.53% as at 31 December 2021.

Note 26 summarizes the lease liabilities based on contractual undiscounted payments (according to repayment schedules) when summarizing the maturity of financial liabilities as at 31 December 2021.

ZSSK CARGO

Investing commitments

The Company's investment expenditure for the period from 1 January 2022 to 31 December 2022 (1 January 2021 to 31 December 2021) is as follows:

In thousands of EUR	31 December 2021	31 December 2020
Land and buildings	425	38
Machines, equipment and other assets	1,419	126
	1,844	**164**

Expenditures of EUR 1,844 thousand (EUR 164 thousand at 31 December 2020) are committed under contractual arrangements.

25. RELATED PARTY DISCLOSURES

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

The following tables provide the total amount of transactions which have been entered into with related parties for the years ended 31 December 2021 and 2020:

In thousands of EUR	31 December 2021			
Related party	Sales to relate parties	Purchases from related parties	Amounts owed by related parties	Amounts owed to related parties
ŽSR	582	41,400	26	3,238
ZSSK	11,783	2,417	792	365
Slovenský plynárenský priemysel	-	1,034	-	258
Cargo Wagon, a. s. (joint venture)	2,298	35,684	35	3,541
BTS (associate)	2,144	10,918	190	2,705
Other related parties	958	589	35	4

In thousands of EUR	31 December 2020			
Related party	Sales to relate parties	Purchases from related parties	Amounts owed by related parties	Amounts owed to related parties
ŽSR	417	38,744	23	3,486
ZSSK	11,599	2,238	1,011	367
Slovenský plynárenský priemysel	-	1,088	-	252
Cargo Wagon, a. s. (joint venture)	766	34,170	13,375	3,411
BTS (associate)	2,030	8,900	177	1,940
Other related parties	609	630	74	21

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 2021 and 2020 are as follows:

Board of Directors:	Ing. Roman Gono, chairman of the Board (since 24 April 2020)
	Ing. Jaroslav Daniška, vice-chairman (since 7 April 2021)
	Ing. Ľubomír Kuťka, member (since 7 April 2021)
	Ing. Miroslav Hopta, vice-chairman (since 30 May 2016 till 8 October 2020)
	Ing. Róbert Nemčík, PhD., member (since 8 July 2016 till 15 July 2020)
	Ing. Martin Vozár, MBA, chairman of the Board and general director (since 7 July 2016 till 23 April 2020)
Supervisory Board:	Ing. Ján Lupták, chairman of the board (since 12 October 2017)
	Peter Pikna, member (since 1 January 2020)
	Jozef Róbert Šmigalla, member (since 1 January 2020)
	Mgr. Lukáš Parízek, member (since 4 February 2021)
	Ing. Ivan Gránsky, member (since 13 July 2016 till 13 July 2021)

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

The Board of Directors' total remuneration approximated EUR 40 thousand (EUR 44 thousand in 2020). The total remuneration of members of the Supervisory Board amounted to EUR 31 thousand (EUR 21 thousand in 2020).

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 2021	31 December 2020
EURIBOR (+0.5%)	-	-
EURIBOR (-0.5%)	-	-

Liquidity risk

The Company's policy is to maintain sufficient cash and cash equivalents or to 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 2021 and 2020 consist of the following:

In thousands of EUR	31 December 2021	31 December 2020
Long-term loan facilities available	16,400	-
Short-term loan facilities available	56,413	11,932
Total loan facilities available	**72,813**	**11,932**

As at 31 December 2021 and at 31 December 2020 the Company did not have any banks guarantee.

The table below summarises the maturity profile of the Company's financial liabilities at 31 December 2021 based on contractual undiscounted payments:

In thousands of EUR	On demand	Less than 3 months	From 3 to 12 months	From 1 to 5 years	Over 5 years	Total
Long-term loans	-	-	-	15,900	125	16,025
Trade and other payables	116	51,078	28	-	-	51,222
Obligations under leases	-	10,491	31,430	137,906	92,343	272,170
Short-term loans	-	47,209	22,811	-	-	70,020
	116	**108,778**	**54,269**	**153,806**	**92,468**	**409,437**

The table below summarises the maturity profile of the Company's financial liabilities at 31 December 2020 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	-	-	-	18,500	625	19,125
Trade and other payables	918	45,907	1,420	-	-	48,245
Obligations under leases	-	12,080	36,786	94,444	22,243	165,553
Short-term loans	-	12,408	90,500	-	-	102,908
	918	**70,395**	**128,706**	**112,944**	**22,868**	**335,831**

Credit risk

The Company provides a variety of customers with products and services, none of whom, based on volume and creditworthiness, present a significant credit risk, individually or in aggregate. The Company has three major customers: U. S. Steel Košice s. r. o., BUDAMAR LOGISTICS, a. s. and Railtrans International, a.s. (BUDAMAR LOGISTICS, a. s., U. S. Steel Košice, s. r. o. and Railtrans International, a.s. in 2020), sales to which represent 59 % of transport and related revenues (54 % in 2020), 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 2021 and 31 December 2020.

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 2021	31 December 2020
Long-term debt, net of current portion (excluding subordinated debt and lease obligations)	16,025	19,125
Short-term debt, including current portion of long-term debt (excluding lease obligations)	70,020	102,908
Debt	**86,045**	**122,033**
Equity	**86,913**	**80,564**
Debt to equity ratio (%)	**99%**	**151%**

27. EVENTS AFTER THE BALANCE SHEET DATE

No events occurred subsequent to 31 December 2021 that might have a material effect on the fair presentation of the matters disclosed in these financial statements except for the following:

- On February 24, 2022, a war conflict began between the Russian Federation and Ukraine. The Company has a significant portion of revenues generated from commodity shipments from Ukraine and the Russian Federation. Until the date of approval of the financial statements, the war conflict did not significantly affect the level of generated revenues and the Company's operations in 2022. The company's management perceives the uncertainty associated with the ongoing war. Due to the relatively short time since the beginning of the conflict, the Company is unable to estimate any negative impacts. The magnitude of the possible impacts will depend primarily on the duration of the conflict, damage to infrastructure in war zones and changes in the behavior of key customers in relation to the transports carried out. Any negative impact or loss will be included by the entity in the accounting and financial statements in 2022.

Approved by Ing. Roman Gono and Ing. Ľubomír Kuťka on behalf of the Board of Directors on 26 April 2022.

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 2021

EY
Building a better working world

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Slovenská republika

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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 for the year ended 31 December 2021, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including 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 2021, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by EU ("IFRS EU").

Basis for Opinion

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

Emphasis of Matter

We draw attention to Note 22 Provisions to the consolidated financial statements. The Group recorded provisions of EUR 17,450 thousand as at 31 December 2021 for remediation of environmental burdens. Estimates of the future costs relating to environmental burdens are not necessarily accurate, due to uncertainties concerning the constant development of laws and regulatory requirements on the environment and the methods, timing and extent of corrective action, and so cannot be precisely specified. These costs could have a significant impact on the Group's financial results in future accounting periods.

Our opinion is not modified in respect of this matter.

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

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

THIS IS A TRANSLATION OF THE ORIGINAL SLOVAK REPORT

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

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

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

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

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

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

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

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

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

THIS IS A TRANSLATION OF THE ORIGINAL SLOVAK REPORT

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 2021 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.

26 April 2022
Bratislava, Slovak Republic

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

Ing. Dalimil Draganovský, statutory auditor
SKAU Licence No. 893

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ZSSK CARGO

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2021

In thousands of EUR	Note	31 December 2021	31 December 2020
Revenues			
Transportation and related revenues	3	261,228	227,079
Other revenues	4	17,848	18,191
		279,076	**245,270**
Costs and expenses			
Consumables and services	5	(109,920)	(101,634)
Staff costs	6	(87,626)	(96,771)
Depreciation, amortisation and impairment of property, plant and equipment	12, 13, 14	(77,281)	(75,976)
Other operating revenues (expenses), net	7	4,006	(256)
		(270,821)	**(274,637)**
Finance costs			
Interest expense	8	(4,316)	(4,115)
Other finance revenues (costs), net	9	534	570
Share of the profit of the joint ventures	15	2,170	3,207
		(1,612)	**(338)**
Income tax	11	(454)	(112)
Profit (Loss) for the period		**6,189**	**(29,817)**
Cash flow hedges in joint venture	19	-	144
Items possible to move to profit (loss) total		-	144
Other comprehensive income for the period		**-**	**144**
Total comprehensive income for the period		**6,189**	**(29,672)**
Profit attributable to:			
Shareholder of the Company		6,189	(29,672)
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 26 April 2022.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION FOR THE YEAR ENDED 31 DECEMBER 2021

In thousands of EUR	Note	31 December 2021	31 December 2020
ASSETS			
Non-current assets			
Property, plant and equipment	13	192,703	210,021
Intangible assets	12	8,600	10,305
Right-of-use assets	14	271,866	157,499
Group loans	17, 25	-	13,343
Investment in joint ventures	15	29,554	29,730
Other non-current assets	10	26	51
		502,749	**420,949**
Current assets			
Inventories	16	7,983	8,413
Trade and other receivables	17	44,877	52,736
Cash and cash equivalents	18	62	60
		59,922	**61,209**
TOTAL ASSETS		**555,671**	**482,158**
EQUITY AND LIABILITIES			
Shareholder's equity			
Share capital	19	401,646	401,646
Legal reserve fund	19	73	73
Other funds	19	1,228	1,228
Accumulated losses	19	(296,560)	(302,733)
TOTAL EQUITY		**106,387**	**100,214**
Non-current liabilities			
Interest-bearing loans and borrowings	20	16,025	19,125
Employee benefits	21	11,865	12,693
Provisions	22	24,481	35,322
Lease liabilities	24	230,249	112,256
Other non-current liabilities	23	191	118
		282,811	**179,514**
Current liabilities			
Interest-bearing loans and borrowings	20	70,020	102,908
Employee benefits	21	828	622
Provisions	22	2,482	4,091
Trade and other payables	23	51,222	48,245
Lease liabilities	24	41,921	46,564
		166,473	**202,430**
Total liabilities		**449,284**	**381,944**
TOTAL EQUITY AND LIABILITIES		**555,671**	**482,158**

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 26 April 2022.

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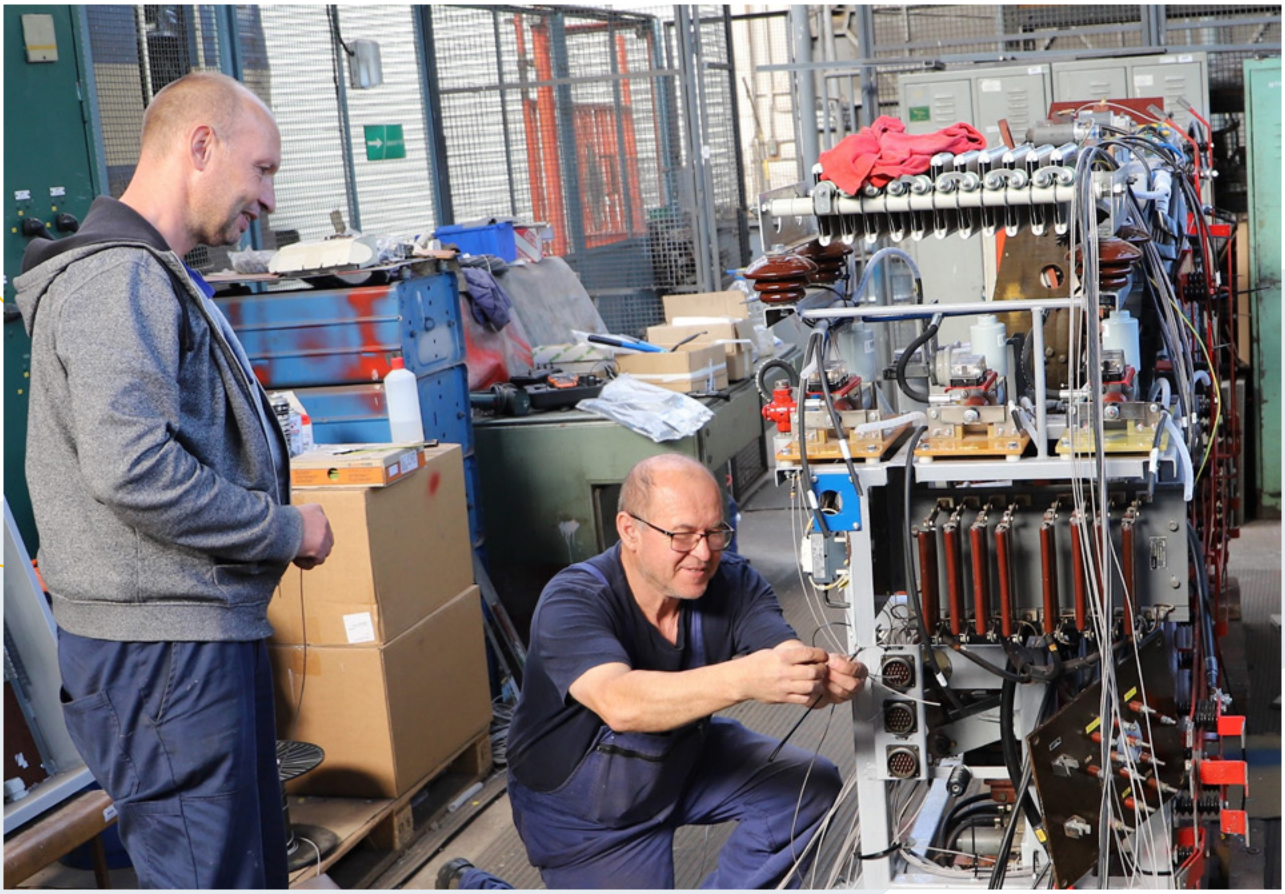
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2021

In thousands of EUR	Share capital	Legal reserve fund	Other funds	Accumulated losses (Note 19)	Total
At 1 January 2020	**401,646**	**73**	**1,228**	**(273,128)**	**129,819**
Loss for the period	-	-	-	(29,817)	(29,817)
Other comprehensive income	-	-	-	144	144
Total comprehensive income	-	-	-	(29,672)	(29,672)
Legal reserve fund	-	-	-	-	-
Other changes	-	-	-	67	67
At 31 December 2020	**401,646**	**73**	**1,228**	**(302,733)**	**100,214**
Profit for the period	-	-	-	6,189	6,189
Other comprehensive income	-	-	-	-	-
Total comprehensive income	-	-	-	6,189	6,189
Legal reserve fund	-	-	-	-	-
Other changes	-	-	-	(16)	(16)
At 31 December 2021	**401,646**	**73**	**1,228**	**(296,560)**	**106,387**

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 26 April 2022.



CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2021

In thousands of EUR	Note	31 December 2021	31 December 2020
Cash flows from operating activities			
Profit (Loss) before tax		6,643	(29,705)
Adjustments for:			
Non-cash items			
Depreciation, amortisation and impairment of property, plant and equipment and intangible assets	12, 13	77,218	75,063
Gain on sale of property, plant and equipment	7	(996)	(952)
Allowance of receivables and inventories	16, 17	(704)	(201)
Interest expense	8	4,316	4,115
Interest income and shares of profits		(583)	(610)
Share of the profit of the joint ventures		(2,170)	(3,207)
Out - of - court settlement of a legal dispute		(5,500)	-
Movements in provisions and employee benefits		(7,676)	(821)
		70,548	**43,682**
Working capital adjustments			
Decrease in inventories		272	(543)
Decrease (Increase) in trade and other receivables		8,746	(2,437)
Increase (Decrease) in trade and other payables		(615)	(6,692)
Cash flows from operating activities		**78,951**	**34,009**
Income tax paid	11	(128)	(112)
Net cash flows from operating activities		**78,823**	**33,898**
Cash flows from investing activities			
Purchase of property, plant and equipment	12, 13	(14,230)	(14,049)
Repayment of a loan from a related entity including interest	17	13,926	-
Proceeds from sale of property, plant and equipment		3,222	3,998
Dividends received	15	2,330	800
Net cash flows from investing activities		**5,248**	**(9,251)**
Cash flows from financing activities			
Proceeds from loans and borrowings	20	8,200	32,800
Repayment of loans and borrowings	20	(65,209)	(11,397)
Interest paid		(1,193)	(1,217)
Proceeds from lease liabilities	24	2,211	1,600
Payments of finance lease liabilities	24	(49,099)	(51,547)
Net cash flows from financing activities		**(105,090)**	**(29,761)**
Net (decrease) increase in cash and cash equivalents		**(21,019)**	**(5,114)**
Cash and cash equivalents at 1 January	**18**	**(38,049)**	**(32,935)**
Cash and cash equivalents at 31 December	**18**	**(59,068)**	**(38,049)**

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 26 April 2022.

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.

As of 31 December 2021, ZSSK CARGO provided consolidated financial statements as a consolidated entity until higher consolidation to the MTC with its registered office at Námestie slobody 6, 810 05 Bratislava. The highest entity that consolidates ZSSK CARGO as of 31 December 2021 is the Ministry of Finance of the Slovak Republic. The Company is not an unlimited liability partner in any other company.

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

Principal activities

ZSSK CARGO's main business is the provision of freight transportation and related services. Additionally, the 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 26 April 2022. The General Assembly held on 15 July 2021 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 2021 to 31 December 2021. 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 loss of EUR 6,189 thousand for the year and total accumulated loss of EUR 296,560 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. In 2021, a lease agreement was signed with Cargo Wagon, a. s. to adjust the number and extend the lease of railway wagons until 2029 under favourable conditions compared to the original contract.

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

The successful future rail freight transport consolidation, with the goal being the achievement of balanced results in the mid-term while continuing to implement internal measures, which should increase the productivity and effectivity of internal processes, considering the decreasing transports and fiercer competition will depend on additional supporting measures and a new regulatory framework for rail freight transporters and the fee set for the usage of rail infrastructure after the year 2021. In 2022 with outlook for 2023-2024 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 Company has adopted the following amendments to IFRS during the accounting period:

- IFRS 16 Leases - Covid 19 Related Rent Concessions (Amendment).
- IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 (Amendments) - Interest Rate Benchmark Reform – Phase 2.

Application of these amendments to standards did not have any impact on the financial statements of the Company.

At the date of authorization of these financial statements, the following new and amended Standards were in issue but not yet effective:

- Amendment to IFRS 10 and IAS 28 - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (issued on 11 September 2014 and effective for annual periods beginning on the date, which will be set by IASB). The amendments have not yet been endorsed by the EU.
- Amendment to IAS 1 - Presentation of Financial Statements: Classification of Liabilities as Current or Non-current (issued on 23 January 2020 and effective for annual periods beginning on or after 1 January 2023). This amendment has not yet been endorsed by the EU.
- IFRS 16 Leases - Covid 19 Related Rent Con-

cessions beyond 30 June 2021 (Amendment). Amendment is effective retrospectively for annual periods beginning on or after 1 April 2021.

- IAS 1 Presentation of Financial Statements – Amendment related to Disclosure of Accounting policies (effective for annual periods beginning on or after 1 January 2023). This amendment has not yet been endorsed by the EU.
- IAS 8 Accounting policies, Changes in Accounting Estimates and Errors – Amendment related to Definition of Accounting Estimates (effective for annual periods beginning on or after 1 January 2023). This amendment has not yet been endorsed by the EU.
- IAS 12 Income taxes – Amendment related to Deferred Tax related to Assets and Liabilities arising from a Single Transaction (effective for annual periods beginning on or after 1 January 2023). This amendment has not yet been endorsed by the EU.
- IFRS 3 Business Combinations - Amendments updating a reference to the Conceptual Framework (effective for annual periods beginning on or after 1 January 2022).
- IAS 16 Property, Plant and Equipment - Amendments prohibiting a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use (effective for annual periods beginning on or after 1 January 2022)
- IAS 37 Provisions, Contingent Liabilities and Contingent Assets - Amendments regarding the costs to include when assessing whether a contract is onerous (effective for annual periods beginning on or after 1 January 2022).
- Annual Improvements 2018 - 2020 (effective for annual periods beginning on or after 1 January 2022).

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.

A global pandemic caused by COVID-19

The COVID-19 pandemic affected the functioning of many companies and countries, including Slovakia, which had a global impact on the global economy and disrupted many economic chains. The virus has exposed the Group, its employees, customers and business partners to potential health and operational risks. The Group's management has considered the impact of COVID-19 and the ongoing coronary crisis as a result of which the Group has seen a significant decline in transports. Management will continue to monitor potential impacts and take all possible steps to mitigate any adverse effects on the Group and its employees.

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 2021 and 2020, 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; or
- 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, and
- A hybrid (combined) instrument is not measured at fair value with changes in fair value reported in current period net profit.

Hedging

Hedge accounting 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 2021 and 2020, 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 2021	31 December 2020
Inland transport:		
Transport of goods	29,506	26,155
Wagon deposition	11,447	7,408
Haulage fees	1,038	943
	41,991	**34,506**
International transport:		
Import	99,957	84,437
Export	93,752	80,704
Transit	7,916	7,957
	201,625	**173,098**
Other transport related revenues:		
Usage of wagons under RIV, PGV and AVV regimes	7,318	8,294
Wagon rentals	5,055	5,864
Cross-border services	2,550	2,727
Other	2,689	2,590
	17,612	**19,475**
	261,228	**227,079**

4. OTHER REVENUES

In thousands of EUR	31 December 2021	31 December 2020
Repairs and maintenance	5,877	6,437
Operational performance	1,423	1,296
Property rentals	6,922	5,305
Other	3,626	5,153
	17,848	**18,191**

5. CONSUMABLES AND SERVICES

In thousands of EUR	31 December 2021	31 December 2020
Traction electricity	(24,715)	(22,257)
Foreign segments	(16,563)	(16,920)
Network fees	(11,652)	(11,614)
Third party transhipment services	(10,337)	(8,554)
Materials	(8,735)	(7,424)
Traction crude oil	(8,371)	(7,433)
Repair and maintenance	(7,041)	(3,824)
IT services and telecommunication charges	(6,311)	(6,240)
Cross-border services	(4,161)	(3,899)
Other energy costs	(3,367)	(3,484)
Rentals	(1,194)	(1,422)
Travelling and entertainment	(1,004)	(970)
Security services	(949)	(1,160)
Wagon rentals	(904)	(411)
Cleaning of cars, property, waste disposal	(701)	(766)
Advisory and consultancy fees	(562)	(3,856)
Medical care	(233)	(221)
Training	(209)	(150)
Other	(2,911)	(1,029)
	(109,920)	**(101,634)**

Consumables and services include amounts charged by ŽSR of EUR 41,400 thousand (2020: EUR 38,744 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).

Significant year-on-year increase was achieved by costs for provided consultancy and advisory services. AK Relevans invoiced the share fee after the successful conclusion of the dispute with the applicant member STATELY INVESTMENTS LLC, Delaware USA, against ZSSK and ZSSK CARGO for the payment of the amount of EUR 51,752 thousand with accessories in the amount of EUR 3,331 thousand. The Company was involved in contingent liabilities and, in view of the development of litigation in recent years, did not disclose this litigation in the Notes to the Financial Statements.

6. STAFF COSTS

In thousands of EUR	31 December 2021	31 December 2020
Wages and salaries	(60,924)	(65,370)
Social security costs	(25,173)	(28,695)
Employee benefits (Note 21)	304	410
Termination payments (Note 22)	(1,833)	(3,116)
	(87,626)	**(96,771)**

Number of employees at 31 December 2021 was 4,373 (2020: 4,753), thereof five were members of management (as members of the Board of Directors or directors of individual departments). Average number of employees as at 31 December 2021 were 4,466 (2020: 5,081).

The average salary in 2021 amounted to EUR 1,195 (2020: EUR 1,069).

7. OTHER OPERATING REVENUES (EXPENSES), NET

In thousands of EUR	31 December 2021	31 December 2020
Provision for environmental matters (Note 22)	-	1,971
Profit on sale of property, plant, equipment and inventories	2,073	1,437
Release (Creation) of allowance for doubtful debts	262	(137)
Provision for future obligations (Note 22)	-	(757)
Insurance of assets	(963)	(966)
Provision for legal cases and other provisions (Note 22)	5,394	(1,170)
Depreciation of uncollectible receivables	(2,382)	-
Other	(378)	(634)
	4,006	**(256)**

8. INTEREST EXPENSE

In thousands of EUR	31 December 2021	31 December 2020
Interest on loans and borrowings	(1,158)	(1,147)
Interest charges on lease liabilities	(24)	(16)
Unwinding of discount on provisions and employee benefits (Note 21)	(104)	(182)
Interest expense on the right to use the asset	(3,019)	(2,716)
Other	(11)	(54)
	(4,316)	**(4,115)**

9. OTHER FINANCE REVENUES (COSTS), NET

In thousands of EUR	31 December 2021	31 December 2020
Foreign exchange gains (losses), net	(23)	6
Other revenues (costs), net	557	564
	534	**570**

10. OTHER NON-CURRENT ASSETS

In thousands of EUR	31 December 2021	31 December 2020
Advanced payments	-	-
Accrued expenses	26	51
	26	**51**

11. INCOME TAX

The reported income tax represents a withholding tax paid abroad in the amount of EUR 128 thousand (2020: EUR 112 thousand) and special business tax of EUR 326 thousand (2020: EUR 0 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 2021	31 December 2020
Profit (Loss) before tax	6,643	(29,672)
Tax charge at statutory tax rate of 21% (2020: 21%)	1,395	(6,231)
Tax paid abroad and tax license	(128)	(112)
Forfeit tax loss carry forwards	47	317
Unrecognized deferred tax asset (incl. impact of change in tax rate)	336	10,973
Non-deductible expenses	(1,778)	(5,059)
Specific business tax	(326)	-
Total income tax	**(454)**	**(112)**

Deferred tax assets and liabilities are related to the following (for the year ended 31 December 2021 an income tax rate of 21% applicable in future accounting period was used, for the year ended 31 December 2020: 21%):

In thousands of EUR	31 December 2021	31 December 2020
Deferred tax assets		
Tax loss carried forward	3,385	3,755
Provision for environmental matters	3,664	3,700
Provision for employee benefits	2,666	2,796
Allowance for trade and other receivables	639	820
Allowance for inventories	138	105
Provision for legal cases	1,554	3,781
Termination payments	441	637
Customer bonuses	731	494
Other overdue liabilities (over 3 years)	7	8
Property, plant and equipment and intangible assets	13,356	9,943
Other	3,887	4,092
	30,468	**30,130**
Deferred tax liabilities		
Deferred tax on the revaluation of a investment in a joint venture	-	-
Other	(32)	(30)
	(32)	**(30)**
Valuation allowance	**(30,436)**	**(30,100)**
Net deferred tax assets (liabilities)	**-**	**-**

A valuation allowance of EUR 30,436 thousand (2020: EUR 30,100 thousand) has been recognised for temporary deductible differences due to uncertainty as to the realization of tax benefits in future years. The Group will continue to assess the valuation allowance and, to the extent it is determined that such allowance is no longer required, the tax benefits of the remaining deferred tax assets will be recognised at that time.

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

The Group reported a tax base of EUR 1,181 thousand in 2021 and amortized part of the loss reported in 2019.

12. INTANGIBLE ASSETS

In thousands of EUR	Software	Assets under construction	Total
Acquisition cost			
At 1 January 2021	**40,254**	**89**	**40,343**
Additions	-	555	555
Disposals	(3,447)	-	(3,447)
Transfers	561	(561)	-
At 31 December 2021	**37,368**	**83**	**37,451**
Accumulated amortization			
At 1 January 2021	**(30,038)**	**-**	**(30,038)**
Charge for the period	(2,260)	-	(2,260)
Disposals	3,447	-	3,447
At 31 December 2021	**(28,851)**	**-**	**(28,851)**
Net book value at 31 December 2021	**8,517**	**83**	**8,600**

In thousands of EUR	Software	Assets under construction	Total
Acquisition cost			
At 1 January 2020	**38,568**	**160**	**38,728**
Additions	-	1,640	1,640
Disposals	(24)	-	(24)
Transfers	1,711	(1,711)	-
At 31 December 2020	**40,254**	**89**	**40,343**
Accumulated amortization			
At 1 January 2020	**(27,778)**	**-**	**(27,778)**
Charge for the period	(2,285)	-	(2,285)
Disposals	24	-	24
At 31 December 2020	**(30,038)**	**-**	**(30,038)**
Net book value at 31 December 2020	**10,216**	**89**	**10,305**

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 2021	**75,480**	**468,867**	**3,706**	**548,053**
Additions	-	125	13,550	13,675
Disposals	(43)	(14,769)	-	(14,812)
Transfers	1,796	10,154	(11,950)	-
At 31 December 2021	**77,234**	**464,377**	**5,306**	**546,917**
Accumulated depreciation				
At 1 January 2021	**(31,859)**	**(305,639)**	**(534)**	**(338,031)**
Additions	(1,742)	(23,776)	-	(25,518)
Disposals	17	12,498	-	12,515
Impairment loss	(339)	(2,768)	-	(3,107)
Transfers	,	(72)	-	(72)
At 31 December 2021	**(33,923)**	**(319,757)**	**(534)**	**(354,214)**
Net book value at 31 December 2021	**43,311**	**144,620**	**4,772**	**192,703**

In thousands of EUR	Land and buildings	Machines, equipment, other assets	Assets under construction	Total
Acquisition cost				
At 1 January 2020	**75,000**	**451,994**	**6,071**	**533,065**
Additions	-	-	12,409	12,409
Disposals	(1,054)	(15,206)	-	(16,259)
Transfers	1,534	13,240	(14,774)	-
Other transfers	-	18,839	-	18,839
At 31 December 2020	**75,480**	**468,867**	**3,706**	**548,053**
Accumulated depreciation				
At 1 January 2020	**(31,554)**	**(289,007)**	**(534)**	**(321,095)**
Additions	(1,710)	(24,499)	-	(26,208)
Disposals	1,051	15,063	-	16,114
Impairment loss	354	(1,120)	-	(766)
Other transfers	-	(6,076)	-	(6,076)
At 31 December 2020	**(31,859)**	**(305,639)**	**(534)**	**(338,031)**
Net book value at 31 December 2020	**43,621**	**163,228**	**3,172**	**210,021**

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 2021.

The impairment test required by IAS 36 was performed by management of the Group as at 31 December 2021. 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 2022 business plan updated to the latest available information at the balance sheet date and on forecasts of future periods based on best estimates using all available information. The future cash flows were estimated for the next 10 years which is an average remaining useful life of the cash generating unit ‘s assets. The cash flows include unavoidable investment expenditures required to maintain the ability of the cash generating unit to generate revenues and proceeds from scrap value at the end of the useful life. Discount rate of 7.04% used in the calculation was determined based on interest rates for incremental financing of fixed assets purchases by the Group as at the day of preparation of financial statements and was adjusted for factors of time, risk and liquidity.

As a result of the procedures described above, the Group has increased an impairment loss by EUR 3,108 thousand (2020: increase in impairment loss by EUR 766 thousand) due to a higher usage of assets and an increase of cash inflows mainly from 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 653 thousand (EUR 653 thousand at 31 December 2020) and with a net book value of EUR 375 thousand (EUR 392 thousand at 31 December 2020) 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.

The gross carrying amount of any fully depreciated property, plant and equipment that is still in use, is EUR 20,500 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.

The following table shows the amount of the right to use the leased assets in the years ended 31 December 2021 and 2020:

In thousands of EUR	Land and buildings	Wagons	Locomotives	Others	Total
Net book value at 1 January 2021	**5,669**	**108,072**	**43,125**	**633**	**157,499**
Additions	16	-	2,211	98	2,326
Modifications	(44)	158,436	-	177	158,568
Disposals	(225)	-	-	(12)	(237)
Transfers	-	-	-	44	44
Depreciation	(1,835)	(39,579)	(5,597)	(336)	(47,347)
Impairment loss (net)	-	1,014	-	-	1,014
Net book value at 31 December 2021	**3,581**	**227,942**	**39,739**	**604**	**271,866**

In thousands of EUR	Land and buildings	Wagons	Locomotives	Others	Total
Net book value at 1 January 2020	**5,721**	**148,797**	**47, 639**	**772**	**202,929**
Additions	1,865	23,087	4,073	375	29,400
Disposals	(115)	(13,106)	(3,044)	-	(16,265)
Other transfers	-	(12,689)	-	(73)	(12,762)
Depreciation	(1,802)	(39,040)	(5,543)	(441)	(46,826)
Impairment loss (net)	-	1,023	-	-	1,023
Net book value at 31 December 2020	**5,669**	**108,072**	**43,125**	**633**	**157,499**

One of the contracts contain an extension option, which grants additional 4 years of lease term, with specified conditions. Lessor does not have such option. Since the Group cannot estimate future use of the option, the extended lease term beyond December 2029 is not included in Right-of-use asset. The option maturity date is 2 years prior to the end of lease period, i.e. December 2027. The Group has estimated that the full usage of option would result in additional liability from lease of EUR 40.42 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 2021 are as follows:

Corporate name	Registration country	Ownership 2021	Carrying amount of investmenr	Equity 2021	Profit/Loss 2021
Investment in joint venture and associate					
BULK TRANSSHIPMENT SLOVAKIA, a. s.	Slovak Republic	40%	6,660	34,417	1,130
Cargo Wagon, a.s.	Slovak Republic	34%	3,403	46,871	10,684
Total investments			**10,063**		
Investments in subsidiary					
ZSSK CARGO Intermodal, a.s.	Slovak Republic	100%	27.5	21	(0.5)

BULK TRANSSHIPMENT SLOVAKIA, a. s. paid dividends to Group in the total amount EUR 800 thousand during January 2021.

Cargo Wagon, a. s. paid dividends to Group in the total amount EUR 1,530 thousand during December 2021.

Subsidiary ZSSK CARGO Intermodal, a. s. has no activity as at 31 December 2021.

Details of the Group's joint venture, associate and subsidiary at 31 December 2020 are as follows:

Corporate name	Registration country	Ownership 2020	Carrying amount of investmenr	Equity 2020	Profit/Loss 2020
Investment in joint venture and associate					
BULK TRANSSHIPMENT SLOVAKIA, a. s.	Slovak Republic	40%	6,660	35,317	1,901
Cargo Wagon, a.s.	Slovak Republic	34%	3,403	45,776	7,196
Total investments			**10,063**		
Investments in subsidiary					
ZSSK CARGO Intermodal, a.s.	Slovak Republic	100%	27.5	21	(0.5)

BULK TRANSSHIPMENT SLOVAKIA, a. s. paid dividends to Group in the total amount EUR 800 thousand during January 2020.

The Group's share of assets and liabilities as at 31 December 2021 and 2020 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 2021	31 December 2020
Current assets	2,299	2,612
Non-current assets	15,129	15,829
Total assets	**17,428**	**18,441**
Current liabilities	1,314	1,212
Non-current liabilities	2,347	3,103
Total liabilities	**3,661**	**4,315**
Net assets	**13,767**	**14,127**

In thousands of EUR	31 December 2021	31 December 2020
Revenues	6,094	5,336
Costs	(5,497)	(4,433)
Profit before income tax	**597**	**903**
Income tax expense	(145)	(143)
Net profit (loss)	**452**	**760**

The Group's share of the assets and liabilities as at 31 December 2021 and 2020 and income and expenses for the years then ended of the Cargo Wagon, a. s. are as follows:

In thousands of EUR	31 December 2021	31 December 2020
Current assets	8,012	3,595
Non-current assets	36,418	43,824
Total assets	**44,430**	**47,419**
Current liabilities	7,043	8,342
Non-current liabilities	21,384	23,513
Total liabilities	**28,427**	**31,855**
Net assets	**16,003**	**15,564**

In thousands of EUR	31 December 2021	31 December 2020
Revenues	12,985	12,849
Costs	(10,633)	(9,712)
Profit before income tax	**2,353**	**3,137**
Income tax expense	(635)	(690)
Net profit (loss)	**1,717**	**2,447**

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 2021, the Company is dormant with no operation.

16. INVENTORIES

In thousands of EUR	At cost 2021	At lower of cost or net realizable value 2021	At cost 2020	At lower of cost or net realizable value 2020
Machine and metal-working materials	4,521	4,232	4,302	4,091
Electrical materials	1,958	1,611	2,024	1,755
Chemicals and rubber	845	836	1,521	1,514
Diesel fuel	734	734	548	548
Protective tools	187	186	232	231
Other	395	385	285	275
Total	**8,640**	**7,983**	**8,912**	**8,413**

The Group expects to use up stocks amounted to EUR 20,192 thousand (2020: EUR 16,109 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 2021	31 December 2020
Domestic trade receivables	36,566	39,134
Foreign trade receivables	9,236	12,165
VAT receivables	605	1,486
Other receivables	1,514	3,857
Allowance for impaired trade and other receivables	(3,044)	(3,906)
	44,877	**52,736**

At 31 December 2021 overdue receivables amounted to EUR 3,162 thousand (EUR 8,238 thousand at 31 December 2020).

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. Following changes in joint venture's financing by the banks, the full loan, including interest, was repaid in December 2021.

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
2021	**44,877**	44,441	436	-	-	-	-
2020	**52,736**	49,703	3,033	-	-	-	-

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 2021	31 December 2020
Cash at banks and on hand and cash equivalents	62	60
Bank overdrafts	(59,130)	(38,109)
	(59,068)	**(38,049)**

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 2021		31 December 2020	
	Overdraft limit	Drawn down	Overdraft limit	Drawn down
Tatra banka, a. s.	35,000	28,465	25,000	1,031
Všeobecná úverová banka, a. s.	22,500	13,894	25,000	832
ING Bank N.V., pob. zahr. banky	20,000	8,895	20,000	18,603
Slovenská sporiteľňa, a. s.	15,000	3,010	15,000	11,063
Citibank Europe plc, pob. zahr. banky	15,000	3,004	15,000	5,483
Československá obchodná banka, a. s.	10,000	1,862	10,000	1,096
	117,500	**59,130**	**110,000**	**38,109**

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.

Settlement of loss from previous accounting period

The settlement of the 2020 statutory result was approved by the Group's General Meeting on 15 July 2021 and was booked to accumulated losses.

20. INTEREST-BEARING LOANS AND BORROWINGS

In thousands of EUR	Maturity date	31 December 2021	31 December 2020
Long-term loans			
Secured			
Slovenská sporiteľňa, a. s.	31 December 2024	16,500	22,500
Všeobecná úverová banka, a. s.	31 July 2026	7,790	-
Unsecured			
Československá obchodná banka, a. s.	31 March 2027	2,625	3,125
UniCredit Bank Czech Republic and Slovakia, a. s., pob. zahr. banky	31 March 2021	-	299
Total		**26,915**	**25,924**
Short-term portion of loans		**10,890**	**6,799**
Long-term portion of loans		**16,025**	**19,125**
Short-term loans			
Secured			
Všeobecná úverová banka, a. s.	28 February 2022	-	22,500
Citibank Europe plc., pob. zahr. banky	31 March 2022	-	5,000
Unsecured			
Československá obchodná banka, a. s.	30 June 2022	-	8,000
Tatra banka, a. s.	31 March 2022	-	22,500
Short-term loans		**-**	**58,000**
Short-term portion of loans (see above)		**10,890**	**6,799**
Overdrafts (Note 18)		**59,130**	**38,109**
Short-term portion of loans		**70,020**	**102,908**
Total		**86,045**	**122,033**

All loans presented in the table above are secured by promissory notes with a value of EUR 53,091 thousand (EUR 95,087 thousand at 31 December 2020), and with a nominal value of EUR 114,020 thousand (EUR 116,000 thousand as of 31 December 2020) 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).

The long-term loan provided by Všeobecná úverová banka, a. s. is secured by a promissory note (EUR 9,020 thousand) as well as by a lien on 10 locomotives.

At 31 December 2021, the Group has no obligation to comply with any financial covenants.

The fair value of interest-bearing loans and borrowings amounts to EUR 86,045 thousand (EUR 122,033 thousand at 31 December 2020).

All interest-bearing loans and borrowings bear floating interest which range from 0.750% p. a. to 1.500% p. a. (0.750% p. a. to 1.500% p. a. in 2020).

21. EMPLOYEE BENEFITS

In thousands of EUR	Retirement benefits	Jubilee payments	Disability benefits	Total
At 1 January 2021	**10,925**	**2,381**	**9**	**13,315**
Current service cost	411	71	-	**482**
Interest expense	85	19	-	**104**
Actuarial gains and losses	(566)	(71)	(7)	**(644)**
Utilization of benefits	(267)	(297)	-	**(564)**
At 31 December 2021	**10,588**	**2,103**	**2**	**12,693**
Current 31 December 2021	515	313	-	**828**
Non-current 31 December 2021	10,073	1,790	2	**11,865**
At 31 December 2021	**10,588**	**2,103**	**2**	**12,693**

In thousands of EUR	Retirement benefits	Jubilee payments	Disability benefits	Total
At 1 January 2020	**11,987**	**2,554**	**29**	**14,570**
Current service cost	425	92	-	**517**
Interest expense	131	28	-	**159**
Actuarial gains and losses	(836)	32	(15)	**(819)**
Utilization of benefits	(782)	(325)	(5)	**(1,112)**
At 31 December 2020	**10,925**	**2,381**	**9**	**13,315**
Current 31 December 2020	332	288	2	**622**
Non-current 31 December 2020	10,593	2,093	7	**12,693**
At 31 December 2020	**10,925**	**2,381**	**9**	**13,315**

The principal actuarial assumptions used were as follows:

	2021	2020
Discount rate (% p. a.)	1.13	0.78
Future salary increases (%)	2.50	2.50
Mortality probability (male) (%)	0.04 – 2.46	0.04 – 2.46
Mortality probability (female) (%)	0.02 – 1.00	0.02 – 1.00

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 2021	Discount rate (1.00%)	Average income (1.00%)	Mortality (-10.00%)
Net liability from employee benefits	12,693	(1,005)	376	119

In thousands of EUR	31 December 2020	Discount rate (1.00%)	Average income (1.00%)	Mortality (-10.00%)
Net liability from employee benefits	13,315	(1,148)	413	133

22. PROVISIONS

In thousands of EUR	Environmental	Legal	Terminations	Other	Total
At 1 January 2021	**17,618**	**18,007**	**3,032**	**756**	**39,413**
Additions	-	3,010	2,099	-	5,109
Reversals	-	(8,403)	(897)	(744)	(10,044)
Utilization	(168)	(5,212)	(2,135)	-	(7,515)
At 31 December 2021	**17,450**	**7,402**	**2,099**	**12**	**26,963**
Current 31 December 2021	371	-	2,099	12	2,482
Non-current 31 December 2021	17,079	7,402	-	-	24,481
At 31 December 2021	**17,450**	**7,402**	**2,099**	**12**	**26,963**

In thousands of EUR	Environmental	Legal	Terminations	Other	Total
At 1 January 2020	**19,759**	**16,869**	**2,168**	**-**	**38,796**
Additions	-	1,224	3,032	756	5,012
Reversals	(1,970)	(55)	-	-	(2,025)
Utilization	(171)	(31)	(2,168)	-	(2,370)
At 31 December 2020	**17,618**	**18,007**	**3,032**	**756**	**39,413**
Current 31 December 2020	303	-	3,032	756	4,091
Non-current 31 December 2020	17,315	18,007	-	-	35,322
At 31 December 2020	**17,618**	**18,007**	**3,032**	**756**	**39,413**

Environmental matters

In 2021, the Group updated its analysis of potential breaches of environmental regulations at its various sites, with the support of an environment specialist, Centrum environmentálnych služieb, s.r.o. As a result of this analysis, and based on the findings of Centrum environmentálnych služieb, s.r.o., the Group has estimated that costs of EUR 17,450 thousand (EUR 17,618 thousand at 31 December 2020) 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 1.50 % p. a. was used in the calculation.

Legal claims

Provisions for legal claims relate to a number of claims. In 2021, the Group entered into an out-of-court agreement in a dispute over the amount of rent for the Drieňová 24 office building in Bratislava with companies REFIN B.A., s.r.o., REFIN Development, s.r.o. and REFIN S.P., s.r.o. The Group released the provision created in previous periods for this dispute in the amount of EUR 8,156 thousand including accessories.

The Board of the Antimonopoly Office of the Slovak Republic confirmed the first-instance decision of the Antimonopoly Office of the Slovak Republic, which was the imposed fine to the Group in the amount of EUR 2,991 thousand for abusing a dominant position in the market for the sale and rental of electric locomotives. The fine imposed was confirmed by a decision of Krajský súd Bratislava (Regional Court Bratislava) against the Group.

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

In thousands of EUR	31 December 2021	31 December 2020
Domestic trade payables	27,358	24,229
Foreign trade payables	4,200	4,474
Payables due to employees	8,956	9,417
Payables due to social institutions	5,032	4,850
Other payables	5,676	5,275
	51,222	**48,245**

At 31 December 2021 overdue trade payables amounted to EUR 1,116 thousand (EUR 918 thousand at 31 December 2020). 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	2021	2020
At 1 January	**118**	**68**
Additions	580	559
Utilization	507	509
At 31 December	**191**	**118**

24. COMMITMENTS AND CONTINGENCIES

Finance lease commitments

At 31 December 2021 the Group has finance lease commitments relating to the acquisition 8 powered vehicles and 4 freight road vehicles (4 powered vehicles and 4 freight road vehicles at 31 December 2020), which were previously reported as finance leases. As at 31 December 2021, 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 2021	31 December 2020
Within one year	41,921	46,564
From one to five years	137,906	90,710
Over five years	92,343	21,546
Present value of lease payments	**272,170**	**158,820**

In valuing lease liabilities that were previously classified as operating leases, the Group used an incremental interest rate to discount. The weighted interest rate used was 1.53% as at 31 December 2021.

Note 26 summarizes the lease liabilities based on contractual undiscounted payments (according to repayment schedules) when summarizing the maturity of financial liabilities as at 31 December 2021.

Investing commitments

The Group's investment expenditure for the period from 1 January 2022 to 31 December 2022 (1 January 2021 to 31 December 2021) is as follows:

In thousands of EUR	31 December 2021	31 December 2020
Land and buildings	425	38
Machines, equipment and other assets	1,419	126
	1,844	**164**

Expenditures of EUR 1,844 thousand (EUR 164 thousand at 31 December 2020) are committed under contractual arrangements.

25. RELATED PARTY DISCLOSURES

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

The following tables provide the total amount of transactions which have been entered into with related parties for the years ended 31 December 2021 and 2020:

In thousands of EUR	31 December 2021			
Related party	Sales to related parties	Purchases from related parties	Amounts owed by related parties	Amounts owed to related parties
ŽSR	582	41,400	26	3,238
ZSSK	11,783	2,417	792	365
Slovenský plynárenský priemysel	-	1,034	-	258
Cargo Wagon, a. s. (joint venture)	2,298	35,684	35	3,541
BTS (associate)	2,144	10,918	190	2,705
Other related parties	958	589	35	4

In thousands of EUR	31 December 2020			
Related party	Sales to related parties	Purchases from related parties	Amounts owed by related parties	Amounts owed to related parties
ŽSR	417	38,744	23	3,486
ZSSK	11,599	2,238	1,011	367
Slovenský plynárenský priemysel	-	1,088	-	252
Cargo Wagon, a. s. (joint venture)	766	34,170	13,375	3,411
BTS (associate)	2,030	8,900	177	1,940
Other related parties	609	630	74	21

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 2021 and 2020 are as follows:

Board of Directors:	Ing. Roman Gono, chairman of the Board (since 24 April 2020)
	Ing. Jaroslav Daniška, vice-chairman (since 7 April 2021)
	Ing. Ľubomír Kuťka, member (since7 April 2021)
	Ing. Miroslav Hopta, vice-chairman (since 30 May 2016 till 8 October 2020)
	Ing. Róbert Nemčík, PhD., member (since 8 July 2016 till 15 July 2020)
	Ing. Martin Vozár, MBA, chairman of the Board and general director (since 7 July 2016 till 23 April 2020)
Supervisory Board:	Ing. Ján Lupták, Chairman of the Board (since 12 October 2017)
	Peter Pikna, member (since 1 January 2020)
	Jozef Róbert Šmigalla, member (since 1 January 2020)
	Mgr. Lukáš Parízek, member (since 4 February 2021)
	Ing. Ivan Gránsky, member (since 13 July 2016 till 13 July 2021)

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

The Board of Directors' total remuneration approximated EUR 40 thousand (EUR 44 thousand in 2020). The total remuneration of members of the Supervisory Board amounted to EUR 31 thousand (EUR 21 thousand in 2020).

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 2021	31 December 2020
EURIBOR (+0.5%)	-	-
EURIBOR (-0.5%)	-	-

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 2021 and 2020 consist of the following:

In thousands of EUR	31 December 2021	31 December 2020
Long-term loan facilities available	16,400	-
Short-term loan facilities available	56,413	11,932
Total loan facilities available	**72,813**	**11,932**

As at 31 December 2021 and at 31 December 2020 the Group did not have any banks guarantee.

The table below summarises the maturity profile of the Company's financial liabilities at 31 December 2021 based on contractual undiscounted payments:

In thousands of EUR	On demand	Less than 3 months	From 3 to 12 months	From 1 to 5 years	Over 5 years	Total
Long-term loans	-	-	-	15,900	125	16,025
Trade and other payables	116	51,078	28	-	-	51,222
Obligations under leases	-	10,491	31,430	137,906	92,343	272,170
Short-term loans	-	47,209	22,811	-	-	70,020
	116	**108,778**	**54,269**	**153,806**	**92,468**	**409,437**

The table below summarises the maturity profile of the Group's financial liabilities at 31 December 2020 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	-	-	-	18,500	625	19,125
Trade and other payables	918	45,907	1,420	-	-	48,245
Obligations under leases	-	12,080	36,786	94,444	22,243	165,553
Short-term loans	-	12,408	90,500	-	-	102,908
	918	**70,395**	**128,706**	**112,944**	**22,868**	**335,831**

Credit risk

The Group provides a variety of customers with products and services, none of whom, based on volume and creditworthiness, present a significant credit risk, individually or in aggregate. The Group has three major customers: U. S. Steel Košice s. r. o., BUDAMAR LOGISTICS, a. s. and Railtrans International, a. s. (BUDAMAR LOGISTICS, a. s., U. S. Steel Košice, s. r. o. and Railtrans International, a. s. in 2020), sales to which represent 59 % of transport and related revenues (54 % in 2020), 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 2021 and 31 December 2020.

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 2021	31 December 2020
Long-term debt, net of current portion (excluding subordinated debt and lease obligations)	16,025	19,125
Short-term debt, including current portion of long-term debt (excluding finance lease obligations)	70,020	102,908
Debt	**86,045**	**122,033**
Equity	**106,387**	**100,214**
Debt to equity ratio (%)	**81%**	**122%**

27. EVENTS AFTER THE BALANCE SHEET DATE

No events occurred subsequent to 31 December 2021 that might have a material effect on the fair presentation of the matters disclosed in these financial statements except for the following:

- On February 24, 2022, a war conflict began between the Russian Federation and Ukraine. The Group has a significant portion of revenues generated from commodity shipments from Ukraine and the Russian Federation. Until the date of approval of the financial statements, the war conflict did not significantly affect the level of generated revenues and the Group's operations in 2022. The Group's management perceives the uncertainty associated with the ongoing war. Due to the relatively short time since the beginning of the conflict, the Group is unable to estimate any negative impacts. The magnitude of the possible impacts will depend primarily on the duration of the conflict, damage to infrastructure in war zones and changes in the behaviour of key customers in relation to the transports carried out. Any negative impact or loss will be included by the entity in the accounting and financial statements in 2022.

Approved by Ing. Roman Gono and Ing. Ľubomír Kuťka on behalf of the Board of Directors on 26 April 2022.

Authors of photos in the annual report:

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