ZSSK CARGO

Annual Report 2022

Železničná spoločnosť Cargo Slovakia, a.s.

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FOREWORD BY THE CHAIRMAN OF THE BOARD OF DIRECTORS

The year 2022 was a challenging year in many ways. Despite the unfavourable circumstances, it was closed with a positive economic result, and therefore we can regard it as satisfactory. While the impacts of the pandemic measures were still reverberating during the first weeks, the next weeks indicated that better times were dawning for the transport of goods, and there were also intense discussions about greater support for the railways from the state. Unfortunately, the war in Ukraine reversed these assumptions and brought about unforeseen changes in traffic flows and in the flows of goods, a huge increase in energy prices, uncertainty, and the need for operative solutions. Despite all the aforementioned difficulties, global geopolitical developments and high inflation, we can express satisfaction with the year 2022.

Uncertainty after the outbreak of the war in the neighbouring country was already replaced by increased volumes of transport in the first half of the year. For the sake of prudence, many customers tried to stock up with raw materials, which caused an increase in transport volumes. There were also new shipments of agricultural products from Ukraine, which had been transported only minimally until then. Even though transport flows of raw materials from other sources increased, especially with the use of seaports, the total transport requirements of the metallurgical industry decreased. Throughout the year, we struggled with rising input prices, which were mainly the prices of materials, spare parts, diesel and many services. We had a valid contract for the supply of traction electricity for the whole year, so the increase in electricity exchange prices fortunately did not manifest itself in our company.

Due to uncertainty in shipments and rising interest, the capital expenditure plan was negatively affected, and some projects had to be put off. However, despite the difficulties, many investments were realised. I will mention, for example, the streamlining of transshipment operations in Čierna nad Tisou, the purchase of a new wheelset lathe, the modernisation locomotives of 742 series. In March 2022, the Board of Directors of ZSSK CARGO approved the project of spin-off of rolling stock maintenance and repairs, which is based on strategic documents approved in previous years and was approved by the Ministry of

Transport in November 2022. The goal of this change is the creation of a new subsidiary styled Depo Services, which will be more efficient, able to respond more flexibly to changes in the market in order to provide the best possible services to all customers, while ZSSK CARGO will be its 100% shareholder. The spin-off will also bring benefits to the parent company, especially improving the management of rolling stock maintenance and repair costs. The creation of separate repair services is the only way to maintain competitiveness against carriers both in Slovakia and abroad.

Last year, certain advancement was also made in strengthening the capacities of the locomotives fleet, while due to the change of the traction power supply system, we plan to further develop the fleet of electric traction Vectron locomotives.

ZSSK CARGO's transport volumes in 2022 were significantly affected by economic developments as a result of the war and the energy crisis. These factors caused a downturn in the consumer market, the limitation and even the complete interruption of the production of enterprises. As I have already mentioned, requirements for metallurgical shipments decreased; on the contrary, foodstuff shipments rose significantly. After the blockade and due to the limited possibilities of transporting especially cereals and oilseeds from the Black Sea ports, some of these shipments were shifted to rail. ZSSK CARGO also started implementing a new regime for the transport of oil products from Slovakia to Ukraine. Such redirecting of transport flows of metallurgical and agricultural goods placed increased demands on the use of the fleets of wagons, locomotives and human resources of all participating carriers, including the railway infrastructure capacity, ports and transshipment facilities. The energy crisis also adversely affected the transport volumes. A sharp increase in the costs of traction electricity and diesel was also reflected in the growth of costs of operations, purchase of materials, maintenance as well as human resources.

To recapitulate, Železničná spoločnosť Cargo Slovakia transported almost 28.9 million tonnes of goods in 2022, which is a decrease of 1.3 million tonnes compared to the plan. The largest decrease was seen in the commodities iron ore and chemical products, mainly due the interruption of primary aluminium production by Slovalco Žiar nad Hronom, the suspension of the production of the customer Duslo Šaľa, and the stoppage of methanol shipments. The largest increase was in the commodity foodstuffs, where the increase in goods transported was 767 thousand tonnes. This resulted from the transition of part of Ukrainian agricultural products from maritime to rail transport.

Lower transport volumes also mean lower transport revenues, but other revenues developed positively. I will mention not only rental income, revenues from siding services, but also last year's significant sale of property the wagon repair workshop in Žilina.

Despite all the unfavourable circumstances, we assess last year relatively positively. The non-fulfilment of the planned transport volume was offset by revenues attributable to changes in the commodity structure and transport flows. Thus, it was possible to maintain the revenue amount as planned, which had a positive effect on the overall economic results for 2022. ZSSK CARGO achieved a profit of 219 thousand euros, which can be considered a good result.

ZSSK CARGO operates on a liberalised market where fierce competition reigns. Market conditions bring challenges every day that only skilled and professionally competent employees can cope with. My ambition is to have as many satisfied customers and employees as possible. And that is why I am very glad that after collective negotiations with employee representatives, we managed to agree and sign a new collective agreement for two years at the end of 2022. We agreed to increase the basic wages by 150 euros for all employees with effect from 1 July 2023, and we also agreed on a one-time bonus and other benefits for all employees. Such a high increase in wages has not been agreed before and I believe that in these times these are well-spent funds.

I am also convinced that, just as we managed 2022, with the help of our employees, we will also cope with demanding challenges in the coming years, and ZSSK CARGO will be able to continue following the path to prosperity and efficiency, with an emphasis on high-quality services.

Roman GONO

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

LIST OF USED ABBREVIATIONS

AVV	General Contract for the Use of Wagons (Allgemeiner Vertrag für die Verwendung von Güterwagen)
BTS	BULK TRANSSHIPMENT SLOVAKIA, a. s.
CTT	Combined Transport Terminal
ECM	Entity in Charge of Maintenance
EIR	Effective Interest Rate
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
KPI	Key performance indicators
MPU	Motive Power Unit
MT	Ministry of Transport of the Slovak Republic
MTC	Ministry of Transport and Construction
PGV	Regulation on the 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)

UDVA	Auditing Oversight Authority (Úrad pre dohľad nad výkonom auditu)
UN	United Nations
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

- Adapting the business and work environment to the war conflict in Ukraine, from which there are significant volumes of transported goods flowing.
- In addition to the situation in Ukraine, the impacts and measures associated with the COVID-19 pandemic, which partially marked the year 2022, persisted especially at the beginning of the year. The "home office" mode was still used to a certain extent. It has become an accepted and full-fledged way of working in professions whose nature allows such distance work.
- Continuation of the intensive use of new IT tools (video meetings) with a positive impact on the reassessment of the voice services used and the number of business trips.
- Preparing a financial model for the concept of MPUs development and renewal until 2030 and preparation for obtaining funds for the MPUs of 742 series modernisation project in the amount of about EUR 40 million.
- Receipt of dividends from the companies with a minority shareholding – Cargo Wagon, a.s. and BULK TRANSSHIPMENT SLOVAKIA, a. s.
- Implementation of the project of creation and establishment of a subsidiary for rolling stock maintenance and repairs with the aim of achieving the separation of costs related to the servicing (maintenance and repairs) of wagons and locomotives and costs related to the carriage of goods and transport services and streamlining the repair process.
- Continued optimisation of the number of locomotives maintained in the ZSSK CARGO portfolio in an operable condition with respect to the realised shipments, which most affected the locomotives of 183, 742, 751 and 752 series.
- Completed reconstruction of electrical equipment and control system on the most commonly used MPUs of 363 series.
- Continued optimisation of rented wagons, taking into account the realised shipments with an impact on the termination of the rental of Lgs wagons and on the reduction of the number of wagons rented from the subsidiary Cargo Wagon, a.s.
- Optimisation of the energy efficiency of buildings and constructions (optimisation of the heating of main workplaces, thermal insulation of buildings) and full reconstruction of tracks at selected workplaces of the company.
- Renewal of the safety certificate (Part A and Part B relating to the ŽSR infrastructure) and introduction of a security risk management system and external security audits in accordance with EU legislation.

ZSSK CARGO

FREIGHT TRANSPORT

In 2022, our company transported 28,851 thousand tonnes of goods, with the transport output reaching 5,861 million net tonne-kilometres and the average transport distance being 203.2 km. On a year-over-year basis, we recorded a decrease of 2,534 thousand tonnes and 490 million net tonne-kilometres, the average transport distance rose by 0.8 km.

ZSSK CARGO's transport volumes in 2022 were significantly affected by the economic development in the Slovak Republic and the neighbouring countries as a result of the military conflict in Ukraine. In the metallurgical segment, steel mills initially tried to stock up with raw materials from the east as long as this was allowed by the situation, but at the same time they were looking for alternatives to these shipments. In the following months, the volumes of metallurgical raw materials from the east dropped to significantly lower values. Even though the transport flows of raw materials from other sources increased (especially with the use of sea ports), the total metallurgical shipments decreased by 3,288 thousand tonnes, compared to 2021 (mainly iron ore -1,827 thousand tonnes, coal -725 thousand tonnes, metals -560 thousand tonnes). The transport of goods was significantly affected by not only the war conflict, but also the energy crisis, which caused the limitation or even interruption of the production of Slovak enterprises. This was particularly evident in our company's transport volumes, especially in the commodity chemical products, where a year-over-year decrease of 526 thousand tonnes was recorded. A significant increase was seen in the transport of foodstuffs +790 thousand tonnes compared to 2021, which was due to the transition of part of shipments, especially of cereals and oilseeds from maritime transport (Black Sea ports) to rail. We also started implementing a new significant regime for the transport of oil products from Slovakia to Ukraine in the volume of 107 thousand tonnes.

In 2022, transport flows of goods were significantly redirected, which placed increased demands on the use of the fleets of wagons, locomotives and human resources of all participating carriers, including the capacity of railway infrastructure, ports and transshipment facilities. With respect to the energy crisis, which caused a sharp increase in the cost of not only traction electricity and traction diesel, but was also reflected in the growth of costs of operation, purchase of materials, maintenance as well as human resources, 2022 was a very challenging year.

Freight transport by commodities

In thousands of tonnes	2022	2021	2020	2019	2018	2022/2021
Iron ore	10,523	12,351	9,560	10,263	12,121	0.85
Metals	3,489	4,049	3,023	3,649	4,780	0.86
Coal	3,294	3,699	2,915	4,326	5,123	0.89
Building materials	2,812	2,948	2,497	2,980	3,514	0.95
Petroleum products	2,684	2,447	2,382	2,388	2,307	1.10
Timber	1,955	2,052	1,985	2,245	2,434	0.95
Chemical products	1,433	1,959	1,837	1,971	1,889	0.73
Intermodal transport	824	776	1,009	1,044	1,175	1.06
Non-specified	845	902	809	794	773	0.94
Foodstuffs	992	202	205	297	270	4.91
Total	**28,851**	**31,385**	**26,222**	**29,958**	**34,386**	**0.92**

Freight transport by transport modes

Domestic	2022	2021	2020	2019	2018	2022/2021
Transported goods (in thous. of tonnes)	3,614	3,570	3,258	3,630	3,958	1.01
Operation performance (in mil. net tkm)	729	674	607	671	722	1.08
Import	**2022**	**2021**	**2020**	**2019**	**2018**	**2022/2021**
Transported goods (in thous. of tonnes)	12,357	13,395	10,427	12,125	14,926	0.92
Operation performance (in mil. net tkm)	2,065	2,188	1,838	1,962	2,334	0.94
Export	**2022**	**2021**	**2020**	**2019**	**2018**	**2022/2021**
Transported goods (in thous. of tonnes)	7,141	7,941	6,878	7,425	8,683	0.90
Operation performance (in mil. net tkm)	986	1,103	933	1,066	1,345	0.89
Transit	**2022**	**2021**	**2020**	**2019**	**2018**	**2022/2021**
Transported goods (in thous. of tonnes)	5,739	6,479	5,659	6,778	6,819	0.89
Operation performance (in mil. net tkm)	2,081	2,386	1,997	2,372	2,329	0.87
Freight transport in Total	**2022**	**2021**	**2020**	**2019**	**2018**	**2022/2021**
Transported goods (in thous. of tonnes)	28,851	31,385	26,222	29,958	34,386	0.92
Operation performance (in mil. net tkm)	5,861	6,351	5,375	6,070	6,729	0.92

STRUCTURE OF MPUs

Inventory status of ZSSK CARGO MPUs as at 31 December 2022

	Total	Up to 15 years	Up to 30 years	Over 30 years
Electric locomotives	216	-	8	208
Diesel locomotives	208	48	29	131
Diesel coaches	1	-	-	1
Total	**425**	**48**	**37**	**340**

FREIGHT WAGONS

Age structure of ZSSK CARGO freight wagons fleet as at 31 December 2022

	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	-	3	-	8
Open wagons	363	-		356	-	-	-	7
Flat wagons	1,291	-	204	548	296	147	78	18
Other freight wagons	17	-	-	-	-	-	-	17
Freight wagons in Total	**1,832**	**-**	**204**	**1,054**	**296**	**150**	**78**	**50**

Besides the above-mentioned wagons in full ownership, ZSSK CARGO rented other wagons by way of 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 2022

	2022	2021	2020	2019	2018
Covered wagons	161	161	164	172	171
Open wagons	363	363	364	164	166
Flat wagons	1,291	1,292	1,294	1,294	1,295
Other freight wagons	17	17	1	1	1
Freight wagons in Total	**1,832**	**1,833**	**1,823**	**1,631**	**1,633**

Leasing

	2022	2021	2020	2019	2018
Covered wagons	-	-	-	-	
Open wagons	-	-		200	200
Flat wagons	-	-		-	
Other freight wagons	-	-		-	-
Freight wagons in Total	**-**	**-**		**200**	**200**

Age structure of ZSSK CARGO freight wagons fleet according to wagon series (classes)

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	-	-	200	-	-	-	-
G – covered wagon of regular construction	3	-	-	-	-	-	-	3
H – covered wagon of specific construction	154	-	-	150	-	3	-	1
K – flat wagon of regular construction	4	-	-	-	-	-	-	4
L – flat wagon of specific construction	202	-	175	27	-	-	-	-
R – flat bogie wagon of regular construction	310	-	-	-	296	-	-	14
S – flat bogie wagon of specific construction	775	-	29	521	-	147	78	-
T – wagon with opening roof	4	-	-	-	-	-	-	4
Z – tank wagon	1	-	-	-	-	-	-	1
U – wagons of special construction	16	-	-	-	-	-	-	16
Total	**1,832**	**-**	**204**	**1,054**	**296**	**150**	**78**	**50**

CAPITAL INVESTMENTS OF ZSSK CARGO

(Accounting balance as at 31 December 2022 in EUR)

Company	Number of shares (pcs)	Type	Share (%)	Value of Capital Investments
Intercontainer - Interfrigo s. c. Brussels. Belgium	385	paper form	0.03	7,610.33
Bureau Central de Clearing s. c. r. l. Brussels. Belgium	4	paper form	2.96	2,974.72
BULK TRANSSHIPMENT SLOVAKIA, a. s.	435,904	paper form	40	6,660,337.54
Cargo Wagon, a.s.	101	paper form	34	3,402,500.00
ZSSK CARGO Intermodal, a.s.	25	paper form	100	27,500.00
				10,100,922.59

INTEGRATED MANAGEMENT SYSTEM

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

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

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

In the 4th quarter of 2022, the independent certification company TÜV SÜD Slovakia checked the functionality of the integrated management system and confirmed that the management system certificates were rightfully awarded pursuant to ISO 9001 and ISO 45001.

ZSSK CARGO holds certificates:

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

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

according to STN ISO 45001:2019:

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

HUMAN RESOURCES

The company employed 4,373 employees as at 31 December 2021. Within external mobility, 265 employees were hired from available resources on the labour market, while employment contracts were terminated with 609 employees. Owing to mobility, optimisation of employment and streamlining of transshipment operations, the headcount recorded by the company as at 31 December 2022 was 4,028 employees.

This represents a headcount decrease of 345 employees (-7.9%), compared to 2021.

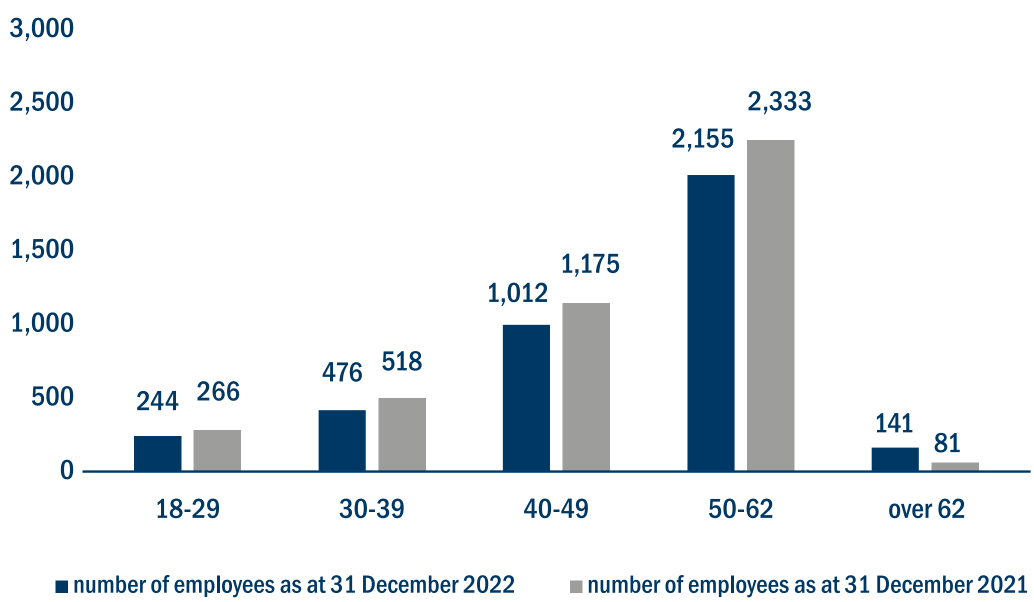
Structure of the employees by sex as at 31 December 2022

Men	3,017	74.90%
Women	1,011	25.10%
Total	**4,028**	**100.00 %**

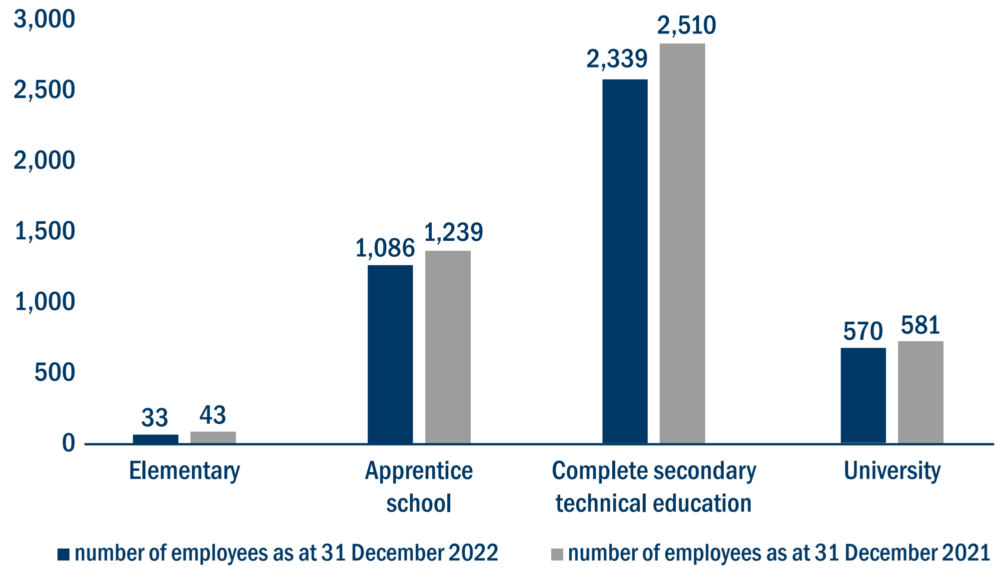
Structure of the employees by type of work as at 31 December 2022

Administrative employees	581	14.42%
Technical-economic employees in operations and workers	3,447	85.58%
Total	**4,028**	**100.00%**

Age structure of the employees



Education structure of the employees



The headcount reduction had an impact on the structure of employees in terms of age and education:

- **With respect to the employees structure according to age**, the largest decrease in the number of employees was in the age category 50 - 62 years (-178 employees), where the highest number of employees is recorded at the same time (2,155 employees).

  The average age of the employees as at 31 December 2022 was **49.62 years**.

- **With respect to the employees structure according to education,** the largest decrease in the number of employees was in the category employees with complete secondary technical education (-171 employees) where the highest number of employees is recorded at the same time (2,339 employees).

Remuneration

The average wage in 2022 was EUR 1,288.10, which represents a 7.78 % increase compared to 2021.

As to education, we focused on cooperation with schools, preparation for pursuit of a profession in the dual education system, and active recruitment of secondary school students.

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

In addition to the mentioned benefits, we also provide our employees with a lower working time fund, more time off to take care of the family, rewards for work and life anniversaries, job stability and career growth.

Employees who have achieved excellent work results and participate in the development of the company or have accomplished a meritorious act are given a moral ministerial award.

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 and these significantly affected achieved volumes in 2022, 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 the 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 as transport operations are very demanding in terms of personnel and technology.
- Constant changes in current legislation cause the risk of personnel costs being increased (significant increase in the minimum wage, an increase in extra pay, an increase in meal allowances 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 rising non-traction energy prices (gas, electricity, heat) has a significant impact on facility management costs.
- The risk of material costs rising due to a significant increase in the prices of spare parts, while there is a risk of them gradually becoming unavailability for obsolete locomotives.
- The impact of high inflation and the risk of its reflection in transport service prices.

EXPECTED FUTURE DEVELOPMENT

Due to the ongoing war conflict, general downturn and an uncertain outlook for the future, ZSSK CARGO does not expect a significant increase in shipments and transport volumes in the near future. In terms of transport volumes achieved in metallurgy, 2022 can be considered average or even below-average, especially during the second half of the year. Major customers expect stabilisation for at least 2023, or only a slight increase in volumes achieved since mid-2022. The decline in total annual 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 2023, the company will focus intensively on the implementation of measures to increase labour productivity, enhance efficiency in internal processes and the utilisation of capacities. In 2023, costs will be significantly negatively affected by high energy prices, high inflation, growing personnel costs and costs of other purchased services, as well as the unavailability of selected types of materials and spare parts. At the same time, the project “Depo Services, a. s.” will continue.

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. It plans to gradually focus its attention on freight wagons, which, due to their age, will have to be renewed and replaced or supplemented in order to fulfil the transport requirements of customers.

SPECIAL INFORMATION FOR 2022

In 2022, as in previous years, the process of significant renewal and development of assets failed to be launched. The value of capital expenditure was one of the lowest in history and reached roughly EUR 20 million.

The uncertainty about the future caused by the war conflict in Ukraine did not allow us to start major investments and renewing the obsolete fleet. The first half of 2022 began to show growth and the continuation of the trend from 2021, which after the outbreak of the conflict was related to the efforts of customers to stock up in advance. In the second half, a downturn and the negative effects of the war conflict began to occur, especially in the transport of iron ore, coal and metals. The opposite trend was seen in the transport of foodstuffs and petroleum products also as a result of the war. The total year-on-year decrease in the volume of transport reached more than 2.5 million tonnes (8%). The change in the commodity structure, the adjustment of prices at which shipments are made due to the increasing costs, especially the costs of traction electricity and diesel, resulted in a year-on-year increase in transport and related revenues by more than 6%.

Since 1 March 2022, transshipment and related services in Čierna nad Tisou have been fully outsourced to BULK TRANSSHIPMENT SLOVAKIA, a. s. Outsourcing partially reduced fixed costs, as services are provided on a variable basis depending on the transshipment volume.

In 2022, a significant disposal took place when the Žilina wagon repair workshop was sold to Železničná spoločnosť Slovensko, a.s., which had a positive impact on the achieved economic results. The generated profit was used to reduce the debt. Thanks to received dividends and the operating profit earned, it was reduced by EUR 7.9 million on a year-over-year basis. On the other hand, only EUR 20 million was invested during 2022, which, of course, did not help reduce the investment debt and will require higher capital expenditure in the future.

In 2022, a contract was concluded for the modernisation of 20 MPUs of series 742 (with an option for another 20 MPUs), with delivery gradually starting from 2022. Large capital expenditure projects according to the medium-term capital expenditure plan and concepts are expected only in the future when the situation on the transport market gets better and stabilises. They will be aimed at increasing labour productivity and efficiency in the use of available assets, which will guarantee the generation of sufficient funds to repay them.

In 2022, internal preparation began for the establishment of the subsidiary Depo Services, a. s., which in the future is to deal with maintenance and repairs and other activities that have so far been provided internally. The goal of the project is to make repairs more transparent and efficient, with an expected positive impact on the parent company.

In 2022, 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 2022 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 219 thousand for 2022 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	2022	2021
Total assets	520,429	555,671
Property, plant and equipment	182,891	192,703
Equity	109,644	106,387
Loans (short-term + long-term)	78,713	86,045
Revenues	297,884	279,076
Costs	(293,938)	(270,821)
Profit (Loss) from financial operations	(5,374)	(3,782)
Share of the profit of the joint venture and associated company	3,354	2,170
Income tax	(270)	(454)
Profit (Loss) for the period	**1,656**	**6,189**
Other comprehensive income for the period	1,601	-
Total comprehensive income for the period	**3,257**	**6,189**

KEY PERFORMANCE INDICATORS ACCORDING TO THE EU TAXONOMY

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

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

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

Financial data and indicators are based on IFRS consolidated financial statements for 2022. Where applicable, the figures from the statements were directly allocated to individual economic activities. In the case of using the percentage allocation of starting data, more detailed information and the accounting policy are given for individual KPIs.

According to the EU Taxonomy, three economic activities have been identified as eligible:

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

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

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

Turnover-related KPI

The definition of net turnover according to the EU Taxonomy corresponds to revenues as recognised in the Statement of Comprehensive Income in the amount of EUR 297,884 thousand (Notes 3 and 4 to the financial statements). This value represents the denominator in the KPI calculation.

6.2 Freight rail transport

Of the total net turnover, EUR 285,608 thousand (95.9%) was allocated to economic activity 6.2 and classified as EU Taxonomy-eligible. The turnover value includes transport revenues achieved by means of electric and diesel-electric MPUs, revenues for the use of freight wagons, rolling stock rental, operations, shunting revenues, and other transport-related revenues.

Of the Taxonomy-aligned turnover value, EUR 223,806 thousand (75.1% of the total net turnover, 78.4% of the turnover derived from activity 6.2) meets the technical criteria for the assessment of a significant contribution to climate change mitigation and to climate change adaptation. When assessing the activity from the point of view of the "do no significant harm" principle, the impact on all environmental objectives was taken into account. The activity does not significantly harm any of the environmental objectives except for environmental pollution. Within the framework of this objective, "significant harm" is caused by engines used to drive motor traction railway vehicles that do not meet the emission limits set out in Annex II to Regulation (EU) 2016/1628.

The economic activity is carried out in compliance with the minimum safeguards.

Non-taxonomy-aligned turnover (not environmentally sustainable) in the amount of EUR 81,721 thousand (27.4% of the total net turnover, 28.6% of the turnover derived from activity 6.2) includes the achieved revenues from the transport of fossil fuels (coal, coke, natural gas, crude oil and petroleum products according to nomenclature 2710) and related revenues, revenues from the operation of a siding and the coaling of the thermal power plant in Vojany, as well as the turnover achieved by motor (diesel) traction. The amount of turnover achieved by motor traction was determined based on the transport performance of diesel traction (according to gross tonne-kilometres).

3.3 Production of low-carbon technologies for transport

Of the total net turnover, EUR 6,756 thousand (2.3%) was allocated to economic activity 3.3 and classified as EU Taxonomy-eligible.

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

Of the Taxonomy-aligned turnover value, EUR 6,584 thousand (2.2% of the total net turnover, 97.5% of the turnover derived from activity 3.3) meets the technical criteria for the assessment of a significant contribution to climate change mitigation and to climate change adaptation. When assessing the activity from the point of view of the “do no significant harm” principle, the impact on all environmental objectives was taken into account. The activity does not significantly harm any of the environmental objectives except for environmental pollution. Within the framework of this objective, “significant harm” is caused by repairs of motor traction railway vehicles whose engines used for propulsion do not meet the applicable emission limits. The economic activity is carried out in compliance with the minimum safeguards.

Non-taxonomy-aligned turnover (not environmentally sustainable) in the amount of EUR 2,739 thousand (0.9% of the total net turnover, 40.5% of the turnover derived from activity 3.3) includes the achieved revenues from repairs of freight wagons (primarily tanks) for the carriage of products according to nomenclature 2710 and repairs of motor (diesel-electric) MPUs that do not meet the applicable emission limits.

6.14 Infrastructure for rail transport

Of the total net turnover, EUR 759 thousand (0.3%) was allocated to economic activity 6.14 and classified as EU Taxonomy-eligible.

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

Of the Taxonomy-aligned turnover value, EUR 759 thousand (100% of the turnover according to 6.14) meets the technical criteria for the assessment of a significant contribution to climate change mitigation and to climate change adaptation. When assessing the activity from the point of view of the “do no significant harm” principle, the impact on all environmental objectives was taken into account. The activity does not significantly harm any of the environmental objectives. The economic activity is also carried out in compliance with the minimum safeguards.

For all the identified economic activities, of the net turnover for 2022, EUR 293,123 thousand (98.4%) is taxonomy-aligned and a turnover of EUR 208,663 thousand (70.0%) is also environmentally sustainable in terms of the assessment of a significant contribution to climate change mitigation, compliance with the “do no significant harm” principle, and compliance with the minimum safeguards as shown in the following table (T01).

T01

Turnover-related KPI

Economic activities	Code	Turnover for 2022	Proportion of turnover for 2022	Turnover and proportion of turnover with a significant contribution to climate change mitigation and climate change adaptation for 2022		Compliance with the “do no significant harm” principl	Compliance with the minimum safeguards	Turnover and proportion of turnover aligned with the 2022 taxonomy		Proportion of turnover aligned with the 2021 taxonomy
		In thousands of EUR	%	In thousands of EUR	%	Yes/No	Yes/No	In thousands of EUR	%	%
A. TAXONOMY-ELIGIBLE ACTIVITIES										
A.1 Environmentally sustainable activities (taxonomy-aligned)										
Rail freight transport	*6.2*	285,608	95.9%	223,806	75.1%	Yes/No	Yes	203,887	68.4%	71.7%
Production of low-carbon technologies for transport	*3.3*	6,756	2.3%	6,584	2.2%	Yes/No	Yes	4,017	1.3%	1.2%
Infrastructure for rail transport	*6.14*	759	0.3%	759	0.3%	Yes	Yes	759	0.3%	0.3%
Turnover from environmentally sustainable activities (A.1)		**293,123**	**98.4%**	**231,149**	**77.6%**			**208,663**	**70.0%**	**73.2%**
A.2 Taxonomy-eligible activities but not environmentally sustainable (not aligned with the taxonomy)										
Rail freight transport	*6.2*	81,721	27.4%	0	0.0%			0		
Production of low-carbon technologies for transport	*3.3*	2,739	0.9%	0	0.0%			0		
Infrastructure for rail transport	*6.14*	0	0.0%	0	0.0%			0		
Turnover from taxonomy-eligible activities but not environmentally sustainable (not aligned with the taxonomy) (A.2)		**84,460**	**28.4%**	**0**	**0.0%**			**0**	**0.0%**	**0.0%**
Total (A.1) + (A.2)		**293,123**	**98.4%**	**231,149**	**77.6%**			**208,663**	**70.0%**	**73.2%**
B. NON-TAXONOMY-ELIGIBLE ACTIVITIES										
Turnover from non-taxonomy-eligible activities (B)		**4,761**	**1.6%**							
Total (A) + (B)		**297,884**	**100.0%**							

KPI related to capital expenditure

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

For the year 2022, ZSSK CARGO recognised total additions to long-term assets in the amount of EUR 31,826 thousand, of which intangible assets amount to EUR 1,295 thousand, tangible assets EUR 18,512 thousand, and the right to use an asset EUR 12,019 thousand (Notes 12, 13 and 14 to the financial statements). This value represents the denominator in the KPI calculation.

6.2 Freight rail transport

Of the total capital expenditure, additions in the amount of EUR 19,332 thousand (60.7%) were allocated to economic activity 6.2 and qualify as EU Taxonomy-eligible. The most significant additions include capitalised periodic repairs (major repairs) and modernisation of MPUs and revision repairs of freight wagons.

Of the taxonomy-aligned capital expenditure, EUR 17,695 thousand (55.6% of the total capital expenditure, 91.5% of the additions in activity 6.2) meets the technical criteria for the assessment of a significant contribution to climate change mitigation and to climate change adaptation. When assessing the activity from the point of view of the "do no significant harm" principle, the impact on all environmental objectives was taken into account. The activity does not significantly harm any of the environmental objectives except for environmental pollution. Non-taxonomy-aligned capital expenditure (not environmentally sustainable) in the amount EUR 2,704 thousand (8.5% of the total capital expenditure, 14.0% of the additions in activity 6.2) was defined according to the possibility of its real usage for the carriage of fossil fuels and the costs of diesel-electric MPUs. In the case of additions linked to MPUs, the allocation was made according to the achieved net tonne-kilometres in the transport of fossil fuels in proportion to the total transport volume. The allocation of the impact of diesel-electric MPUs was calculated on the basis of their proportion to the total transport volume (according to gross tonne-kilometres). In the case of capital additions to freight wagons, the possibility of their real usage for the carriage of fossil fuels (tanks, high-sided wagons) was also taken into account.

3.3 Production of low-carbon technologies for transport

Of the total capital expenditure, additions in the amount of EUR 6,252 thousand (19.6%) were allocated to economic activity 3.3 and qualify as EU Taxonomy-eligible. The main additions are the modernisation and reconstruction of repair facilities, including heating and track yards. Other significant additions are technical and technological equipment for workshops, halls and warehouses, including shunting equipment. From the point of view of the taxonomy, additions to real estate are considered to be fully taxonomy-aligned, as they serve to maintain the operable condition of the economic activity, lead to the reduction of greenhouse gases, and do not harm other environmental goals. ZSSK CARGO plans to continue reducing the energy consumption of buildings in the future.

Of the taxonomy-aligned capital expenditure, EUR 5,938 thousand (18.7% of the total capital expenditure, 95.0% of the additions in activity 3.3) meets the technical criteria for the assessment of a significant contribution to climate change mitigation. When assessing the activity from the point of view of the "do no significant harm" principle, the impact on all environmental objectives was taken into account. The activity does not significantly harm any of the environmental objectives except for environmental pollution. Within the framework of this objective, "significant harm" is caused by repairs of motor traction railway vehicles whose engines used for propulsion do not meet the applicable emission limits. Non-taxonomy-aligned capital expenditure (not environmentally sustainable) in the amount EUR 1,021 thousand (3.2% of the total capital expenditure, 16.4% of the additions in activity 3.3) was defined according to volumes of goods carried by transport means used for the carriage of fossil fuels and according to volumes of goods transported by diesel-electric MPUs. When allocating additions to those which are not taxonomy-aligned, we used the proportion of services performed for internal and external purposes, as well as the proportion of these repair services on transport means (MPUs, freight wagons) used for the carriage of fossil fuels. When assessing the "do no significant harm" criteria in motor traction, the allocation is based on the proportion of repair services in motor traction to total repair services.

6.14 Infrastructure for rail transport

Of the total capital expenditure, additions in the amount of EUR 578 thousand (1.8%) were allocated to economic activity 6.14 and qualify as EU Taxonomy-eligible. The expenditure related to structural modifications at CTT Dobrá and the re-pumping facility in Čierna nad Tisou and capitalised revision repairs of emergency aid equipment.

From the point of view of the taxonomy, all capital expenditures are also considered environmentally sustainable, except for additions to the re-pumping facility. After taking into account the technical criteria for the assessment of a significant contribution to climate change mitigation and to climate change adaptation and after assessing the activity from the point of view of the "do no significant harm" criteria, part of the additions is considered environmentally unsustainable, as the given workplace is also used for re-pumping of fossil fuels. The amount of identified environmentally unsustainable capital expenditure reached EUR 17 thousand (0.05% of the total capital expenditure, 2.9% of the additions in activity 6.14).

Of the total capital expenditure for 2022, EUR 5,664 thousand (17.8%) is considered non-taxonomy-eligible.

For all the identified economic activities, of the capital expenditure for 2022, EUR 26,162 thousand (82.2%) is taxonomy-aligned and expenditure in the amount of EUR 22,420 thousand (70.4%) is also environmentally sustainable in terms of the assessment of a significant contribution to climate change mitigation, compliance with the "do no significant harm" principle, and compliance with the minimum safeguards as shown in the following table (T02).

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KPI related to operating expenditure

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

The assignment of costs to individual economic activities is based on the same principle as for capital expenditures, i.e. relevant operating costs are linked to the operation of assets that are primarily used in the given economic activity. The total operating expenditure identified for taxonomy purposes amounted to EUR 26,959 thousand in 2022. This value represents the denominator in the KPI calculation.

6.2 Freight rail transport

Of the total operating expenditure, an amount of EUR 23,933 thousand (88.8%) was allocated to economic activity 6.2 and qualifies as EU Taxonomy-eligible. The operating expenditure includes the primary costs of maintaining the operable condition of MPUs and freight wagons, i.e. selected material consumption (excluding liquids) for routine maintenance performed internally, personnel costs of employees performing routine maintenance, cleaning, purchased repairs and maintenance of rolling stock and short-term rentals.

The same allocation principle as for capital expenditure was used to determine the amount of environmentally non-compliant operating expenditure when taking into account the technical criteria for the assessment of a significant contribution to climate change mitigation. When assessing the activity from the point of view of the "do no significant harm" principle, the impact on all environmental objectives was taken into account. The activity does not significantly harm any of the environmental objectives except for environmental pollution due to maintaining diesel-electric MPUs.

The allocation to environmentally unsustainable expenditure was carried out according to the achieved net tonne-kilometres of transportation of fossil fuels in proportion to the total transport volume, and in the case of expenditure tied to diesel-electric MPUs, the proportion was calculated on the basis of the total transport services performed (according to "loco" kilometres). The amount of environmentally

T02

KPI related to capital expenditure

Economic activities	Code	Capital expenditure for 2022	Proportion of capital expenditure for 2022	Capital expenditure with a significant contribution to climate change mitigation and climate change adaptation and its proportion for 2022		Compliance with the "do no significant harm" principle	Compliance with the minimum safeguards	Taxonomy-aligned capital expenditure and its proportion for 2022		Proportion of capital expenditure aligned with the 2021 taxonomy
		In thousands of EUR	%	In thousands of EUR	%	Yes/No	Yes/No	In thousands of EUR	%	%
A. TAXONOMY-ELIGIBLE ACTIVITIES										
A.1 Environmentally sustainable activities (taxonomy-aligned)										
Rail freight transport	*6.2*	19,332	60.7%	17,695	55.6%	Yes/No	Yes	16,628	52.2%	57.8%
Production of low-carbon technologies for transport	*3.3*	6,252	19.6%	5,938	18.7%	Yes/No	Yes	5,231	16.4%	18.0%
Infrastructure for rail transport	*6.14*	578	1.8%	561	1.8%	Yes	Yes	561	1.8%	0.0%
Capital expenditure for environmentally sustainable activities (A.1)		**26,162**	**82.2%**	**24,194**	**76.0%**			**22,420**	**70.4%**	**75.8%**
A.2 Taxonomy-eligible activities but not environmentally sustainable (not aligned with the taxonomy)										
Rail freight transport	*6.2*	2,704	8.5%		0.0%					
Production of low-carbon technologies for transport	*3.3*	1,021	3.2%		0.0%					
Infrastructure for rail transport	*6.14*	17	0.1%		0.0%					
Capital expenditure for taxonomy-eligible activities but not environmentally sustainable (not aligned with the taxonomy) (A.2)		**3,742**	**11.8%**	**0**	**0.0%**			**0**	**0.0%**	**0.0%**
Spolu (A.1) + (A.2)		**26,162**	**82.2%**	**24,194**	**76.0%**			**22,420**	**70.4%**	**75.8%**
B. NON-TAXONOMY-ELIGIBLE ACTIVITIES										
Capital expenditure for non-taxonomy-eligible activities (B)		**5,664**	**17.8%**							
Total (A) + (B)		**31,826**	**100.0%**							

unsustainable operating expenditure reached EUR 7,610 thousand (28.2% of the total operating expenditure, 31.8% of the expenditure for activity 6.2).

3.3 Production of low-carbon technologies for transport

In the framework of activity 3.3, operating expenditure primarily represents the costs of repairs, maintenance and cleaning of buildings and tracks in repair compounds, material consumption and personnel costs for internal repairs of property and equipment, including revision activities. Of the total operating expenditure, EUR 2,532 thousand was allocated to activity 3.3 (9.4%) and qualifies as eligible.

After considering the technical criteria for the assessment of a significant contribution to climate change mitigation and after assessing the “do no significant harm” criteria for all environmental objectives, part of the operating expenditure is considered environmentally unsustainable. Similar to capital expenditure, the allocation was made on the basis of the breakdown of repair services for external customers and the internal customer ZSSK CARGO, with consideration being additionally given to the proportion of repairs made to rolling stock used for the carriage of fossil fuels and the proportion of repairs made to motor traction MPUs (allocation according to the proportion of repairs to the respective MPUs and freight wagons to the total repairs or according to the achieved revenues from repairs). Eligible but environmentally unsustainable operating expenditure amounted to EUR 1,167 thousand (4.3% of the total operating expenditure, 46.1% of the expenditure for activity 3.3).

6.14 Infrastructure for rail transport

Of the total operating expenditure, an amount of EUR 43 thousand (0.2%) was allocated to economic activity 6.14 and qualifies as eligible and aligned with the EU Taxonomy. The expenditure primarily includes the costs of terminal maintenance and repairs, material consumption and personnel costs for routine maintenance of emergency aid equipment performed internally.

The same method as for capital expenditure was used to determine the amount of environmentally non-compliant operating expenditure when taking into account the technical criteria for the assessment of a significant contribution to climate change mitigation. When assessing the activity from the point of view of the “do no significant harm” principle, the impact on all environmental objectives was taken into account. The activity does not significantly harm any of the environmental objectives. From the point of view of the taxonomy, all operating expenses are also considered environmentally sustainable, except for expenses expended on the re-pumping facility, as the workplace is also used for re-pumping of fossil fuels. The amount of identified environmentally unsustainable operating expenditure reached EUR 2 thousand (0.0% of the total operating expenditure, 4.7% of the expenditure for activity 6.14).

Of the total operating expenditure for 2022, EUR 451 thousand (1.7%) is considered non-taxonomy-eligible.

For all the identified economic activities, of the operating expenditure for 2022, EUR 26,508 thousand (98.3%) is taxonomy-aligned and expenditure in the amount of EUR 17,729 thousand (65.8%) is also environmentally sustainable in terms of the assessment of a significant contribution to climate change mitigation, compliance with the “do no significant harm” principle, and compliance with the minimum safeguards as shown in the following table (T03).

T03

KPI related to operating expenditure

Economic activities	Code	Operating expenditure for 2022	Proportion of operating expenditure for 2022	Operating expenditure with a significant contribution to climate change mitigation and climate change adaptation and its proportion for 2022		Compliance with the "do no significant harm" principle	Compliance with the minimum safeguards	Taxonomy-aligned operating expenditure and its proportion for 2022		Proportion of operating expenditure aligned with the 2021 taxonomy
		In thousands of EUR	%	In thousands of EUR	%	Yes/No	Yes/No	In thousands of EUR	%	%
A. TAXONOMY-ELIGIBLE ACTIVITIES										
A.1 Environmentally sustainable activities (taxonomy-aligned)										
Rail freight transport	*6.2*	23,933	88.8%	19,358	71.8%	Yes/No	Yes	16,323	60.5%	61.9%
Production of low-carbon technologies for transport	*3.3*	2,532	9.4%	2,173	8.1%	Yes/No	Yes	1,365	5.1%	4.4%
Infrastructure for rail transport	*6.14*	43	0.2%	41	0.2%	Yes	Yes	41	0.2%	0.6%
Operating expenditure for environmentally sustainable activities (A.1)		**26,508**	**98.3%**	**21,572**	**80.0%**			**17,729**	**65.8%**	**66.9%**
A.2 Taxonomy-eligible activities but not environmentally sustainable (not aligned with the taxonomy)										
Rail freight transport	*6.2*	7,610	28.2%		0.0%					
Production of low-carbon technologies for transport	*3.3*	1,167	4.3%		0.0%					
Infrastructure for rail transport	*6.14*	2	0.0%		0.0%					
Operating expenditure for taxonomy-eligible activities but not environmentally sustainable (not aligned with the taxonomy) (A.2)		**8,779**	**32.6%**	**0**	**0.0%**					**0.0%**
Total (A.1) + (A.2)		**26,508**	**98.3%**	**21,572**	**80.0%**			**17,729**	**65.8%**	**66.9%**
B. NON-TAXONOMY-ELIGIBLE ACTIVITIES										
Operating expenditure for non-taxonomy-eligible activities (B)		**451**	**1.7%**							
Total (A) + (B)		**26,959**	**100.0%**							

ORGANISATIONAL STRUCTURE AS AT 31 DECEMBER 2022

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

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

YEAR ENDED 31 DECEMBER 2022

EY
Building a better working world

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Independent Auditor's Report

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

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Železničná spoločnosť Cargo Slovakia, a.s. (the Company), which comprise the statement of financial position as at 31 December 2022, 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 2022, 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 17,302 thousand as at 31 December 2022 (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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

THIS IS A TRANSLATION OF THE ORIGINAL SLOVAK REPORT

Report on Other Legal and Regulatory Requirements

Report on Information Disclosed in the Annual Report

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

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

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

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

- Information disclosed in the annual report prepared for 2022 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.

25 April 2023
Bratislava, Slovak Republic

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

Ing. Martin Ostrochovský, statutory auditor
UDVA Licence No. 1056

THIS IS A TRANSLATION OF THE ORIGINAL SLOVAK REPORT

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2022

In thousands of EUR	Note	31 December 2022	31 December 2021
Revenues			
Transportation and related revenues	3	277,666	261,228
Other revenues	4	20,218	17,848
		297,884	**279,076**
Costs and expenses			
Consumables and services	5	(137,632)	(109,920)
Staff costs	6	(84,948)	(87,626)
Depreciation, amortisation and impairment of property, plant and equipment	12, 13, 14	(73,599)	(77,281)
Other operating revenues (expenses), net	7	2,241	4,006
		(293,938)	**(270,821)**
Finance costs			
Interest expense	8	(5,267)	(4,316)
Other finance revenues (costs), net	9	1,810	2,864
		(3,457)	**(1,452)**
Income tax	11	(270)	(454)
Profit (Loss) for the period		**219**	**6,349**
Components of other comprehensive income that will not be subsequently reclassified to profit or loss:			
Actuarial gains/(losses) from defined benefit pension plans		1,601	-
Other comprehensive income for the period		**1,601**	**-**
Total comprehensive income for the period		**1,820**	**6,349**

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 25 April 2023.

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2022

In thousands of EUR	Note	31 December 2022	31 December 2021
ASSETS			
Non-current assets			
Property, plant and equipment	13	182,891	192,703
Intangible assets	12	7,931	8,600
Right-of-use assets	14	238,032	271,866
Investment in joint ventures and associates	15	10,073	10,073
Investment in subsidiaries	15	28	28
Other non-current assets	10	109	26
		439,064	**483,296**
Current assets			
Inventories	16	8,903	7,983
Trade and other receivables	17	48,488	44,877
Cash and cash equivalents	18	3,064	41
		60,455	**52,901**
TOTAL ASSETS		**499,519**	**536,197**
EQUITY AND LIABILITIES			
Shareholder's equity			
Share capital	19	401,646	401,646
Legal reserve fund	19	708	73
Other funds	19	1,228	1,228
Accumulated losses	19	(314,849)	(316,034)
Total equity		**88,733**	**86,913**
Non-current liabilities			
Interest-bearing loans and borrowings	20	14,415	16,025
Employee benefits	21	9,719	11,865
Provisions	22	24,763	24,481
Lease liabilities	24	200,825	230,249
Other non-current liabilities	23	156	191
		249,878	**282,811**
Current liabilities			
Interest-bearing loans and borrowings	20	64,298	70,020
Employee benefits	21	960	828
Provisions	22	2,261	2,482
Trade and other payables	23	54,337	51,222
Lease liabilities	24	39,052	41,921
		160,908	**166,473**
Total liabilities		**410,786**	**449,284**
TOTAL EQUITY AND LIABILITIES		**499,519**	**536,197**

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 25 April 2023.

STATEMENT OF CHANGES IN EQUITY AS AT 31 DECEMBER 2022

In thousands of EUR	Share capital	Legal reserve fund	Other funds	Accumulated losses	Total
At 1 January 2021	**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**
Profit for the period	-	-	-	219	219
Other comprehensive income	-	-	-	1,601	1,601
Total comprehensive income	-	-	-	1,820	1,820
Legal reserve fund	-	635	-	(635)	-
At 31 December 2022	**401,646**	**708**	**1,228**	**(314,849)**	**88,733**

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 25 April 2023.

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2022

In thousands of EUR	Note	31 December 2022	31 December 2021
Cash flows from operating activities			
Profit / (Loss) before tax		489	6,803
Adjustments for:			
Non-cash items			
Depreciation, amortisation and impairment of property, plant and equipment and intangible assets	12, 13, 14	73,599	77,218
Gain on sale of property, plant and equipment		(3,359)	(996)
Allowance of receivables and inventories	16, 17	152	(704)
Interest expense	8	5,267	4,316
Interest income and shares of profits		(1,917)	(2,913)
Out - of - court settlement of a legal dispute		-	(5,500)
Movements in provisions and employee benefits	21, 22	(495)	(7,676)
		73,736	**70,548**
Working capital changes:			
Decrease (increase) in inventories		(998)	272
Decrease (increase) in trade and other receivables		(3,768)	8,746
Increase (decrease) in trade and other payables		3,388	(615)
Cash flows from operating activities		**72,358**	**78,951**
Income tax paid	11	(544)	(128)
Net cash flows from operating activities		**71,814**	**78,823**
Cash flows from investing activities:			
Purchase of property, plant and equipment	12, 13	(19,807)	(14,230)
Repayment of a loan from a related entity including interest	17	-	13,926
Proceeds from sale of property, plant and equipment		4,945	3,222
Dividends received	15	1,917	2,330
Net cash flows from investing activities		**(12,945)**	**5,248**
Cash flows from financing activities:			
Proceeds from loans and borrowings	20	8,390	8,200
Repayment of loans and borrowings	20	(11,760)	(65,209)
Interest paid		(1,229)	(1,193)
Proceeds from lease liabilities	24	-	2,211
Payments of lease liabilities	24	(47,285)	(49,099)
Net cash flows from financing activities		**(51,884)**	**(105,090)**
Net (decrease) increase in cash and cash equivalents		**6,985**	**(21,019)**
Cash and cash equivalents at 1 January	**18**	**(59,089)**	**(38,070)**
Cash and cash equivalents at 31 December	**18**	**(52,104)**	**(59,089)**

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 25 April 2023.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

Information on Reporting entity

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

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

ZSSK CARGO will prepare and issue consolidated financial statements for the year end 31 December 2022. Those consolidated financial statements are issued separately and are not annexed to those separate financial statements of the company. For a better understanding of the consolidated financial position of the company and its financial results, it is necessary to study the consolidated financial statements for the year ended 31 December 2022.

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

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

Principal activities

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

The registered office of ZSSK CARGO

Tomášikova 28B

821 01 Bratislava – mestská časť Ružinov

Slovakia

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 25 April 2023. The General Meeting held on 27 July 2022 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 2022 to 31 December 2022.

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

The Government of the Slovak Republic approved the resolution No. 390/2013 on 10 July 2013 which sets measures to consolidate rail freight transport and its implementation should allow an economic consolidation and further development of the Company. The measures compensate a late introduction of a new regulatory framework for rail freight companies in the form of reduced fees for the use of railway infrastructure in the years 2014-2016 and also allow the Company to establish three subsidiaries in the sector of management of wagons, intermodal transport and repair and maintenance of 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 2022. In 2023, with outlook for 2024-2025, the support for rail freight transport in Slovakia continues in form of reduced network fees.

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

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

Statement of compliance

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

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

Military conflict in Ukraine

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

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

Published standards, interpretations and amendments to standards that the Company applied for the first time in 2022:

- Definition of a company - amendment to IFRS 3 (amendment),
- IAS 16 Property, Plant and Equipment,
- IAS 37 Provisions, Contingent Liabilities and Contingent Assets,
- IFRS 16 Leases - Covid 19 Related rent concessions (amendment).

These new standards and amendments do not have a significant impact on the company's financial statements.

Issued standards, interpretations and amendments to standards that are effective after December 31, 2022, and which the Company has not applied early:

- IAS 1 Presentation of Financial Statements: Amendment Regarding Disclosure of Accounting Policies (effective for annual periods beginning on or after 1 January 2023 with early application permitted). This amendment has not yet been approved by the EU.
- IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors: Amendment regarding the definition of accounting estimates (effective for annual periods beginning on or after January 1, 2023 with early application permitted). This amendment has not yet been approved by the EU.
- IAS 12 Income Taxes: Amendment relating to deferred tax relating to assets and liabilities arising from a single transaction (effective for annual periods beginning on or after 1 January 2023 with early application permitted). This amendment has not yet been approved by the EU.
- IAS 1 Presentation of Financial Statements: Amendment Relating to the Classification of Liabilities (effective for annual periods beginning on or after 1 January 2024 with early application permitted). This amendment has not yet been approved by the EU.
- IFRS 16 Leases: Lease liability in leaseback (amendment) (effective for annual accounting periods beginning on January 1, 2024 with early application permitted). This amendment has not yet been approved by the EU.
- IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures: Amendments. These amendments have not yet been approved by the EU.

The effective dates indicated have been established in standards published by the International Accounting Standards Board. The actual dates of adoption of these standards in the European Union may differ from the dates specified in the standards and will be announced as soon as they are approved for application in the European Union.

The Company has not elected to early adopt any standard, interpretation or amendment that has been published but has not yet entered into force.

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.

Sources of estimate uncertainty

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

Legal cases

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

Quantification and timing of environmental liabilities

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

Impairment of property, plant and equipment

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

Actuarial estimates applied for calculation of retirement benefit obligations

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Functional and presentation currency

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

Foreign currency transactions are translated into EUR using the reference foreign exchange rate pertaining in the day preceding the transaction, as determined and published by the European Central Bank or the National Bank of Slovakia. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the balance sheet date. All differences are 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 2022 and 2021, the Company recognised allowance for doubtful debts only in respect of trade and lease receivables. There has been no significant increase in credit risk identified for other financial assets recognised in the balance sheet, nor have any historical credit losses been experienced for other financial assets, except for the trade receivables.

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

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

Derecognition

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

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

Financial liabilities

Initial recognition and measurement

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

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

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

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

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

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

Subsequent measurement

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

- Financial liabilities at fair value through profit or loss statement

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

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

Derecognition

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

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

Offsetting of financial instruments

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

Fair value of financial instruments

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

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

Derivative financial instruments and hedging activities

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

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

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

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

Hedging

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

- Fair value hedge,
- Cash flow hedge.

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

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

Fair value hedge

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

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

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

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

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

Cash flow hedge

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

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

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

As at 31 December 2022 and 2021, no financial liabilities have been designated as derivative financial instruments.

Cash and cash equivalents

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

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

Employee benefits

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

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

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

Termination payments

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

Provisions

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

Environmental matters

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

Legal claims

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

Leases

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

This applies when the Company has both of the following:

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

Company as a lessee

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

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

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

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

Company as a lessor

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

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

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

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

Revenue recognition

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

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

Borrowing costs

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

Income tax

Current income tax

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

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

Deferred income tax

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

Deferred tax liabilities are recognised for all taxable temporary differences.

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

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

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

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

3. TRANSPORTATION AND RELATED REVENUES

In thousands of EUR	31 December 2022	31 December 2021
Inland transport:		
Transport of goods	34,518	29,506
Wagon deposition	12,395	11,447
Haulage fees	1,007	1,038
	47,920	**41,991**
International transport:		
Import	110,204	99,957
Export	90,606	93,752
Transit	10,928	7,916
	211,738	**201,625**
Other transport related revenues:		
Usage of wagons under RIV, PGV and AVV regimes	6,370	7,318
Wagon rentals	5,344	5,055
Cross-border services	2,507	2,550
Other	3,787	2,689
	18,008	**17,612**
	277,666	**261,228**

4. OTHER REVENUES

In thousands of EUR	31 December 2022	31 December 2021
Repairs and maintenance	6,756	5,877
Operational performance	1,336	1,423
Asset rentals	8,765	6,922
Other	3,361	3,626
	20,218	**17,848**

5. CONSUMABLES AND SERVICES

In thousands of EUR	31 December 2022	31 December 2021
Traction electricity	(32,978)	(24,715)
Foreign segments	(23,346)	(16,563)
Third party transhipment services	(15,702)	(10,337)
Network fees	(15,037)	(11,652)
Traction diesel oil	(10,862)	(8,371)
Material	(9,241)	(8,735)
IT services and telecommunication charges	(6,215)	(6,311)
Repair and maintenance	(5,431)	(7,041)
Cross-border services	(3,785)	(4,161)
Other energy costs	(2,845)	(3,367)
Wagon rentals	(2,331)	(904)
Rentals	(1,456)	(1,194)
Travelling and representation expenses	(1,268)	(1,004)
Security services	(1,026)	(949)
Cleaning of cars, property, waste disposal	(817)	(701)
Training	(378)	(209)
Advisory and consultancy fees	(289)	(562)
Medical care	(222)	(233)
Other	(4,403)	(2,911)
	(137,632)	**(109,920)**

Consumables and services include amounts charged by ŽSR of EUR 52,595 thousand (2021: EUR 41,400 thousand), primarily relating to the usage of ŽSR's network (the Company has a one-year contract with ŽSR which specifies planned kilometres and charge rates for different types of transport) and to the purchase of traction energy (refer to Note 25).

6. STAFF COSTS

In thousands of EUR	31 December 2022	31 December 2021
Wages and salaries	(59,037)	(60,924)
Social security costs	(24,621)	(25,173)
Employee benefits (Note 21)	36	304
Termination payments (Note 22)	(1,326)	(1,833)
	(84,948)	**(87,626)**

Number of employees at 31 December 2022 was 4,028 (2021: 4,373), there of five were members of management (as members of the Board of Directors or directors of individual departments). Average number of employees as at 31 December 2022 were 4,082 (2021: 4,466).

The average salary in 2022 amounted to EUR 1,288 (2021: EUR 1,195).

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7. OTHER OPERATING REVENUES (EXPENSES), NET

In thousands of EUR	31 December 2022	31 December 2021
Profit on sale of property, plant, equipment and inventories	4,144	2,073
Release (creation) of allowance for doubtful debts	(127)	262
Insurance of tangible fixed assets	(1,009)	(963)
Release (creation) of provision for legal cases and other provisions (Note 22)	(414)	5,394
Write-off of uncollectible receivables	-	(2,382)
Other	(353)	(378)
	2,241	**4,006**

8. INTEREST EXPENSE

In thousands of EUR	31 December 2022	31 December 2021
Interest on loans and borrowings	(1,185)	(1,158)
Interest charges on lease liabilities	(33)	(24)
Unwinding of discount on provisions and employee benefits (Note 21)	(143)	(104)
Interest expense on the right to use the asset	(3,895)	(3,019)
Other	(11)	(11)
	(5,267)	**(4,316)**

9. OTHER FINANCE REVENUES (COSTS), NET

In thousands of EUR	31 December 2022	31 December 2021
Dividends received (more details are in Note 15)	1,917	2,330
Foreign exchange gains (losses), net	(72)	(23)
Other revenues (costs), net	(35)	557
	1,810	**2,864**

10. OTHER NON-CURRENT ASSETS

In thousands of EUR	31 December 2022	31 December 2021
Deferred expenses	109	26
	109	**26**

11. INCOME TAX

The reported income tax represents a withholding tax paid abroad in the amount of EUR 145 thousand (2021: EUR 128 thousand) and specific business tax in the amount of EUR 125 thousand (2021: EUR 326 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 2022	31 December 2021
(Profit) loss before tax	(489)	(6,803)
Tax charge at statutory tax rate of 21% (2021: 21%)	(103)	(1,429)
Tax paid abroad	(145)	(128)
Forfeit tax loss carry forwards	37	47
Unrecognized deferred tax asset	710	(337)
Non-deductible expenses	(644)	1,719
Specific business tax	(125)	(326)
Total income tax	**(270)**	**(454)**

Deferred tax assets and liabilities are related to the following (for the year ended 31 December 2022 an income tax rate of 21% applicable in future accounting period was used, for the year ended 31 December 2021: 21%):

In thousands of EUR	31 December 2022	31 December 2021
Deferred tax assets		
Tax loss carried forward	3,090	3,385
Provision for environmental matters	3,633	3,664
Provision for employee benefits	2,243	2,666
Allowance for trade and other receivables	655	639
Allowance for inventories	154	138
Provision for legal cases	1,641	1,554
Termination payments	398	441
Customer discounts	488	731
Other liabilities overdue over 3 years	1	7
Property, plant and equipment and intangible assets	13,725	13,356
Other	3,731	3,887
	29,760	**30,468**
Deferred tax liabilities		
Other	(32)	(32)
	(32)	**(32)**
Valuation allowance	**(29,728)**	**(30,436)**
Net deferred tax assets (liabilities)	**-**	**-**

A valuation allowance of EUR 29,728 thousand (2021: EUR 30,436 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 1,230 thousand in 2022 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 2022	**37,368**	**83**	**37,451**
Additions	-	1,295	1,295
Disposals	(18)	-	(18)
Transfers	1,347	(1,310)	37
At 31 December 2022	**38,696**	**69**	**38,765**
Accumulated amortization			
At 1 January 2022	**(28,851)**	**-**	**(28,851)**
Charge for the period	(2,001)	-	(2,001)
Disposals	18	-	18
At 31 December 2022	**(30,834)**	**-**	**(30,834)**
Net book value at 31 December 2022	**7,862**	**69**	**7,931**

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**

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

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)
Other 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**

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 2022.

The impairment test required by IAS 36 was performed by management of the Company as at 31 December 2022. 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 2023 business plan updated to the latest available information at the balance sheet date and on forecasts of future periods based on best estimates using all available information. The future cash flows were estimated for the next 10 years which is an average remaining useful life of the cash generating unit 's assets. The cash flows include unavoidable investment expenditures required to maintain the ability of the cash generating unit to generate revenues and proceeds from scrap value at the end of the useful life. Discount rate of 9.40% 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 780 thousand (2021: increase in impairment loss by EUR 3,108 thousand) due to a higher usage of Company's assets and their market potential. As part of the tests, there is expected increase in net cash flows resulting mainly from the increase in the expected use of assets (especially in diesel traction) and the growth of transport performance in the following period was also taken into account.

Property, plant and equipment in the ownership of the Company with a total acquisition value of EUR 612 thousand (EUR 653 thousand at 31 December 2021) and with a net book value of EUR 337 thousand (EUR 375 thousand at 31 December 2021) is registered as heritage-protected areas, immovable cultural monuments or protective zones of immovable cultural monuments.

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

The gross carrying amount of any fully depreciated property, plant and equipment that is still in use, is EUR 20,453 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 2022 and 2021:

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

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**

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

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

15. INVESTMENT IN JOINT VENTURE, ASSOCIATE AND 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 2022 are as follows:

Corporate name	Registration country	Ownership 2022	Carrying amount of investment 2022	Equity 2022	Profit/Loss 2022
Investment in joint venture and associate					
BULK TRANSSHIPMENT SLOVAKIA, a. s.	Slovakia	40%	6,660	34,318	918
Cargo Wagon, a.s.	Slovakia	34%	3,403	50,747	7,679
Total investments			**10,063**		
Investments in subsidiaries					
ZSSK CARGO Intermodal, a.s.	Slovakia	100%	27.5	20	(0.5)

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

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

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.	Slovakia	40%	6,660	34,417	1,130
Cargo Wagon, a.s.	Slovakia	34%	3,403	46,871	10,684
Total investments			**10,063**		
Investments in subsidiaries					
ZSSK CARGO Intermodal, a.s.	Slovakia	100%	27.5	21	(0.5)

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

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

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

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**

*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 2022	At lower of cost or net realizable value 2022	At cost 2021	At lower of cost or net realizable value 2021
Machine and metal-working materials	5,190	4,858	4,521	4,232
Electrical materials	2,149	1,775	1,958	1,611
Chemicals and rubber	989	975	845	836
Diesel fuel	779	779	734	734
Protective tools	218	214	187	186
Other	313	302	395	385
Total	**9,638**	**8,903**	**8,640**	**7,983**

The Company expects to use up stocks amounted to EUR 23,567 thousand (2021: EUR 20,192 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 2022	31 December 2021
Domestic trade receivables	39,782	36,566
Foreign trade receivables	8,689	9,236
VAT receivables	939	605
Other receivables	2,196	1,514
Allowance for impaired trade and other receivables	(3,118)	(3,044)
	48,488	**44,877**

At 31 December 2022 overdue receivables amounted to EUR 5,949 thousand (EUR 3,162 thousand at 31 December 2021).

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

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

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

Year	Total	Neither past due nor impaired	Past due but not impaired				
			< 90 days	90 – 180 days	180 – 270 days	270 – 365 days	> 365 days
2022	**48,488**	44,581	3,907	-	-	-	-
2021	**44,877**	44,441	436	-	-	-	-

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 2022	31 December 2021
Cash at banks and on hand and cash equivalents	3,064	41
Bank overdrafts	(55,168)	(59,130)
	(52,104)	**(59,089)**

Cash and cash equivalents reported as at 31 December 2022 contains restricted cash of EUR 3,030 thousand (31 December 2021: EUR 0 thousand).

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

Bank overdrafts as of 31 December are as follows:

In thousands of EUR	31 December 2022		31 December 2021	
	Overdraft limit	Drawn down	Overdraft limit	Drawn down
Tatra banka, a.s.	35,000	26,420	35,000	28,465
Všeobecná úverová banka, a.s.	22,500	11,605	22,500	13,894
ING Bank N.V., pob. zahr. banky	20,000	10,457	20,000	8,895
Slovenská sporiteľňa, a.s.	15,000	4,850	15,000	3,010
Citibank Europe plc. pob. zahr. banky	15,000	1,033	15,000	3,004
Československá obchodná banka, a.s.	10,000	803	10,000	1,862
	117,500	**55,168**	**117,500**	**59,130**

19. SHAREHOLDER'S EQUITY

Share capital

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

Legal reserve fund

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

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

Other funds

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

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

Distribution of profit from previous accounting period

The distribution of profit of the 2021 statutory result was approved by the Company's General Meeting on 27 July 2022 and was transferred in the amount of EUR 635 thousand to legal reserve fund and the amount of EUR 5,714 thousand was transferred to accumulated losses.

20. INTEREST-BEARING LOANS AND BORROWINGS

In thousands of EUR	Maturity date	31 December 2022	31 December 2021
Long-term loans			
Secured			
Slovenská sporiteľňa, a.s.	31 December 2024	7,750	16,500
Všeobecná úverová banka, a.s.	30 April 2027	13,670	7,790
Unsecured			
Československá obchodná banka, a.s.	31 March 2027	2,125	2,625
Total		**23,545**	**26,915**
Short-term portion of loans		**9,130**	**10,890**
Long-term portion of loans		**14,415**	**16,025**
Short-term loans		**-**	**-**
Short-term portion of loans (see above)		**9,130**	**10,890**
Overdrafts (Note 18)		**55,168**	**59,130**
Short-term portion of loans		**64,298**	**70,020**
Total		**78,713**	**86,045**

All loans presented in the table above are secured by promissory notes with a value of EUR 49,365 thousand (EUR 53,091 thousand at 31 December 2021), and with a nominal value of EUR 123,590 thousand (EUR 114,020 thousand as of 31 December 2021) except for long-term loan from Československá obchodná banka, a.s., short-term loan from Československá obchodná banka, a.s., and short-term loan from Tatra banka, a.s.

The long-term loan provided by Slovenská sporiteľňa, a.s. is secured by a promissory note (principal) as well as by a lien on 6 locomotives (interest).

The long-term loan provided by Všeobecná úverová banka, a.s. is secured by a promissory note (blank promissory note with a value EUR 9,020 thousand and blank promissory note with a value EUR 9,570 thousand) as well as by a lien on 25 locomotives.

At 31 December 2022 and 2021, the Company complied with all financial and non-financial covenants arising from loan agreements.

The fair value of interest-bearing loans and borrowings amounts to EUR 78,713 thousand (EUR 86,045 thousand at 31 December 2021).

All interest-bearing loans and borrowings bear floating interest which range from 2.778% p.a. to 3.502% p.a. (0.750% p.a. to 1.500% p.a. in 2021).

21. EMPLOYEE BENEFITS

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

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**

The principal actuarial assumptions used were as follows:

	2022	2021
Discount rate (% p.a.)	4.12	1.13
Future salary increases (%)	10.00	2.50
Mortality probability (male) (%)	0.04 – 2.46	0.04 – 2.46
Mortality probability (female) (%)	0.02 – 0.10	0.02 – 0.10

Sensitivity analysis

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

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

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

22. PROVISIONS

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

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**

Environmental matters

In 2022, 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 17,302 thousand (EUR 17,450 thousand at 31 December 2021) are required to remedy the significant environmental issues relating to water, oil and fuel management identified in the past.

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

Legal cases

Provisions for legal cases relate to multiple legal 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. A cassation complaint was filed on 28 December 2021. Currently, the court's decision on the cassation appeal of the plaintiff is pending in the dispute.

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

In thousands of EUR	31 December 2022	31 December 2021
Domestic trade payables	31,271	27,358
Foreign trade payables	6,287	4,200
Payables due to employees	7,317	8,956
Payables due to social institutions	3,955	5,032
Other payables	5,507	5,676
	54,337	**51,222**

At 31 December 2022 overdue trade payables amounted to EUR 907 thousand (EUR 1,116 thousand at 31 December 2021). 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	2022	2021
At 1 January	**191**	**118**
Creation	512	580
Utilization	547	507
At 31 December	**156**	**191**

24. COMMITMENTS AND CONTINGENCIES

Lease liabilities

As at 31 December 2022, the Company has concluded fixed-term contracts that were previously reported as operating leases, mainly relating to the lease of wagons, road motor vehicles and other equipment. All leases are on a fixed repayment basis with floating interest rates derived from EURIBOR. Present value of net lease payments is as follows:

In thousands of EUR	31 December 2022	31 December 2021
Within one year	39,052	41,921
From one to five years	139,569	137,906
Over five years	61,256	92,343
Present value of lease payments	**239,877**	**272,170**

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 1.52% as at 31 December 2022 (1.53% in 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 2022.

Investing commitments

The Company's investment expenditure for the period from 1 January 2023 to 31 December 2023 (1 January 2022 to 31 December 2022) is as follows:

In thousands of EUR	31 December 2022	31 December 2021
Land and buildings	332	425
Machines, equipment and other assets	13,034	1,419
Intangible assets	50	-
	13,416	**1,844**

Expenditures of EUR 13,416 thousand (EUR 1,844 thousand at 31 December 2021) 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 2022 and 2021:

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

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

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 2022 and 2021 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)
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 44 thousand (EUR 40 thousand in 2021). The total remuneration of members of the Supervisory Board amounted to EUR 35 thousand (EUR 31 thousand in 2021).

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 2022	31 December 2021
EURIBOR (+0.5%)	223	-
EURIBOR (-0.5%)	(223)	-

Liquidity risk

The Company's policy is to maintain sufficient cash and cash equivalents or have available funding through an adequate number of credit facilities to cover the liquidity risk in accordance with its financing strategy. The amounts available in the form of credit facilities as at 31 December 2022 and 2021 consist of the following:

In thousands of EUR	31 December 2022	31 December 2021
Long-term loan facilities available	7,700	16,400
Short-term loan facilities available	62,340	56,413
Total loan facilities available	**70,040**	**72,813**

As at 31 December 2022 and at 31 December 2021 the Company did not use any bank guarantee.

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

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

The 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	51,079	28	-	-	51,223
Obligations under leases	-	11,495	34,243	147,568	94,352	287,658
Short-term loans	-	47,209	22,811	-	-	70,020
	116	**109,783**	**57,082**	**163,468**	**94,477**	**424,926**

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

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

The following table summarizes the changes in financial obligations as at 31 December 2021:

In thousands of EUR	1 January 2021	Cash flows	Others	31 December 2021
Long-term loans	19,125	-	(3,100)	16,025
Obligations under leases	158,820	(49,099)	162,448	272,169
Short-term loans	102,908	(37,148)	4,260	70,020
	280,853	**(86,247)**	**163,608**	**358,214**

Credit risk

The Company provides a variety of customers with products and services, none of whom, based on volume and creditworthiness, present a significant credit risk, individually or in aggregate. The Company has three major customers: U.S. Steel Košice s.r.o., BUDAMAR LOGISTICS, a.s. and Railtrans International, a.s. (U.S. Steel Košice, s.r.o., BUDAMAR LOGISTICS, a.s. and Railtrans International, a.s. in 2021), sales to which represent 58 % of transport and related revenues (59 % in 2021), 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 2022 and 31 December 2021.

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 2022	31 December 2021
Long-term debt, net of current portion (excluding lease obligations)	14,415	16,025
Short-term debt, including current portion of long-term debt (excluding lease obligations)	64,298	70,020
Debt	**78,713**	**86,045**
Equity	**88,733**	**86,913**
Debt to equity ratio (%)	**89%**	**99%**

27. EVENTS AFTER THE BALANCE SHEET DATE

No events occurred subsequent to 31 December 2022 that might have a material effect on the fair presentation of the matters disclosed in these financial statements.

Approved by Ing. Roman Gono and Ing. Ľubomír Kuťka on behalf of the Board of Directors on 25 April 2023.

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 2022

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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 2022, 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 2022, 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 17,302 thousand as at 31 December 2022 (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.

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

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

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

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

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

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

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

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

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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 2022 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.

25 April 2023
Bratislava, Slovak Republic

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

Ing. Martin Ostrochovský, statutory auditor
UDVA Licence No. 1056

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CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2022

In thousands of EUR	Note	31 December 2022	31 December 2021
Revenues			
Transportation and related revenues	3	277,666	261,228
Other revenues	4	20,218	17,848
		297,884	**279,076**
Costs and expenses			
Consumables and services	5	(137,632)	(109,920)
Staff costs	6	(84,948)	(87,626)
Depreciation, amortisation and impairment of property, plant and equipment	12, 13, 14	(73,599)	(77,281)
Other operating revenues (expenses), net	7	2,241	4,006
		(293,938)	**(270,821)**
Finance costs			
Interest expense	8	(5,267)	(4,316)
Other finance revenues (costs), net	9	(107)	534
Share of the profit of associates and joint ventures	15	3,354	2,170
		(2,020)	**(1,612)**
Income tax	11	(270)	(454)
Profit (Loss) for the period		**1,656**	**6,189**
Components of other comprehensive income that will not be subsequently reclassified to profit or loss:			
Actuarial gains/(losses) from defined benefit pension plans		1,601	-
Other comprehensive income for the period		**1,601**	**-**
Total comprehensive income for the period		**3,257**	**6,189**
Profit attributable to:			
Shareholder of the Company		3,257	6,189
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 25 April 2023.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION FOR THE YEAR ENDED 31 DECEMBER 2022

In thousands of EUR	Note	31 December 2022	31 December 2021
ASSETS			
Non-current assets			
Property, plant and equipment	13	182,891	192,703
Intangible assets	12	7,931	8,600
Right-of-use assets	14	238,032	271,866
Investment in associates and joint ventures	15	30,991	29,554
Other non-current assets	10	109	26
		459,954	**502,749**
Current assets			
Inventories	16	8,903	7,983
Trade and other receivables	17	48,488	44,877
Cash and cash equivalents	18	3,084	62
		60,475	**59,922**
TOTAL ASSETS		**520,429**	**555,671**
EQUITY AND LIABILITIES			
Shareholder's equity			
Share capital	19	401,646	401,646
Legal reserve fund	19	708	73
Other funds	19	1,228	1,228
Accumulated losses	19	(293,938)	(296,560)
TOTAL EQUITY		**109,644**	**106,387**
Non-current liabilities			
Interest-bearing loans and borrowings	20	14,415	16,025
Employee benefits	21	9,719	11,865
Provisions	22	24,763	24,481
Lease liabilities	24	200,825	230,249
Other non-current liabilities	23	156	191
		249,878	**282,811**
Current liabilities			
Interest-bearing loans and borrowings	20	64,298	70,020
Employee benefits	21	960	828
Provisions	22	2,261	2,482
Trade and other payables	23	54,336	51,222
Lease liabilities	24	39,052	41,921
		160,907	**166,473**
Total liabilities		**410,785**	**449,284**
TOTAL EQUITY AND LIABILITIES		**520,429**	**555,671**

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 25 April 2023.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2022

In thousands of EUR	Share capital	Legal reserve fund	Other funds	Accumulated losses	Total
At 1 January 2021	**401,646**	**73**	**1,228**	**(302,733)**	**100,214**
Loss 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**
Profit for the period	-	-	-	1,656	1,656
Other comprehensive income	-	-	-	1,601	1,601
Total comprehensive income	-	-	-	3,257	3,257
Legal reserve fund	-	635	-	(635)	-
Other changes	-	-	-	-	-
At 31 December 2022	**401,646**	**708**	**1,228**	**(293,938)**	**109,644**

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 25 April 2023.

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2022

In thousands of EUR	Note	31 December 2022	31 December 2021
Cash flows from operating activities			
Profit / (Loss) before tax		1,926	6,643
Adjustments for:			
Non-cash items			
Depreciation, amortisation and impairment of property, plant and equipment and intangible assets	12, 13, 14	73,599	77,218
Gain on sale of property, plant and equipment	7	(3,359)	(996)
Allowance of receivables and inventories	16, 17	152	(704)
Interest expense	8	5,267	4,316
Interest income and shares of profits		-	(583)
Share of the profit of the joint ventures		(3,354)	(2,170)
Out - of - court settlement of a legal dispute		-	(5,500)
Movements in provisions and employee benefits		(495)	(7,676)
		73,735	**70,548**
Working capital changes:			
Decrease (increase) in inventories		(998)	272
Decrease (increase) in trade and other receivables		(3,768)	8,746
Increase (decrease) in trade and other payables		3,388	(615)
Cash flows from operating activities		**72,357**	**78,951**
Income tax paid	11	(544)	(128)
Net cash flows from operating activities		**71,813**	**78,823**
Cash flows from investing activities			
Purchase of fixed assets	12, 13	(19,807)	(14,230)
Repayment of a loan from a related entity including interest	17	-	13,926
Proceeds from sale of property, plant and equipment		4,945	3,222
Dividends received	15	1,917	2,330
Net cash flows from investing activities		**(12,945)**	**5,248**
Cash flows from financing activities			
Proceeds from loans and borrowings	20	8,390	8,200
Repayment of loans and borrowings	20	(11,760)	(65,209)
Interest paid		(1,229)	(1,193)
Proceeds from lease liabilities	24	-	2,211
Payments of lease liabilities	24	(47,285)	(49,099)
Net cash flows from financing activities		**(51,884)**	**(105,090)**
Net increase (decrease) in cash and cash equivalents		**6,984**	**(21,019)**
Cash and cash equivalents at 1 January	**18**	**(59,068)**	**(38,049)**
Cash and cash equivalents at 31 December	**18**	**(52,084)**	**(59,068)**

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 25 April 2023.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

Information on group and parent company

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

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

As of December 31, 2022, ZSSK CARGO provided consolidated financial data as a consolidated accounting unit to higher consolidation to the Ministry of Transport and Construction of the Slovak Republic, with registered office at Námestie slobody no. 6, 810 05 Bratislava. The highest accounting unit that consolidates ZSSK CARGO as of December 31, 2022 is the Ministry of Finance of the Slovak Republic.

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

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

Principal activities

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

The registered office of ZSSK CARGO

Tomášikova 28B

821 01 Bratislava – mestská časť Ružinov

Slovakia

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 25 April 2023. The General Meeting held on 27 July 2022 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 2022 to 31 December 2022. 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 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 favorable conditions compared to the original contract.

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

The successful future rail freight transport consolidation, with the goal being the achievement of balanced results in the mid-term while continuing to implement internal measures, which should increase the productivity and effectivity of internal processes, considering the decreasing transports and fiercer competition will depend on additional supporting measures and a new regulatory framework for rail freight transporters and the fee set for the usage of rail infrastructure after the year 2022. In 2023 with outlook for 2024-2025 the support for rail freight transport in Slovakia continues in form of reduced network fees.

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

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

Statement of compliance

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

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

Military conflict in Ukraine

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

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

Published standards, interpretations and amendments to standards that the Group applied for the first time in 2022:

- Definition of a company - amendment to IFRS 3 (amendment),
- IAS 16 Property, Plant and Equipment,
- IAS 37 Provisions, Contingent Liabilities and Contingent Assets,
- FRS 16 Leases - Covid 19 Related rent concessions (amendment).

These new standards and amendments do not have a significant impact on the company's financial statements.

Issued standards, interpretations and amendments to standards that are effective after December 31, 2022, and which the Group has not applied early:

- IAS 1 Presentation of Financial Statements: Amendment Regarding Disclosure of Accounting Policies (effective for annual periods beginning on or after 1 January 2023 with early application permitted). This amendment has not yet been approved by the EU.
- IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors: Amendment regarding the definition of accounting estimates (effective for annual periods beginning on or after January 1, 2023 with early application permitted). This amendment has not yet been approved by the EU.
- IAS 12 Income Taxes: Amendment relating to deferred tax relating to assets and liabilities arising from a single transaction (effective for annual periods beginning on or after 1 January 2023 with early application permitted). This amendment has not yet been approved by the EU.
- IAS 1 Presentation of Financial Statements: Amendment Relating to the Classification of Liabilities (effective for annual periods beginning on or after 1 January 2024 with early application permitted). This amendment has not yet been approved by the EU.
- IFRS 16 Leases: Lease liability in leaseback (amendment) (effective for annual accounting periods beginning on January 1, 2024 with early application permitted). This amendment has not yet been approved by the EU.
- IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures: Amendments. These amendments have not yet been approved by the EU.

The effective dates indicated have been established in standards published by the International Accounting Standards Board. The actual dates of adoption of these standards in the European Union may differ from the dates specified in the standards and will be announced as soon as they are approved for application in the European Union.

The Group has not elected to early adopt any standard, interpretation or amendment that has been published but has not yet entered into force.

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.

Sources of estimate uncertainty

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

Legal cases

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

Quantification and timing of environmental liabilities

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

Impairment of property, plant and equipment

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

Actuarial estimates applied for calculation of retirement benefit obligations

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Functional and presentation currency

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

Foreign currency transactions are translated into EUR using the reference foreign exchange rate pertaining in the day preceding the transaction, as determined and published by the European Central Bank or the National Bank of Slovakia. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the balance sheet date. All differences are 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 2022 and 2021, the Group recognised allowance for doubtful debts only in respect of trade and lease receivables. There has been no significant increase in credit risk identified for other financial assets recognised in the balance sheet, nor have any historical credit losses been experienced for other financial assets, except for the trade receivables.

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

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

Derecognition

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

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

Financial liabilities

Initial recognition and measurement

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

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

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

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

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

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

Subsequent measurement

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

- Financial liabilities at fair value through profit or loss statement

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

- Financial liabilities measured at amortised cost

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

Derecognition

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

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

Offsetting of financial instruments

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

Fair value of financial instruments

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

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

Derivative financial instruments

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

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

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

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

Hedging

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

- Fair value hedge,
- Cash flow hedge.

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

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

Fair value hedge

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

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

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

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

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

Cash flow hedge

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

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

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

As at 31 December 2022 and 2021, 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 cases

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 2022	31 December 2021
Inland transport:		
Transport of goods	34,518	29,506
Wagon deposition	12,395	11,447
Haulage fees	1,007	1,038
	47,920	**41,991**
International transport:		
Import	110,204	99,957
Export	90,606	93,752
Transit	10,928	7,916
	211,738	**201,625**
Other transport related revenues:		
Usage of wagons under RIV, PGV and AVV regimes	6,370	7,318
Wagon rentals	5,344	5,055
Cross-border services	2,507	2,550
Other	3,787	2,689
	18,008	**17,612**
	277,666	**261,228**

4. OTHER REVENUES

In thousands of EUR	31 December 2022	31 December 2021
Repairs and maintenance	6,756	5,877
Operational performance	1,336	1,423
Asset rentals	8,765	6,922
Other	3,361	3,626
	20,218	**17,848**

5. CONSUMABLES AND SERVICES

In thousands of EUR	31 December 2022	31 December 2021
Traction electricity	(32,978)	(24,715)
Foreign segments	(23,346)	(16,563)
Third party transhipment services	(15,702)	(10,337)
Network fees	(15,037)	(11,652)
Traction diesel oil	(10,862)	(8,371)
Material	(9,241)	(8,735)
IT services and telecommunication charges	(6,215)	(6,311)
Repair and maintenance	(5,431)	(7,041)
Cross-border services	(3,785)	(4,161)
Other energy costs	(2,845)	(3,367)
Wagon rentals	(2,331)	(904)
Rentals	(1,456)	(1,194)
Travelling and representation expenses	(1,268)	(1,004)
Security services	(1,026)	(949)
Cleaning of cars, property, waste disposal	(817)	(701)
Training	(378)	(209)
Advisory and consultancy fees	(289)	(562)
Medical care	(222)	(233)
Other	(4,403)	(2,911)
	(137,632)	**(109,920)**

Consumables and services include amounts charged by ŽSR of EUR 52,595 thousand (2021: EUR 41,400 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).

6. STAFF COSTS

In thousands of EUR	31 December 2022	31 December 2021
Wages and salaries	(59,037)	(60,924)
Social security costs	(24,621)	(25,173)
Employee benefits (Note 21)	36	304
Termination and retirement (Note 22)	(1,326)	(1,833)
	(84,948)	**(87,626)**

Number of employees at 31 December 2022 was 4,028 (2021: 4,373), there of five were members of management (as members of the Board of Directors or directors of individual departments). Average number of employees as at 31 December 2022 were 4,082 (2021: 4,466).

The average salary in 2022 amounted to EUR 1,288 (2021: EUR 1,195).

7. OTHER OPERATING REVENUES (EXPENSES), NET

In thousands of EUR	31 December 2022	31 December 2021
Profit on sale of property, plant, equipment and inventories	4,144	2,073
Release (creation) of allowance for doubtful debts	(127)	262
Insurance of tangible fixed assets	(1,009)	(963)
Release (creation) of provision for legal cases and other provisions (Note 22)	(414)	5,394
Write-off of uncollectible receivables	-	(2,382)
Other	(353)	(378)
	2,241	**4,006**

8. INTEREST EXPENSE

In thousands of EUR	31 December 2022	31 December 2021
Interest on loans and borrowings	(1,185)	(1,158)
Interest charges on lease liabilities	(33)	(24)
Unwinding of discount on provisions and employee benefits (Note 21)	(143)	(104)
Interest expense on the right to use the asset	(3,895)	(3,019)
Other	(11)	(11)
	(5,267)	**(4,316)**

9. OTHER FINANCE REVENUES (COSTS), NET

In thousands of EUR	31 December 2022	31 December 2021
Foreign exchange gains (losses), net	(72)	(23)
Other revenues (costs), net	(35)	557
	(107)	**534**

10. OTHER NON-CURRENT ASSETS

In thousands of EUR	31 December 2022	31 December 2021
Deffered expenses	109	26
	109	**26**

11. INCOME TAX

The reported income tax represents a withholding tax paid abroad in the amount of EUR 145 thousand (2021: EUR 128 thousand) and specific business tax in the amount of EUR 125 thousand (2021: EUR 326 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 2022	31 December 2021
(Profit) loss before tax	(1,926)	(6,643)
Tax charge at statutory tax rate of 21% (2021: 21%)	(404)	(1,395)
Tax paid abroad	(145)	(128)
Forfeit tax loss carry forwards	37	47
Unrecognized deferred tax asset	710	(336)
Non-deductible expenses	(343)	1,684
Specific business tax	(125)	(326)
Total income tax	**(270)**	**(454)**

Deferred tax assets and liabilities are related to the following (for the year ended 31 December 2022 an income tax rate of 21% applicable in future accounting period was used, for the year ended 31 December 2021: 21%):

In thousands of EUR	31 December 2022	31 December 2021
Deferred tax assets		
Tax loss carried forward	3,090	3,385
Provision for environmental matters	3,633	3,664
Provision for employee benefits	2,243	2,666
Allowance for trade and other receivables	655	639
Allowance for inventories	154	138
Provision for legal cases	1,641	1,554
Termination payments	398	441
Customer discounts	488	731
Other liabilities overdue over 3 years	1	7
Property, plant and equipment and intangible assets	13,725	13,356
Other	3,731	3,887
	29,760	**30,468**
Deferred tax liabilities		
Other	(32)	(32)
	(32)	**(32)**
Valuation allowance	**(29,728)**	**(30,436)**
Net deferred tax assets (liabilities)	**-**	**-**

A valuation allowance of EUR 29,728 thousand (2021: EUR 30,436 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 1,230 thousand in 2022 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 2022	**37,368**	**83**	**37,451**
Additions	-	1,295	1,295
Disposals	(18)	-	(18)
Transfers	1,347	(1,310)	37
At 31 December 2022	**38,696**	**69**	**38,765**
Accumulated amortization			
At 1 January 2022	**(28,851)**	**-**	**(28,851)**
Charge for the period	(2,001)	-	(2,001)
Disposals	18	-	18
At 31 December 2022	**(30,834)**	**-**	**(30,834)**
Net book value at 31 December 2022	**7,862**	**69**	**7,931**

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**

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

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**

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 2022.

The impairment test required by IAS 36 was performed by management of the Group as at 31 December 2022. 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 2023 business plan updated to the latest available information at the balance sheet date and on forecasts of future periods based on best estimates using all available information. The future cash flows were estimated for the next 10 years which is an average remaining useful life of the cash generating unit ‘s assets. The cash flows include unavoidable investment expenditures required to maintain the ability of the cash generating unit to generate revenues and proceeds from scrap value at the end of the useful life. Discount rate of 9.40% 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 780 thousand (2021: increase in impairment loss by EUR 3,108 thousand) due to a lower usage of Group’s assets and their market potential. As part of the tests, there is expected increase in net cash flows resulting mainly from the increase in the expected use of assets (especially in diesel traction) and the growth of transport performance in the following period was also taken into account.

Property, plant and equipment in the ownership of the Group with a total acquisition value of EUR 612 thousand (EUR 653 thousand at 31 December 2021) and with a net book value of EUR 337 thousand (EUR 375 thousand at 31 December 2021) is registered as heritage-protected areas, immovable cultural monuments or protective zones of immovable cultural monuments.

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

The gross carrying amount of any fully depreciated property, plant and equipment that is still in use, is EUR 20,453 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 2022 and 2021:

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

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**

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

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

15. INVESTMENT IN JOINT VENTURE, ASSOCIATE AND 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. 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.

The Group's share of assets and liabilities as at 31 December 2022 and 2021 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 2022	31 December 2021
Current assets	2,388	2,299
Non-current assets	14,932	15,129
Total assets	**17,320**	**17,428**
Current liabilities	2,034	1,314
Non-current liabilities	1,559	2,347
Total liabilities	**3,593**	**3,661**
Investment value as the Group's share of equity	**13,727**	**13,767**

In thousands of EUR	31 December 2022	31 December 2021
Revenues	7,874	6,094
Costs	(7,373)	(5,497)
Profit before income tax	**502**	**597**
Other changes	(20)	-
Income tax expense	(135)	(145)
Group share of profit / (loss)	**347**	**452**

BULK TRANSSHIPMENT SLOVAKIA, a. s. paid dividends to Company in the total amount EUR 387 thousand during June 2022 (2021: EUR 800 thousand).

BULK TRANSSHIPMENT SLOVAKIA, a. s. paid dividends to Company in the total amount EUR 4,400 thousand during January 2023 for the years 2012 – 2017.

The Group's share of the assets and liabilities as at 31 December 2022 and 2021 and income and expenses for the years then ended of the Cargo Wagon, a.s. are as follows:

In thousands of EUR	31 December 2022	31 December 2021
Current assets	16,542	8,012
Non-current assets	32,420	36,418
Total assets	**48,962**	**44,430**
Current liabilities	7,940	7,043
Non-current liabilities	23,768	21,384
Total liabilities	**31,708**	**28,427**
Investment value as the Group's share of equity	**17,254**	**16,003**

In thousands of EUR	31 December 2022	31 December 2021
Revenues	13,842	12,985
Costs	(10,399)	(10,633)
Profit before income tax	**3,443**	**2,353**
Other changes	396	-
Income tax expense	(832)	(635)
Group share of profit / (loss)	**3,007**	**1,717**

Cargo Wagon, a.s. paid dividends to Company in the total amount EUR 1,530 thousand during July 2022 (2021: EUR 1,530 thousand).

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

As of 31 December 2022, the Company is dormant with no operation.

16. INVENTORIES

In thousands of EUR	At cost 2022	At lower of cost or net realizable value 2022	At cost 2021	At lower of cost or net realizable value 2021
Machine and metal-working materials	5,190	4,858	4,521	4,232
Electrical materials	2,149	1,775	1,958	1,611
Chemicals and rubber	989	975	845	836
Diesel fuel	779	779	734	734
Protective tools	218	214	187	186
Other	313	302	395	385
Total	**9,638**	**8,903**	**8,640**	**7,983**

The Group expects to use up stocks amounted to EUR 23,567 thousand (2021: EUR 20,192 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 2022	31 December 2021
Domestic trade receivables	39,782	36,566
Foreign trade receivables	8,689	9,236
VAT receivables	939	605
Other receivables	2,196	1,514
Allowance for impaired trade and other receivables	(3,118)	(3,044)
	48,488	**44,877**

At 31 December 2022 overdue receivables amounted to EUR 5,949 thousand (EUR 3,162 thousand at 31 December 2021).

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

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

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

Year	Total	Neither past due nor impaired	Past due but not impaired				
			< 90 days	90 – 180 days	180 – 270 days	270 – 365 days	> 365 days
2022	**48,488**	44,581	3,907	-	-	-	-
2021	**44,877**	44,441	436	-	-	-	-

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 2022	31 December 2021
Cash at banks and on hand and cash equivalents	3,084	62
Bank overdrafts	(55,168)	(59,130)
	(52,084)	**(59,068)**

Cash and cash equivalents reported as at 31. December 2022 contains restricted cash of EUR 3,030 thousand (31. December 2021: EUR 0 thousand).

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

Bank overdrafts as of 31 December are as follows:

In thousands of EUR	31 December 2022		31 December 2021	
	Overdraft limit	Drawn down	Overdraft limit	Drawn down
Tatra banka, a.s.	35,000	**26,420**	35,000	**28,465**
Všeobecná úverová banka, a.s.	22,500	**11,605**	22,500	**13,894**
ING Bank N.V., pob. zahr. banky	20,000	**10,457**	20,000	**8,895**
Slovenská sporiteľňa, a.s.	15,000	**4,850**	15,000	**3,010**
Citibank Europe plc, pob. zahr. banky	15,000	**1,033**	15,000	**3,004**
Československá obchodná banka, a.s.	10,000	**803**	10,000	**1,862**
	117,500	**55,168**	**117,500**	**59,130**

19. SHAREHOLDER'S EQUITY

Share capital

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

Legal reserve fund

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

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

Other funds

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

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

Distribution of profit from previous accounting period

The distribution of profit of the 2021 statutory result was approved by the Company's General Meeting on 27 July 2022 and was transferred in the amount of EUR 635 thousand to legal reserve fund and the amount of EUR 5,714 thousand was transferred to accumulated losses.

20. INTEREST-BEARING LOANS AND BORROWINGS

In thousands of EUR	Maturity date	31 December 2022	31 December 2021
Long-term loans			
Secured			
Slovenská sporiteľňa, a.s.	31 December 2024	7,750	16,500
Všeobecná úverová banka, a.s.	30 April 2027	13,670	7,790
Unsecured			
Československá obchodná banka, a.s.	31 March 2027	2,125	2,625
Total		**23,545**	**26,915**
Short-term portion of loans		**9,130**	**10,890**
Long-term portion of loans		**14,415**	**16,025**
Short-term loans		**-**	**-**
Short-term portion of loans (see above)		**9,130**	**10,890**
Overdrafts (Note 18)		**55,168**	**59,130**
Short-term portion of loans		**64,298**	**70,020**
Total		**78,713**	**86,045**

All loans presented in the table above are secured by promissory notes with a value of EUR 49,365 thousand (EUR 53,091 thousand at 31 December 2021), and with a nominal value of EUR 123,590 thousand (EUR 114,020 thousand as of 31 December 2021) except for long-term loan from Československá obchodná banka, a.s., short-term loan from Československá obchodná banka, a.s., and short-term loan from Tatra banka, a.s.

The long-term loan provided by Slovenská sporiteľňa, a.s. is secured by a promissory note (principal) as well as by a lien on 6 locomotives (interest).

The long-term loan provided by Všeobecná úverová banka, a.s. is secured by a promissory note (blank promissory note with a value EUR 9,020 thousand and blank promissory note with a value EUR 9,570 thousand) as well as by a lien on 25 locomotives.

At 31 December 2022 and 2021, the Group complied with all financial and non-financial covenants arising from loan agreements.

The fair value of interest-bearing loans and borrowings amounts to EUR 78,713 thousand (EUR 86,045 thousand at 31 December 2021).

All interest-bearing loans and borrowings bear floating interest which range from 2.778% p.a. to 3.502% p.a. (0.750% p.a. to 1.500% p.a. in 2021).

21. EMPLOYEE BENEFITS

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

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**

The principal actuarial assumptions used were as follows:

	2022	2021
Discount rate (% p.a.)	4.12	1.13
Future salary increases (%)	10.00	2.50
Mortality probability (male) (%)	0.04 – 2.46	0.04 – 2.46
Mortality probability (female) (%)	0.02 – 0.10	0.02 – 0.10

Sensitivity analysis

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

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

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

22. PROVISIONS

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

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**

Environmental matters

In 2022, 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 17,302 thousand (EUR 17,450 thousand at 31 December 2021) are required to remedy the significant environmental issues relating to water, oil and fuel management identified in the past.

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

Legal cases

Provisions for legal cases relate to a multiple legal 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. A cassation complaint was filed on 28 December 2021. Currently, the court's decision on the cassation appeal of the plaintiff is pending in the dispute.

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

In thousands of EUR	31 December 2022	31 December 2021
Domestic trade payables	31,271	27,358
Foreign trade payables	6,287	4,200
Payables due to employees	7,317	8,956
Payables due to social institutions	3,955	5,032
Other payables	5,506	5,676
	54,336	**51,222**

At 31 December 2022 overdue trade payables amounted to EUR 907 thousand (EUR 1,116 thousand at 31 December 2021). 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	2022	2021
At 1 January	**191**	**118**
Creation	512	580
Utilization	547	507
At 31 December	**156**	**191**

24. COMMITMENTS AND CONTINGENCIES

Lease liabilities

At 31 December 2022 the Group has concluded fixed-term contracts that were previously reported as operating leases, mainly relating to the lease of wagons, road motor vehicles and other equipment.

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

In thousands of EUR	31 December 2022	31 December 2021
Within one year	39,052	41,921
From one to five years	139,569	137,906
Over five years	61,256	92,343
Present value of lease payments	**239,877**	**272,170**

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 1.52% as at 31 December 2022 (2021: 1.53%).

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 2022.

Investing commitments

The Group's investment expenditure for the period from 1 January 2023 to 31 December 2023 (1 January 2022 to 31 December 2022) is as follows:

In thousands of EUR	31 December 2022	31 December 2021
Land and buildings	332	425
Machines, equipment and other assets	13,034	1,419
Intangible assets	50	-
	13,416	**1,844**

Expenditures of EUR 13,416 thousand (EUR 1,844 thousand at 31 December 2021) 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 2022 and 2021:

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

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

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 2022 and 2021 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)

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 44 thousand (EUR 40 thousand in 2021). The total remuneration of members of the Supervisory Board amounted to EUR 35 thousand (EUR 31 thousand in 2021).

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 2022	31 December 2021
EURIBOR (+0.5%)	223	-
EURIBOR (-0.5%)	(223)	-

Liquidity risk

The Group's policy is to maintain sufficient cash and cash equivalents or have available funding through an adequate number of credit facilities to cover the liquidity risk in accordance with its financing strategy. The amounts available in the form of credit facilities as at 31 December 2022 and 2021 consist of the following:

In thousands of EUR	31 December 2022	31 December 2021
Long-term loan facilities available	7,700	16,400
Short-term loan facilities available	62,340	56,413
Total loan facilities available	**70,040**	**72,813**

As at 31 December 2022 and at 31 December 2021 the Group did not use any banks guarantee.

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

In thousands of EUR	On demand	Less than 3 months	From 3 to 12 months	From 1 to 5 years	Over 5 years	Total
Long-term loans	-	-	-	14,415	-	14,415
Trade and other payables	907	53,423	7	-	-	54,336
Obligations under leases	-	11,312	31,079	147,448	62,154	251,993
Short-term loans	-	14,928	49,370	-	-	64,298
	907	**79,663**	**80,456**	**161,863**	**62,154**	**385,043**

The table below summarises the maturity profile of the Group'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	51,079	28	-	-	51,222
Obligations under leases	-	11,495	34,243	147,568	94,352	287,658
Short-term loans	-	47,209	22,811	-	-	70,020
	116	**109,783**	**57,082**	**163,468**	**94,477**	**424,926**

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

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

The following table summarizes the changes in financial obligations as at 31 December 2021:

In thousands of EUR	1 January 2021	Cash flows	Others	31 December 2021
Long-term loans	19,125		(3,100)	16,025
Obligations under leases	158,820	(49,099)	162,448	272,169
Short-term loans	102,908	(37,148)	4,260	70,020
	280,853	**(86,247)**	**163,608**	**358,214**

Credit risk

The Group provides a variety of customers with products and services, none of whom, based on volume and creditworthiness, present a significant credit risk, individually or in aggregate. The Group has three major customers: U.S. Steel Košice s.r.o., BUDAMAR LOGISTICS, a.s. and Railtrans International, a.s. (U.S. Steel Košice, s.r.o., BUDAMAR LOGISTICS, a.s. and Railtrans International, a.s. in 2021), sales to which represent 58 % of transport and related revenues (59 % in 2021), 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 2022 and 31 December 2021.

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 2022	31 December 2021
Long-term debt, net of current portion (excluding lease obligations)	14,415	16,025
Short-term debt, including current portion of long-term debt (excluding finance lease obligations)	64,298	70,020
Debt	**78,713**	**86,045**
Equity	**109,644**	**106,387**
Debt to equity ratio (%)	**72%**	**81%**

27. EVENTS AFTER THE BALANCE SHEET DATE

No events occurred subsequent to 31 December 2022 that might have a material effect on the fair presentation of the matters disclosed in these financial statements.

Approved by Ing. Roman Gono and Ing. Ľubomír Kuťka on behalf of the Board of Directors on 25 April 2023.

Photo credit:

Viktor Šesták, František Takáč and archive of ZSSK CARGO

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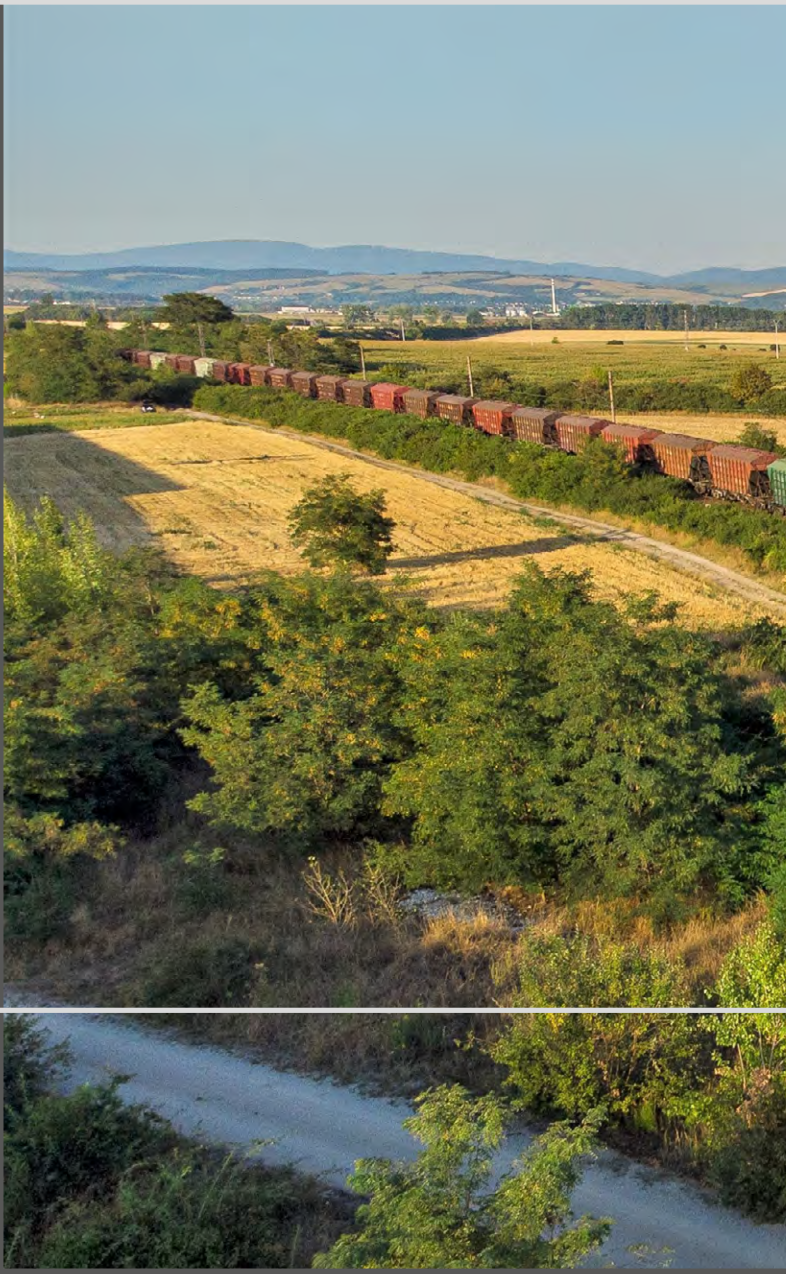

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