ANNUAL REPORT 2015

Železničná spoločnosť Cargo Slovakia, a. s.

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Appendix to the independent auditor's report on the consistency of annual report with the financial statements in accordance with Act No. 540/2007 Coll. § 23 par. 5

To the Shareholder of Železničná spoločnosť Cargo Slovakia, a.s.:

I. We have audited the separate financial statements of Železničná spoločnosť Cargo Slovakia, a.s. ("the Company") as at 31 December 2015 presented in the annual report. We issued the following independent audit report dated 14 April 2016 on the financial statements:

"Independent Auditors' Report

To the Shareholder of Železničná spoločnosť Cargo Slovakia, a.s.:

We have audited the accompanying separate financial statements of Železničná spoločnosť Cargo Slovakia, a.s. ('the Company'), which consist of the statement of financial position as at 31 December 2015 and the statements of income, comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and presentation of separate financial statements that give a true and fair view in accordance with the International Financial Reporting Standards as adopted by the EU, and for such internal controls as management determines are necessary to enable the preparation of separate financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these separate financial statements on the basis of our audit. We conducted our audit in accordance with the International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the separate financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the separate financial statements. The procedures selected depend on the auditors' judgment, including assessment of the risks of material misstatement of the separate financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal controls relevant to the entity's preparation of separate financial statements that give a true and fair view, 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 entity's internal controls. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the separate financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the separate financial statements give a true and fair view of the financial position of the Company as at 31 December 2015, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

THIS IS A TRANSLATION OF THE ORIGINAL SLOVAK REPORT

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

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Emphasis of Matter

Without qualifying our opinion, we draw attention to the following matters:

i. As set out in Note 2.1 to the financial statements, the Company reported total accumulated losses of EUR 288,685 thousand. The future of the Company depends on the complete implementation of measures directly linked to the revitalization program for the railways sector passed by the Slovak government in 2013. This situation indicates the existence of a material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern.

ii. As set out in Note 22 to the financial statements, the Company recorded provisions of EUR 22,242 thousand for potential environmental remediation. Estimates of the future costs relating to environmental remediation are not necessarily accurate, due to uncertainties concerning the constant development of laws and regulatory requirements on the environment and the methods, timing and extent of corrective action, and so cannot be precisely specified. These costs could have a significant impact on the Company's financial results in future accounting periods.

iii. As set out in Note 26 to the financial statements, the Company has significant related party transactions and significant trading relationships with Železnice Slovenskej republiky and Železničná spoločnosť Slovensko, a.s., which are generally contracted on an annual basis.

14 April 2016
Bratislava, Slovak Republic

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

Ing. Peter Uram-Hrišo
UDVA Licence No. 996"

II. We have also audited the consistency of the annual report with the above-mentioned separate financial statements. The management of the Company is responsible for the accuracy of preparation of the annual report. Our responsibility is to express an opinion on the consistency of the annual report with the financial statements, based on our audit.

We conducted our audit in accordance with International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance as to whether the accounting information presented in the annual report and derived from the financial statements is consistent, in all material respects, with the separate financial statements. We have checked that the information presented in the annual report is consistent with that contained in the separate financial statements as at 31 December 2015. We have not audited information that has not been derived from financial statements or Company accounting records. We believe that our audit provides a reasonable basis for our opinion.

Based on our audit, the accounting information presented in the annual report is consistent, in all material respects, with the separate financial statements of the Company as at 31 December 2015 and is in accordance with the Act on Accounting No 431/2002 Coll., as amended by later legislation.

14 April 2016
Bratislava, Slovak Republic

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

Ing. Peter Uram-Hrišo
UDVA Licence No. 996

THIS IS A TRANSLATION OF THE ORIGINAL SLOVAK REPORT

FOREWORD FROM THE CHAIRMAN OF THE BOARD OF DIRECTORS

Ing. Vladimír Ľupták
Chairman of the Board and CEO
Železničná spoločnosť Cargo Slovakia, a. s.

In mid-May 2015, ZSSK CARGO and AAE Wagon, a.s. signed the Agreement on the Sale and Leaseback of Rolling Stock, under which ZSSK CARGO sold its subsidiary Cargo Wagon, a.s. a total of 12,342 freight wagons and subsequently leased back 8,216 wagons for a period of eight years, with an option for another eight years. ZSSK CARGO holds 34% of the shares in Cargo Wagon, a.s. with the remaining 66% of the shares being held by AAE Wagon, which won the international tender process for the entry of a strategic partner into the subsidiary Cargo Wagon. During June 2015 ZSSK CARGO handed over, through a protocol, more than 12 thousand wagons to the new owner, thus bringing the two-year process to an end and significantly reducing the debts of ZSSK CARGO. A final takeover protocol was executed and an invoice for the sold wagons was duly issued and settled in July, and since then ZSSK CARGO has begun to pay Cargo Wagon the rent for the leased wagons, and today we can say that it has also begun to operate in a new regime of providing wagons to its customers, none of whom have been affected by the transaction in any way.

In the middle of 2013, when the Slovak government approved the Measures Proposed to Consolidate Rail Freight Transport in the Slovak Republic, not all of us accepted the proposed way of reducing the company‘s debts. But at the time of drafting the government measures, the debt of the state-owned rail freight carrier exceeded EUR 450 million and there were not many solutions how to discharge the liabilities towards the state or ŽSR as the infrastructure manager and towards other creditors. First of all, it was necessary to determine the manner of repaying ZSSK CARGO‘s debt arising from the repayable state financial aid provided in 2009. Property disposals seemed to be one of few possible and appropriate options for discharging the debt, though partly with some risks.

The state-owned carrier‘s debt was reduced from the mentioned amount of EUR 450 million to EUR 333 million in 2013 – 2014, and to EUR 130 million after the completion of the transaction, with prospects for further reduction of the debt. This means an entirely different company that is economically much stronger, ready to operate as a going concern, and to bring economic benefits also to the state.

Out of the proceeds of the sale of the wagons, an amount of over EUR 180 million was used to discharge the company‘s debt; out of this amount, in July 2015, the carrier repaid a portion of the debt arising from the received repayable financial aid in the amount of EUR 97.7 million, as well as a portion of the debt to ŽSR in the amount of EUR 15 million for access to the railway infrastructure, which debt was incurred yet in 2010. The remaining amount of roughly EUR 67 million was used by ZSSK CARGO to repay all its operating loans. By the end of 2015, the company managed to pay off the remaining portion of the state financial aid, with the company‘s debt ratio falling under the expected 130%. The company‘s debt declined by more than 60% on a year-over-year basis.

The favourable economic results for 2015 indicate that ZSSK CARGO performed better than the plan expected. Unfortunately, the fluctuations on the world markets also affected the company‘s transport volumes, causing a decrease in its revenues due to a decline in the import of raw materials and in the export of finished metallurgical products. Such decline was at least partly offset by new transports. The company is lacking the non-performed transport volumes and the situation in the steel and steel-made product markets, which continues to persist during the first months of 2016, should be a reason for ZSSK CARGO to consider plans to respond to market fluctuations better.

However, there are also other challenges the company has to cope with. Among other things, it has to spend more on capital investments, which have been underestimated so far, as the money saved on loan repayments and interest payments can be used for development projects. According to the prepared concept of the company‘s development until 2020, ZSSK CARGO will primarily invest in locomotives as well as in information technologies that have to be compatible with those of the partners abroad so that the customers have access to accurate data on the goods transported.

The rail freight market in Slovakia is small, and so the room for strengthening our market position and competitiveness is not unlimited. Therefore, ZSSK CARGO needs to cooperate with its partners abroad and to offer the customer comprehensive services within the single European rail market. Besides, our ambition in Slovakia is not only to maintain but also to develop the single wagon load segment. These are often transport services that are not very profitable but giving them up would be a mistake in the light of the future perspectives of rail freight transport, which is also corroborated by studies drawn up by international railway organisations, as well as by the support that is given to single wagon load transport by rail also in other European countries.

LIST OF USED ABBREVIATIONS

AVV	General Contract of Use for Wagons (GCU)
BTS	BULK TRANSSHIPMENT SLOVAKIA, a.s.
CEF	Connecting Europe Facility
ČD	Czech Railways
EDI	Electronic Data Interchange
EU	European Union
GYSEV Zrt.	Győr-Sopron-Ebenfurti Vasút Zrt.(Hungarian-Austrian Railway Company)
IAS	International Accounting Standards
IASB	International Accounting Standards Board
IFRIC	International Financial Reporting Interpretations Committee
IFRS	International Financial Reporting Standards
ISP	Operations Information System
IT	Information Technologies
MÁV Zrt.	Magyar Államvasutak Zrt. (Hungarian State Railways)
MPU	Motive Power Units
MTCRD	Ministry of Transport, Construction and Regional Development of the Slovak Republic
PED	Mail Registry for Electronic Documents
PGV	Regulation on Use of Wagons in International Rail Transport of Goods
RD	Locomotive depot
REPAS	Retraining, opportunity and co-operation – project of the Central Office of Labour, Social Affairs and Family to support the education of job applicants
RIV	Agreement Governing the Exchange and Use of Wagons between Railway Undertakings
RSS	Rolling stocks
TSI TAF	Telematic Applications for Freight – Technical Specification for Interoperability
VAT	Value Added Tax
ZSSK	Železničná spoločnosť Slovensko, a.s.
ZSSK CARGO	Železničná spoločnosť Cargo Slovakia, a.s.
ŽSR	Železnice Slovenskej republiky
ŽS	Železničná spoločnosť, a.s.

MILESTONES OF THE YEAR 2015

- The most important economical occasion of the year was signing of the Agreement on the Transfer for a Consideration of Movable Property and Subsequent Leaseback of Rolling Stock between ZSSK CARGO and company AAE Wagon, a.s. Under the said Agreement, ZSSK CARGO has transferred a total of 12,342 wagons to its subsidiary Cargo Wagon, a.s. in which 66 % of the shares are held by AAE Wagon, a. s. as the winner of the international tender, and has leased back 8,216 wagons. In June 2015, ZSSK CARGO handed over freight wagons to Cargo Wagon, a.s. and after having executed a final takeover protocol ZSSK CARGO began to pay the rent for the leased wagons as of July 10, 2015.
- The funds from the sale of freight wagons and the share in subsidiary Cargo Wagon, a.s. were used to reduce the debt of ZSSK CARGO to 30 % of the debt in 2012, while
- ✓ ZSSK CARGO repaid all its liabilities resulting from the Repayable Financial Aid Agreement on November 23, 2015. The Repayable Financial Aid Agreement was concluded on March 31, 2009. The financial aid added up to 165,970 thousand of EUR and was to be used to mitigate the effects of global financial and economic crisis. Liabilities resulting from the agreement should have originally been repaid in 17 equal biannual instalments, with the last instalment falling due on February 28, 2019. The funds were granted by the Ministry of Finance of the Slovak Republic.
- ✓ In 2015, ZSSK CARGO lowered its debt towards ŽSR resulting from unpaid invoices for access to the railway infrastructure in 2010 by 15,000 thousand of EUR.
- In 2015, an international competitive bidding process for the entry of a strategic investor into the subsidiary ZSSK CARGO Intermodal, a.s. took place. No investor has been chosen.
- A comprehensive analysis of an alternative joint venture with Železničná spoločnosť Slovensko, a.s. was carried out. As a result, maintenance and repair capacities of the passenger and freight rail carriers RSS were not combined and it was proposed that a separately monitored unit within ZSSK CARGO should be established in the following period.
- The implementation of measures "ZSSK CARGO motor traction motive power units for 2015 – 2021" and "Human resources concept development in selected professions up to 2020" was launched.
- Activities of internal cross-sectional task forces and the Steering Committee of ZSSK CARGO enhance daily availability motive power units of the 736, 746, 756 and 773.8 series and the decrease of total need for power units as well as the amount of freight wagons necessary for the fulfilment of planned business and operational needs.
- Resources of the Human Resources Operational Programme were used for partial co-financing of courses through RE-PAS which were aimed at train drivers.
- Validity of the safety certificate was renewed for the operation of rail freight transport in the EU as well as for organisation and provision of traffic services within the infrastructure of ŽSR, MÁV Zrt. (Hungarian State Railways) and GYSEV Zrt. Technical safety tests were carried out on 11 motive power units of the 131 series to be operated on Polish infrastructure (so called polonisation).
- Preparatory works of the ZSSK CARGO 2020 Strategic Plan, including the Mid-term Investment Plan and ZSSK CARGO 2016 – 2021 took place.
- Construction of the 2nd rotary tipper of subsidiary BTS in Čierna nad Tisou was launched, petroleum economy in RD Plešivec, lighting in inspection channels of RD Žilina, heating in operation building of RD Maťovce and rail scales in RD Čierna nad Tisou were reconstructed.
- A part of locomotives which were not necessary from business and operational point of view was sold to joint venture BULK TRANSSHIPMENT SLOVAKIA, a.s. and is to be used abroad.
- Functionality of Operations Information System (ISP) and data provided to customers via ISP Customer Portal was extended.
- The issuance and delivery of electronic invoices to customers of ZSSK CARGO based on EDI application, PED customer portal and electronic delivery of invoices to customer's e-mail upon client's "Consent" are extended progressively. Such extension applies also to the project aimed at transformation of documents to electronic and digital form, including archiving of such documents to decrease the amount of printing in ZSSK CARGO.
- Preparatory work has begun for the implementation of technical interoperability of the TSI TAF subsystem under the conditions of ZSSK CARGO with a part of resulting costs being co-financed by the EU/CEF. The preparatory work is aimed at higher attractiveness of the rail freight transport and the establishment of an interoperable railway within the transportation system of the Slovak Republic.
- Extensive amendments and supplements to the Agreement on International Goods Transport by Rail (SMGS) are effective as of July 1, 2015.
- A re-certification audit of the product "Eastern Slovak Transshipment Yards" was successfully conducted in accordance with STN EN ISO 9001:2008, with the certificate of quality being retained for another three years until September 14, 2018.

FREIGHT TRANSPORT

In 2015, ZSSK CARGO transported 34,728 thousand tonnes which is a decrease of over 1,872 thousand tonnes compared to the plan and a decrease of 1,289 thousand tonnes if compared to 2014. Lower volume of transport is recorded in commodities connected with metallurgical industry (iron ore, coal and metals). Compared to the plan the decrease in these three commodities is over 1.933 million tonnes of goods and year-on-year decrease is over 1.458 million tonnes of goods.

Decrease in metallurgical production in the Slovak Republic and neighbouring countries had impact on lower performance of ZSSK CARGO in 2Q and 3Q above all. This situation was caused by a global surplus of cheap steel from China what resulted in smaller production of the biggest metallurgical company (metals) in the Slovak Republic with an impact on noticeable continuous reduction of raw materials inventory (iron ore and coal). A negative development of coal transportation was also caused by the fact that a competing carrier had got hold of a significant transportation task within import. The EU sanctions imposed on the Russian Federation have caused the decrease of intermodal transportation, particularly within the export of disassembled cars in containers.

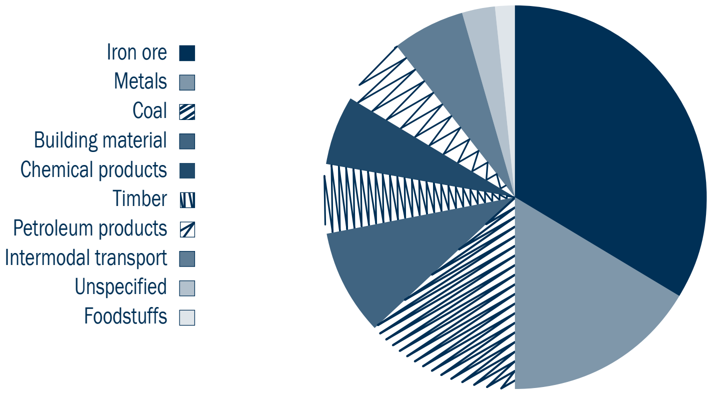
However, the company was able to gain more than 1,300 thousand tonnes of new transports which accounted mainly for building material and coal. The increase in the commodity of chemical products is positive. Also in 2015 was confirmed the trend of obtaining timber transportation moved from roads to railways.

Despite the fact, that in 2015 the planned indicator transported tonnes was not fulfilled (- 5.1%), with transportation on longer transport distance (compared to the plan + 4.1 km on average, + 5.7 km in year-on-year comparison) non-fulfilment of carriage capacity in net tonnes kilometres - 3.1% compared to the plan and - 0.7% in year-on-year comparison was achieved. The company so achieved additional revenues on partial elimination of transport volume failure at comparable fixed costs. On the other hand such savings of variable costs were not achieved (railway infrastructure, traction energy, part of personal costs and the like) as should be at mentioned cut of transport volume in tonnes and at unchanged average transport distance.

Freight transport by commodities

In thousand of tonnes	2015	2014	2013	2012	2011	2015/2014
Iron ore	12,497	12,918	12,589	11,924	12,253	0.97
Metals	4,906	5,450	5,537	5,906	5,543	0.90
Coal	4,279	4,772	5,028	5,516	5,950	0.90
Building material	3,307	3,022	3,015	2,936	3,223	1.09
Chemical products	2,563	2,259	2,181	1,874	2,578	1.13
Timber	2,312	2,577	2,333	1,968	2,308	0.90
Petroleum products	2,073	1,921	2,232	2,011	2,195	1.08
Intermodal transport	1,606	1,864	2,018	1,870	2,243	0.86
Unspecified	936	874	1,043	1,001	768	1.07
Foodstuffs	250	360	331	277	421	0.69
	34,728	**36,017**	**36,308**	**35,284**	**37,483**	**0.96**

Classification according to the commodities



ZSSK CARGO

Domestic freight transport

	2015	2014	2013	2012	2011	2015/2014
Transported goods (in thous. of tonnes)	4,303	4,245	4,473	4,206	4,566	1.01
Operation Performance (in mil. of net tkm)	820	796	787	690	712	1.03
Average forwarding distance (in km)	190.6	187.5	175.8	164.0	156.0	1.02

International freight transport

Import	**2015**	**2014**	**2013**	**2012**	**2011**	**2015/2014**
Transported goods (in thous. of tonnes)	13,761	14,812	14,515	14,740	15,364	0.93
Operation performance (in mil. net tkm)	2,031	2,236	2,243	2,374	2,613	0.91
Average forwarding distance (in km)	147.6	151.0	154.6	161.1	170.1	0.98
Export	**2015**	**2014**	**2013**	**2012**	**2011**	**2015/2014**
Transported goods (in thous. of tonnes)	8,486	8,282	8,661	8,057	8,768	1.02
Operation performance (in mil. net tkm)	1,276	1,167	1,108	1,110	1,202	1.09
Average forwarding distance (in km)	150.3	140.9	127.9	137.8	137.1	1.07
Transit	**2015**	**2014**	**2013**	**2012**	**2011**	**2015/2014**
Transported goods (in thous. of tonnes)	8,179	8,678	8,659	8,281	8,785	0.94
Operation performance (in mil. net tkm)	2,712	2,690	2,673	2,680	2,763	1.01
Average forwarding distance (in km)	331.6	309.9	308.7	323.6	314.5	1.07
International Transport in Total	**2015**	**2014**	**2013**	**2012**	**2011**	**2015/2014**
Transported goods (in thous. of tonnes)	30,425	31,772	31,835	31,078	32,917	0.96
Operation performance (in mil. net tkm)	6,019	6,092	6,024	6,164	6,578	0.99
Average forwarding distance (in km)	197.8	191.8	189.2	198.3	199.8	1.03

Freight traffic performance

(mil. gross tkm)	2015	2014	2013	2012	2011	2015/2014
Electric Traction	12,067	11,232	10,998	11,608	12,797	1.07
Diesel Traction	1,221	1,217	1,561	1,645	1,838	1.00
Total Freight Performance	13,288	12,449	12,559	13,253	14,635	1.07

Freight operation performance

(mil. net tkm)	2015	2014	2013	2012	2011	2015/2014
Electric Traction	6,464	6,203	6,052	6,258	6,761	1.04
Diesel Traction	583	588	728	759	837	0.99
Total Operation Performance	7,047	6,791	6,780	7,016	7,598	1.04

Note: Operating performance is calculated in real net tkm.

ZSSK CARGO

Ratio of operating and traffic performance in freight transport

(%)	2015	2014	2013	2012	2011	2015/2014
net tkm / gross tkm	53.03	54.55	53.99	52.94	51.91	0.97

Train-path kilometres in freight transport

(in thousand of train-path kms)	2015	2014	2013	2012	2011	2015/2014
Electric Traction	7,958	7,413	7,394	7,825	8,802	1.07
Diesel Traction	1,688	1,725	2,051	2,122	2,482	0.98
Freight Transport in Total	9,645	9,138	9,445	9,947	11,284	1.06

STRUCTURE OF MPU

Development of MPU number

	2015	2014	2013	2012	2011
Electric locomotives	288	299	309	309	323
Diesel locomotives	298	338	338	338	373
Diesel coaches	1	1	1	1	1
	587	**638**	**648**	**648**	**697**

Besides MPU in personal possession mentioned in the table, ZSSK CARGO used also 12 diesel locomotives acquired through financial leasing.

Age structure of MPU

Years	Up to 15	Up to 30	Over 30	Total
Electric locomotives	6	27	255	288
Diesel locomotives	50	14	234	298
Diesel coaches	-	-	1	1
	56	**41**	**490**	**587**

STRUCTURE OF FREIGHT WAGON FLEET

Development of number of wagons

	2015	2014	2013	2012	2011
Covered wagons	206	1,963	1,964	1,952	2,141
Open wagons	73	6,524	6,694	6,808	6,860
Flat wagons	727	3,306	3,311	3,076	2,973
Other freight wagons	11	1,473	1,473	1,473	1,474
	1,017	**13,266**	**13,442**	**13,309**	**13,448**

Besides above-mentioned wagons in personal possession, ZSSK CARGO rented 1,104 wagons through the financial leasing as at 31 December 2015. Financial leasing was used also in the previous years. An important transaction of 2015 was the sale of 12,342 freight wagons to subsidiary Cargo Wagon, a.s. (66 % of shares are held by AAE Wagon, a.s.) from which we leased back 8,216 wagons as of December 31, 2015.

Number of wagons according to the international specifications and their age structure

Years	Up to 15	Up to 30	Over 30	Total
E - ordinary open high-sided wagon	-	72	1	73
F - special open wagon	-	-	-	-
G - ordinary covered wagon	-	5	46	51
H - special covered wagon	1	3	69	73
K - ordinary flat wagon	-	1	17	18
L - special flat wagon	202	-	3	205
R - ordinary flat bogie wagon	-	3	24	27
S - special flat bogie wagon	250	226	1	477
T - wagon with opening roof	-	4	78	82
U - special wagon	-	-	-	-
Z - tank wagon	-	1	10	11
	453	**315**	**249**	**1,017**

CAPITAL INVESTMENTS OF ZSSK CARGO

(accounting balance as at 31.12.2015 in EUR)

Company	Number of equities (pcs)	Type	Share (%)	Value of Capital Investments
Intercontainer - Interfrigo s. c. Brusel, Belgium	385	paper	0.03	7,610.33
Bureau Central de Clearing s. c. r. l. Brusel, Belgium	4	paper	2.96	2,974.72
BULK TRANSSHIPMENT SLOVAKIA, a.s.	54,932	paper	40	2,829,503.54
Cargo Wagon, a.s.	2	paper	34	3,402,500.00
ZSSK CARGO Intermodal, a.s.	25	paper	100	27,500.00
				6,270,088.59

INTEGRATED MANAGEMENT SYSTEM

Quality of the transport process is one of the most important top management priorities of the company. In this respect, great emphasis is placed on customers' satisfaction. At the same time, strategic tasks of the company management include continuous monitoring of the situation as to employees' occupational safety and health protection with a view to minimise the risk of bodily injuries suffered by employees or the risk of property damage suffered by the company as well as the customer. The integrated management system is an indispensable instrument that is used by the company's management to accomplish demanding tasks regarding the quality of services provided to our customers and occupational safety and health protection.

In October and November 2015, the independent certification company TÜV SÜD Slovakia checked the functionality of the integrated management system and confirmed that the management system certificates were rightfully awarded pursuant to ISO 9001 and OHSAS 18001. We have again demonstrated our professional attitude and effort to continuously improve our activities, products and services with particular focus on quality and occupational safety.

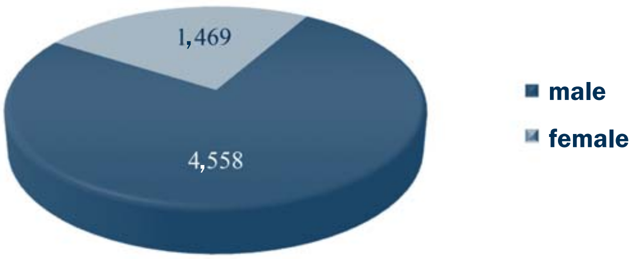
We hold these certificates:

- According to the ISO 9001 standards for the following products:
  - Railway freight transport (logistic trains).
  - Maintenance and repairs of rolling stocks.
  - Procurement and Purchase Processes, Methods and Analysis Processes, Storage Processes and Services, Fleet of vehicles Processes and Services.
  - East Slovak Transshipment Yards.
  - Ensuring professional qualification and education of employees.
- According to the OHSAS 18001 standards:
  - Managerial system of work safety and health protection at work.

HUMAN RESOURCES

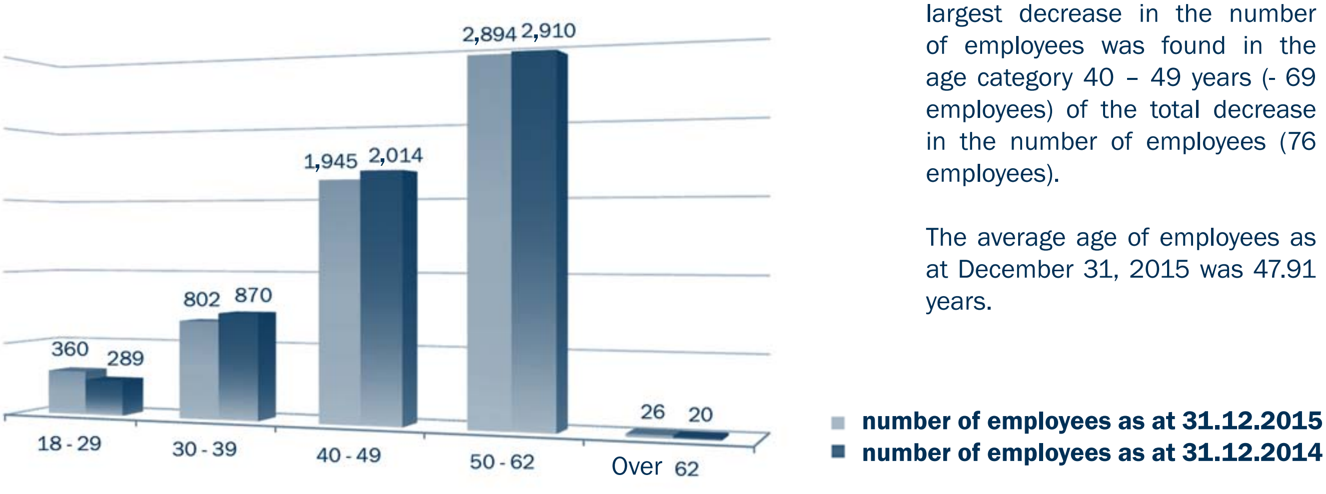
As at 31.12.2014, the company employed 6,103 people. Via mobility and optimization the number of registered employees was 6,027 as at 31.12.2015. As compared with the year 2014, an employment decrease by 76 people (-1.25%) is indicated.

Structure of employees by sex



Structure of employees by type of work

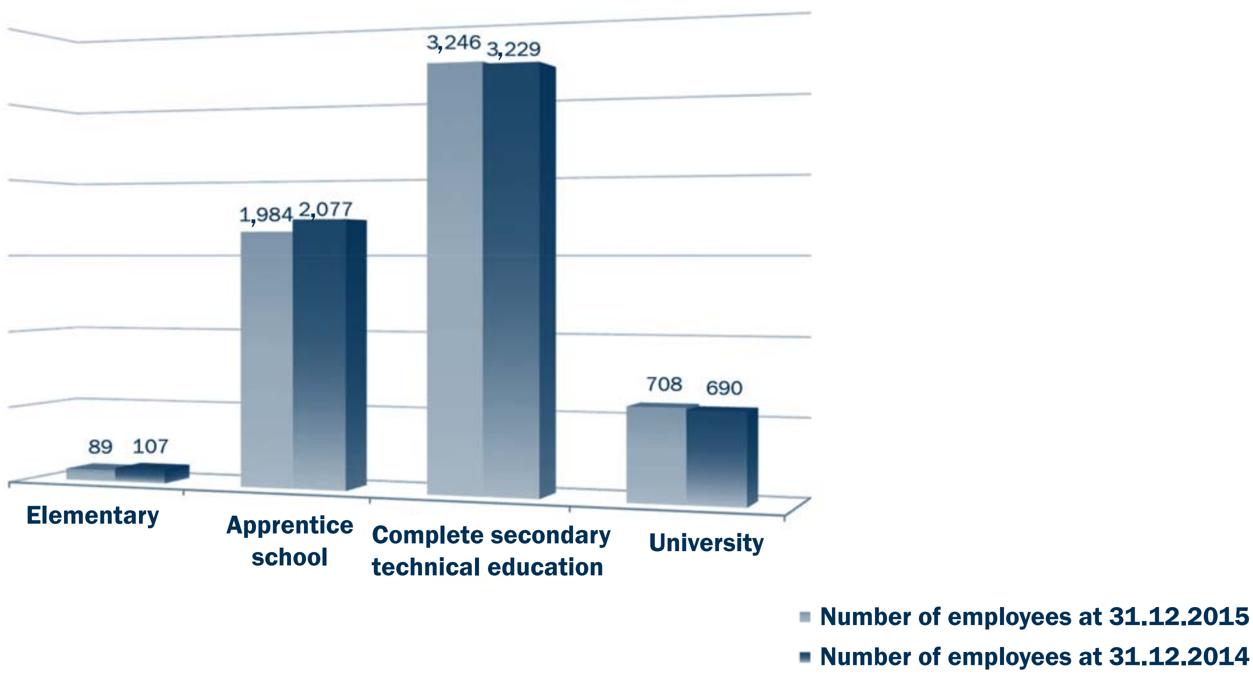
Structure of employees by age



With respect to the employees' structure according to age, the largest decrease in the number of employees was found in the age category 40 – 49 years (- 69 employees) of the total decrease in the number of employees (76 employees).

The average age of employees as at December 31, 2015 was 47.91 years.

Structure of employees by education



With respect to the employees‘ structure according to education, the largest decrease in the number of employees was found in the category “employees with apprentice school” (- 93 employees) as compared to the total decrease in the number of employees (76 employees). The highest number of employees was found in the category of “employees with complete secondary technical education” (3,246 employees).

The average wage in 2015 was EUR 895.7 which represents a 4.34 % increase compared to 2014.

As part of HR development in the area of training and education, an in-college training courses for engine drivers of freight trains and an in-college wagon examiner training courses aimed at attaining vocational skills required under the Railways Act were held also in 2015. The company availed itself of the possibility to attract job seekers to the training courses for engine drivers in a particular region registered at the local labour offices within the operational programme (RE-PAS): preparation of job seekers for their use in the labour market with a view to gain theoretical and practical knowledge, competences and skills in a chosen training course, while the financial means were sourced from the EU funds.

The company had a collective agreement with 13 trade union headquarters.

RISKS

Many external and internal factors and risks affected carriage capacity and activity of ZSSK CARGO in 2015, in particular:

- High dependence of ZSSK CARGO on metallurgy in the Slovak Republic and the neighbouring countries what resulted in a decrease of capacity in the 2nd half of 2015 which affected a significant part of company's capacity.
- Situation in Ukraine including the transformation of Ukrainian Railways to public joint-stock company Ukrainian Railways, and the EU sanctions imposed on the Russian Federation which affect transportation of goods from and into the aforementioned countries.
- Increasing competitiveness of road as well as rail carriers, the increase of competition mainly within the segment of block trains transport and in the transit movement from the east to the west and from the north to the south and vice versa.
- Lower transport efficiency of single wagon loads which impose significantly higher demands on technical and personal capacities than the transportation of block trains.
- Insufficient investments in development with respect to financial capacities of the company has negative influence on operational indicators and planned savings; in 2015, the amount of capital expenditures was the lowest since the establishment of the company and did not cover standard replacement costs.
- The fulfilment of obligations of the public procurement subject in commercial sector significantly complicates flexible and adaptable reactions of the company on the market needs.
- The increase of company employees' average age, mainly those in operational and technical positions – this may lead to future lack of competent employees.
- Higher fault rate and insufficient reliability of motor traction locomotives increases operating demand for locomotives as well as related operational costs.
- Financial demands during the implementation phase of the EU legislation, mainly in the sector of locomotives, operation, information systems, noise, safety and service equipment.
- Assets of ZSSK CARGO is outdated and dubious and has a minimum market applicability. ZSSK CARGO also has energy intense assets that burdens the company with higher operational costs. Furthermore, some assets resulting from the split of ŽSR is still not settled.
- The ongoing modernisation and reconstruction of ŽSR railway infrastructure and neighbouring railways affects smoothness and efficiency of train traffic and increases the need of rolling stocks and operational employees. Long-term slow rides decrease profitability of goods transportation.

EXPECTED FUTURE DEVELOPMENT

ZSSK CARGO plans to go on with measures set in the Resolution of the Government of the Slovak Republic No. 390/2013 in order to reach economic consolidation and company development. ZSSK CARGO expects in particular the stabilisation or a slight increase of the carriage capacity and revenues which may be negatively affected by external factors in relation to the increasing competition, slow recovery of sectors which utilise rail freight transport, and advantage of road transportation. After the sale of wagons to the subsidiary Cargo Wagon, the sale of 66% share of the subsidiary to the AAE Wagon and after consecutive reduction of debts, the company will go ahead with measures to increase the

efficiency of internal processes, capacities and assets, as well as other measures which arise from approved strategic materials aiming at the balanced budget. In order to reach the balanced budget it is important to go on with the support the rail freight transport in the form of reduced payments for using the ŽSR railway infrastructure after 2016.
The same stress will be laid on the implementation of measures for the recovery of operational and technical personnel in the sense of the approved conceptual material.
ZSSK CARGO will claim stronger state support within the transportation of the single wagon loads. As a follow-up to a new EU and Slovak legislation, it will be necessary for ZSSK CARGO to implement relevant provisions step-by-step, mainly in relation to noise, telematics applications and service equipment.

Within its investments, ZSSK CARGO plans to conduct not only the necessary investment in the maintenance of locomotives and wagons, but also in the recovery of the rolling stock, machinery, machines, devices, intangible assets and buildings in the sense of adopted conceptual materials in order to save operational costs and increase efficiency.

PARTICULAR INFORMATION FOR THE YEAR 2015

During 2015, the sale of Cargo Wagons, a.s. share was completed and ZSSK CARGO started to lease back a great part of freight wagons. Gained resources were used mainly for the settlement of company's debts and were not used for development activities and investment projects. The company focused on other measures aimed at economic consolidation. The launch of progressive recovery and development of assets and capacities is foreseen as of 2016.

In 2015, 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 December 31, 2015 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 77,000 EUR in 2015 should be assigned to legal reserve fund in the amount of 10 %. The rest will be proposed to be reclassified to accumulated losses from previous years.

SELECTED ECONOMIC INDICATORS

According to the data from separate financial statement

in thousand of EUR	2015	2014
Total assets	354,195	551,240
Long-term tangible property	274,586	296,904
Assets held for sale	-	180,429
Equity	114,215	114,138
Loans (short-term + long-term)	63,614	233,128
Revenues	284,281	296,216
Costs	(277,929)	(292,441)
Profit/ (loss) out of financial operations	(4,849)	(9,228)
Income tax	(1,426)	(39)
Economic result	**77**	**(5,492)**

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 2015

Building a better working world

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Independent Auditors' Report

To the Shareholder of Železničná spoločnosť Cargo Slovakia, a.s.:

We have audited the accompanying separate financial statements of Železničná spoločnosť Cargo Slovakia, a.s. ('the Company'), which consist of the statement of financial position as at 31 December 2015 and the statements of income, comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and presentation of separate financial statements that give a true and fair view in accordance with the International Financial Reporting Standards as adopted by the EU, and for such internal controls as management determines are necessary to enable the preparation of separate financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these separate financial statements on the basis of our audit. We conducted our audit in accordance with the International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the separate financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the separate financial statements. The procedures selected depend on the auditors' judgment, including assessment of the risks of material misstatement of the separate financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal controls relevant to the entity's preparation of separate financial statements that give a true and fair view, 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 entity's internal controls. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the separate financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the separate financial statements give a true and fair view of the financial position of the Company as at 31 December 2015, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

THIS IS A TRANSLATION OF THE ORIGINAL SLOVAK REPORT

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

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Emphasis of Matter

Without qualifying our opinion, we draw attention to the following matters:

i. As set out in Note 2.1 to the financial statements, the Company reported total accumulated losses of EUR 288,685 thousand. The future of the Company depends on the complete implementation of measures directly linked to the revitalization program for the railways sector passed by the Slovak government in 2013. This situation indicates the existence of a material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern.

ii. As set out in Note 22 to the financial statements, the Company recorded provisions of EUR 22,242 thousand for potential environmental remediation. Estimates of the future costs relating to environmental remediation are not necessarily accurate, due to uncertainties concerning the constant development of laws and regulatory requirements on the environment and the methods, timing and extent of corrective action, and so cannot be precisely specified. These costs could have a significant impact on the Company's financial results in future accounting periods.

iii. As set out in Note 26 to the financial statements, the Company has significant related party transactions and significant trading relationships with Železnice Slovenskej republiky and Železničná spoločnosť Slovensko, a.s., which are generally contracted on an annual basis.

14 April 2016
Bratislava, Slovak Republic

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

Ing. Peter Uram-Hrišo
UDVA Licence No. 996

THIS IS A TRANSLATION OF THE ORIGINAL SLOVAK REPORT

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2015

In thousands of EUR	Note	31 December 2015	31 December 2014
Revenues			
Transportation and related revenues	3	268,810	281,805
Other revenues	4	15,471	14,411
		284,281	**296,216**
Costs and expenses			
Consumables and services	5	(143,093)	(128,936)
Staff costs	6	(88,978)	(90,247)
Depreciation, amortisation and impairment of property, plant and equipment and intangible assets	12, 13	(40,894)	(65,682)
Other operating revenues (expenses), net	7	(4,964)	(7,576)
		(277,929)	**(292,441)**
Finance costs			
Interest expense	8	(5,329)	(9,874)
Other finance revenues (costs), net	9	480	646
		(4,849)	**(9,228)**
Income tax	11	(1,426)	(39)
Profit (Loss) for the period		**77**	**(5,492)**
Other comprehensive income for the period		-	-
Total comprehensive income for the period		**77**	**(5,492)**

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

Approved by Ing. Vladimír Ľupták and Ing. Peter Fejfar on behalf of the Board of Directors on 15 April 2016.

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2015

In thousands of EUR	Note	31 December 2015	31 December 2014
ASSETS			
Non-current assets			
Property, plant and equipment	13	274,586	296,904
Intangible assets	12	10,130	10,140
Group loans	16, 26	10,298	-
Investment in joint venture	14	6,243	2,840
Investment in subsidiaries	14	28	10,030
Other non-current assets	10	4	-
		301,289	**319,914**
Current assets			
Inventories	15	7,484	7,209
Trade and other receivables	16	42,052	43,383
Cash and cash equivalents	17	3,370	305
		52,906	**50,897**
Assets held for sale	25	-	180,429
		52,906	**231,326**
TOTAL ASSETS		**354,195**	**551,240**
EQUITY AND LIABILITIES			
Shareholder's equity			
Share capital	18	401,646	401,646
Legal reserve fund	18	26	26
Other funds	18	1,228	1,228
Accumulated losses	18	(288,685)	(288,762)
Total equity		**114,215**	**114,138**
Non-current liabilities			
Subordinated debt	19	-	97,720
Interest-bearing loans and borrowings	20	10,980	13,098
Employee benefits	21	14,797	14,993
Provisions	22	34,872	29,641
Trade and other payables	23	18,046	35,546
Finance lease liabilities	24	18,563	17,671
Other non-current liabilities	23	100	200
		97,358	**208,869**
Current liabilities			
Subordinated debt	19	-	19,500
Interest-bearing loans and borrowings	20	52,634	102,810
Employee benefits	21	869	852
Provisions	22	11,060	9,560
Trade and other payables	23	64,702	73,973
Tax liabilities	11	1,394	-
Finance lease liabilities	24	11,963	21,538
		142,622	**228,233**
Liabilities directly associated with assets held for sale	25	-	-
Total liabilities		**239,980**	**437,102**
TOTAL EQUITY AND LIABILITIES		**354,195**	**551,240**

The accounting policies and notes form an integral part of the financial statements.
Approved by Ing. Vladimír Ľupták and Ing. Peter Fejfar on behalf of the Board of Directors on 15 April 2016.

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2015

In thousands of EUR	Share capital	Legal reserve fund	Other funds	Accumulated losses	Total
At 1 January 2014	**401,646**	**-**	**1,228**	**(283,244)**	**119,630**
Loss for the period	-	-	-	(5,492)	(5,492)
Other comprehensive income	-	-	-	-	-
Total comprehensive income	-	-	-	(5,492)	(5,492)
Legal reserve fund	-	26	-	(26)	-
At 31 December 2014	**401,646**	**26**	**1,228**	**(288,762)**	**114,138**
Profit for the period	-	-	-	77	77
Other comprehensive income	-	-	-	-	-
Total comprehensive income	-	-	-	77	77
At 31 December 2015	**401,646**	**26**	**1,228**	**(288,685)**	**114,215**

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

Approved by Ing. Vladimír Ľupták and Ing. Peter Fejfar on behalf of the Board of Directors on 15 April 2016.

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2015

In thousands of EUR	Note	31 December 2015	31 December 2014
Cash flows from operating activities			
Profit / (Loss) before tax		1,503	(5,453)
Adjustments for:			
Non-cash items			
Depreciation, amortisation and impairment of property, plant and equipment and intangible assets	12, 13	40,893	65,430
Gain on sale of property, plant and equipment		(4,793)	(693)
Gain on sale of Cargo Wagon's shares	14	(400)	-
Allowance of receivables and inventories	15, 16	(589)	(894)
Interest expense	8	5,329	9,874
Interest income and shares of profits		(323)	-
Movements in provisions and employee benefits		5,158	7,186
Other non-cash items		42	(1,061)
		46,820	**74,389**
Working capital adjustments			
Decrease in inventories		195	1,340
Decrease (increase) in trade and other receivables		1,446	5,529
Increase (decrease) in trade and other payables		(14,190)	8,433
Cash flows from operating activities		**34,271**	**89,691**
Income tax paid	11	(32)	(36)
Net cash flows from operating activities		**34,239**	**89,655**
Investing activities			
Purchase of property, plant and equipment	12, 13	(18,541)	(24,197)
Share capital contribution in subsidiaries	14	-	(10,191)
Group loans	16	(10,000)	
Proceeds from sale of Cargo Wagon's shares	14	7,000	
Dividends received		25	
Proceeds from sale of property, plant and equipment		185,173	1,079
Net cash flows from (used in) investing activities		**163,657**	**(33,309)**
Financing activities			
Proceeds from loans and borrowings	20	-	9,975
Repayment of loans and borrowings	20	(20,030)	(19,898)
Repayment of subordinated debt	19	(117,220)	(19,500)
Interest paid		(6,660)	(9,558)
Interest received		-	-
Payments of finance lease liabilities	24	(8,683)	(14,413)
Net cash flows used in financing activities		**(152,593)**	**(53,394)**
Net (decrease) increase in cash and cash equivalents		**45,303**	**2,952**
Cash and cash equivalents at 1 January	**17**	**(85,450)**	**(88,402)**
Cash and cash equivalents at 31 December	**17**	**(40,147)**	**(85,450)**

The accounting policies and notes form an integral part of the financial statements.
Approved by Ing. Vladimír Ľupták and Ing. Peter Fejfar on behalf of the Board of Directors on 15 April 2016.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

Information on Reporting entity

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

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

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

Principal activities

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

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

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

2.1 BASIS OF PREPARATION AND MEASUREMENT

These separate financial statements were approved and authorized for issue by the Board of Directors on 15 April 2016. The General Meeting held on 12 June 2015 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 2015 to 31 December 2015.

The financial statements were prepared using the going concern assumption that the Company will continue its operations for the foreseeable future. The Company reported a profit of EUR 77 thousand for the year and total accumulated loss of EUR 288,685 thousand.

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

The Company established two subsidiaries Cargo Wagon, a.s. and ZSSK CARGO Intermodal, a.s. in 2013. The Company signed a sale and purchase of shares contract with AAE Wagon a.s. (member of VTG/AAE Group), the winner of the international tender on 5 March

2015. According to the contract AAE Wagon a.s. acquired 66% of share capital of Cargo Wagon, a.s. A shareholders agreement governing relations between both shareholders AAE and ZSSK CARGO has been also signed.

After an approval of the Antimonopoly authorities, registering transfer of shares and the fulfillment of other conditional clauses the final transaction documents were signed in May 2015– Agreement on transfer of movable assets for consideration and subsequent lease back of means of transport (Agreement on sale of 12,342 railway carriages and lease back of 8,216 railway carriages) and Bank loan agreement between financing banks and Cargo Wagon, a.s used to finance the purchase of railway carriages. The whole transaction was completed on 10 july 2015, when ZSSK CARGO received a payment for the sale of carriages in amount of EUR 216.6 million (incl. VAT) which was used to decrease the Company´s debt. The Company began to lease a significant part of its freight wagons. Regarding ZSSK Cargo Intermodal, a.s. the Company has closed an international tender without selecting a qualified partner in 2015. The Company will support activities of intermodal transportation within ZSSK CARGO.

The successful rail freight transport consolidation, with the goal being the achievement of balanced results in the mid-term while continuing to implement internal measures, which should increase the productivity and effectivity of internal processes, considering the decreasing transports and fiercer competition will depend on additional supporting measures and a new regulatory framework for rail freight transporters and the fee set for the usage of rail infrastructure after the year 2016.

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

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

Statement of compliance

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

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

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Company has adopted all of the new and revised standards and interpretations issued by the International Accounting Standards Board (IASB) and the International Financial Reporting Interpretations Committee (IFRIC) of the IASB that have been endorsed for use in the EU and that are relevant to its operations and are effective for accounting periods beginning on 1 January 2015. The following standards, amendments and improvements issued by the IASB and adopted by the EU are effective for the current accounting period:

- Amendments to IAS 19 Defined Benefit Plans: Employee Contributions - effective for financial years beginning on or after 1 July 2014 (for EU on or after 1 February 2015)
- IFRIC 21 Levies - effective for annual periods beginning on or after 1 January 2014 (for EU on or after 1 January 2015)
- Annual Improvements to IFRSs 2010-2012 – effective for financial years beginning on or after 1 July 2014 (for EU on or after 1 February 2015)
- Annual Improvements to IFRSs 2011-2013 – effective for financial years beginning on or after 1 July 2014 (for EU on or after 1 January 2015)

These amendments to the existing standards did not have material impact on the financial statements of the Company.

The following standards, interpretations and amendments to published standards that have been published are effective for accounting periods starting on 1 January 2016 or later, and the Company has not adopted them early:

- IFRS 9 - Financial Instruments (issued in 2014) - effective for financial years beginning on or after 1 January 2018. The Company is currently assessing the impact of changes on its financial statements
- IFRS 14 Regulatory Deferral Accounts - effective for financial years beginning on or after 1 January 2016

- Amendments to IAS 16 and IAS 38: Clarification of Accountable Methods of Depreciation and Amortisation - effective for financial years beginning on or after 1 January 2016

- Amendments to IFRS 11: Accounting for Acquisition of Interests in Joint Operations - effective for financial years beginning on or after 1 January 2016

- IFRS 15 Revenue from Contracts with Customers - effective for financial years beginning on or after 1 January 2018

- Amendments to IAS 27: Equity Method in Separate Financial Statements - effective for financial years beginning on or after 1 January 2016

- Amendments to IFRS 10, IFRS 12 and IAS 28: Investment Entities: Applying the Consolidation Exception - effective for financial years beginning on or after 1 January 2016

- Annual Improvements to IFRSs 2012-2014 – effective for financial years beginning on or after 1 January 2016

- Amendments to IAS 1: Disclosure Initiative – effective for financial years beginning on or after 1 January 2016

- Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture – effective for financial years beginning on or after 1 January 2016

If not otherwise stated, the Company anticipates that the adoption of these standards, amendments to the existing standards, and interpretations will not have material impact on its financial statements.

2.3 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

Critical judgments in applying accounting policies

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

Environmental matters

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

Lease arrangements

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

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

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

Sources of estimate uncertainty

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

Legal claims

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

Quantification and timing of environmental liabilities

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

Impairment of property, plant and equipment

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

Actuarial estimates applied for calculation of retirement benefit obligations

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

Depreciable lives and residual values of property, plant and equipment

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Functional and presentation currency

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

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

Property, plant and equipment

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

Ongoing repairs, maintenance and minor renewals are expensed as incurred. Depreciation is calculated on a straight-line basis over the useful life of an asset (8-50 years for buildings, 3-40 years for machines, equipment and other assets). Land is not depreciated. An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is recognized in profit or loss in the year the asset is derecognised.

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

a) its carrying amount before the asset was classified as held for sale, adjusted for any depreciation and amortisation that would have been recognised had the asset not been classified as held for sale, and

b) its recoverable amount at the date of the subsequent decision not to sell.

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

Intangible assets

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

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

Intangible assets are derecognised upon disposal or when no future economic benefits are expected from their use or disposal. Any gain or loss arising on derecognition of an asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is recognized in profit and loss in the year the asset is derecognised. The residual values, useful lives and amortisation methods of intangible assets are reviewed and adjusted, if appropriate, at each financial year end.

Impairment of non-financial assets

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

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

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

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

Inventories

Inventories are measured at the lower of cost and net realisable value. Cost includes the purchase price of inventory and expenses related to the acquisition of inventory (including transportation costs, insurance and customs duties) and are accounted for using the weighted average method. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs necessary to make the sale. Allowances for old, obsolete and slow-moving items are booked to reduce the carrying value of these items to net realisable value.

Joint venture and subsidiaries

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

The cost of securities and interests in joint ventures is the price that was paid for the shares.

Financial assets

Initial recognition

Financial assets within the scope of IAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. Financial assets are designated on initial recognition. Financial assets are recognized initially at fair value plus, in case of financial assets not classified at fair value through profit or loss, directly attributable transaction costs. The Company’s financial assets comprise cash at bank, petty cash and cash equivalents, trade and other receivables.

Subsequent measurement

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

Financial assets at fair value through profit or loss

Financial assets 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 in the near term. This category includes derivative financial instruments entered into by the Company that do not meet the hedge accounting criteria as defined by IAS 39. Derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets at fair value through profit and loss are carried in the balance sheet at fair value with gains or losses recognized in the statement of comprehensive income.

The Company has not designated any financial assets at fair value through profit or loss in the current year.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial measurement loans and receivables are measured at amortized cost using the effective interest rate method (EIR) less any impairment losses. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. Gains and losses are recognized in the statement of comprehensive income when the loans and receivables are derecognized or impaired, as well as through the amortization process.

Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets which carry fixed or determinable payments, have fixed maturities and which the Company has the positive intention and ability to hold to maturity. After initial measurement held-to-maturity investments are measured at amortized cost. This cost is computed as the amount initially recognized minus principal repayments, plus or minus cumulative amortization using the effective interest rate method of any difference between the initially recognized amount and the maturity amount, less allowance for impairment. This calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums and discounts. Gains and losses are recognized in the statement of comprehensive income for the period when the investments are derecognized or impaired, as well as through the amortization process.

As at 31 December 2015 and 2014, no financial assets have been designated as held-to-maturity investments.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale or are not classified in any of the three preceding categories of financial assets. Subsequent to initial measurement, available for sale financial assets are measured at fair value with unrealized gains or losses being recognized in other comprehensive income and presented in the fair value reserve in equity. When an investment is disposed of or is determined to be impaired, the cumulative gain or loss previously recognised in other comprehensive income is reclassified to profit or loss.

Subsequent to initial recognition available-for-sale financial assets are measured on the basis of existing market conditions and management intent to hold on to the investment in the foreseeable future. In rare circumstances when these conditions are no longer appropriate, the Company may choose to reclassify these financial assets to loans and receivables or held-to-maturity investments when this is in accordance with the applicable IFRS.

As at 31 December 2015 and 2014, no financial assets have been designated as available-for-sale financial assets.

Amortised cost of financial instruments

Amortised cost is computed using the effective interest method less any impairment loss and principal repayment or reduction. The calculation takes into account any premium or discount on acquisition and includes transaction costs and fees that are an integral part of the effective rate.

Financial liabilities

Initial recognition

Financial liabilities within the scope of IAS 39 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Company determines the classification of its financial liabilities at initial recognition.

Financial liabilities are recognized initially at fair value less directly attributable transaction costs in case of loans and borrowings.

The Company's financial liabilities include trade and other payables, bank overdrafts, loans and borrowings.

Subsequent measurement

The measurement of financial liabilities depends on their classification as follows:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss includes 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 sale in the near future. This category includes derivative financial instruments entered into by the Company that do not meet criteria of hedge accounting as defined by IAS 39. Gains or losses arising on liabilities held for trading are recognised in profit or loss.

The Company has not designated any financial liabilities at fair value through profit or loss.

Loans and borrowings & subordinated debt

Subsequent to initial recognition, interest bearing loans and borrowings are measured at amortised cost using the effective interest rate method.

Gains and losses are recognised in the statement of comprehensive income when the liabilities are derecognised as well as through the amortisation process.

Trade and other payables

Trade and other payables are recognized and measured at amortized cost, being the original invoice amount. The Company accrues for those expenses that have not been invoiced at the balance sheet date. Penalty interest charged on overdue payables is accounted for in trade payables.

Fair value of financial instruments

The fair value of financial instruments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business on the balance sheet date. For financial instruments where there is no active market, fair value is determined using 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.

Impairment of financial assets

The Company assesses at each balance sheet date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Classification and derecognition of financial instruments

Financial assets and financial liabilities presented in the balance sheet include cash and cash equivalents, trade and other accounts receivable and payable and loans and borrowings. The accounting policies on recognition and measurement of these items are disclosed in the respective accounting policies found in this Note.

Financial instruments (including compound financial instruments) are classified as assets, liabilities or equity in accordance with the substance of the contractual agreement. Interest, dividends and gains and losses relating to a financial instrument classified as a liability are reported as expense or income as incurred. Distributions to holders of financial instruments classified as equity are charged directly to equity. In case of compound financial instruments the liability component is valued first, with the equity component being determined as a residual value. Financial instruments are offset when the Company has a legally enforceable right to offset and intends to settle either on a net basis or to realize the asset and settle the liability simultaneously.

The derecognition of a financial asset takes place when the Company no longer controls the contractual rights that comprise the financial asset, which is normally the case when the instrument is sold, or all the cash flows attributable to the instrument are passed through to an independent third party. A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expires.

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:

<u>Fair value hedge</u>

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.

<u>Cash flow hedge</u>

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 2015 and 2014, no financial liabilities have been designated as derivative financial instruments.

Cash and cash equivalents

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

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

Employee benefits

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

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

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

Termination payments

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

Provisions

A provision is recognized if the Company has a present obligation (legal or constructive) as a result of a past event and it is probable (i.e.

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

Environmental matters

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

Legal claims

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

Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

As Lessee

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

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

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

As Lessor

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

Revenue recognition

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

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

Borrowing costs

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

Income tax

Current income tax

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

In line 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. The levy rate is 4.356% per annum. 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 2015	31 December 2014
Inland transport:		
Transport of goods	34,729	32,631
Wagon deposition	6,180	8,049
Haulage fees	1,252	1,158
	42,161	**41,838**
International transport:		
Import	92,383	98,633
Export	105,119	107,379
Transit	14,251	14,971
	211,753	**220,983**
Other transport related revenues:		
Usage of wagons under RIV, PGV and AVV regimes	6,996	9,597
Wagon rentals	2,067	3,381
Cross-border services	3,411	3,387
Other	2,422	2,619
	14,896	**18,984**
	268,810	**281,805**

4. OTHER REVENUES

In thousands of EUR	31 December 2015	31 December 2014
Repairs and maintenance	6,203	6,114
Operational performance	2,094	2,298
Property rentals	2,813	3,759
Other	4,361	2,240
	15,471	**14,411**

Other revenues included revenues charged to ZSSK of EUR 6,104 thousand (2014: EUR 6,652 thousand) for repair and maintenance, operational performance, property rental and other support services.

5. CONSUMABLES AND SERVICES

In thousands of EUR	31 December 2015	31 December 2014
Traction electricity	(29,028)	(28,591)
Network fees	(27,340)	(26,679)
Wagon rentals	(24,739)	(10,667)
Traction crude oil	(11,849)	(13,972)
Materials	(8,677)	(9,278)
IT services and telecommunication charges	(7,179)	(7,508)
Third party transhipment services	(5,599)	(5,661)
Foreign segments	(5,522)	(3,796)
Other energy costs	(4,972)	(4,620)
Cross-border services	(4,492)	(3,882)
Repair and maintenance	(3,407)	(4,094)
Rentals	(3,005)	(3,242)
Advisory and consultancy fees	(1,520)	(595)
Security services	(1,252)	(1,587)
Travelling and entertainment	(1,235)	(1,244)
Cleaning of cars, property, waste disposal	(500)	(589)
Medical care	(422)	(365)
Training	(301)	(200)
Other	(2,054)	(2,366)
	(143,093)	**(128,936)**

Consumables and services include amounts charged by ŽSR of EUR 63,706 thousand (2014: EUR 64,025 thousand), primarily relating to the usage of ŽSR's network (the Company has a one year contract with ŽSR which specifies planned kilometres and charge rates for different types of transport) and also to the purchase of traction energy (refer to Note 26).

6. STAFF COSTS

In thousands of EUR	31 December 2015	31 December 2014
Wages and salaries	(61,540)	(61,799)
Social security costs	(25,794)	(27,794)
Employee benefits (Note 21)	(2,625)	(1,587)
Termination payments (Note 22)	981	933
	(88,978)	**(90,247)**

Employee numbers at 31 December 2015 were 6,027 (2014: 6,103), thereof five were members of management (as members of the Board of Directors or directors of individual departments). Average employee numbers at 31 December 2015 were 6,056 (2014: 6,210).

The average salary in 2015 amounted to EUR 896 (2014: EUR 858).

7. OTHER OPERATING REVENUES (EXPENSES), NET

In thousands of EUR	31 December 2015	31 December 2014
Reversal (creation) of provision for environmental matters, net (Note 22)	503	(10)
Profit on sale of property, plant, equipment and inventories (Note 25)	5,363	1,499
Provision for legal cases and other provisions (Note 22)	(7,589)	(6,445)
Allowance for doubtful debts	(733)	(207)
Insurance of assets	(1,138)	(1,085)
Other	(1,370)	(1,328)
	(4,964)	**(7,576)**

8. INTEREST EXPENSE

In thousands of EUR	31 December 2015	31 December 2014
Interest on loans and borrowings	(2,025)	(3,416)
Interest on subordinated debt	(2,322)	(4,499)
Interest charges on finance lease liabilities	(1,011)	(1,443)
Unwinding of discount on provisions and employee benefits	29	(516)
	(5,329)	**(9,874)**

9. OTHER FINANCE REVENUES (COSTS), NET

In thousands of EUR	31 December 2015	31 December 2014
Foreign exchange losses, net	(96)	(18)
Gains on sale of securities	400	-
Other revenues (costs), net	176	664
	480	**646**

10. OTHER NON-CURRENT ASSETS

In thousands of EUR	31 December 2015	31 December 2014
Accrued costs	4	-
	4	**-**

11. INCOME TAX

The reported income tax represents special levy of EUR 1,394 thousand, a withholding tax paid abroad and in the amount of EUR 29 thousand and tax license in the amount of EUR 3 thousand. (2014: EUR 0 thousand, EUR 36 thousand and EUR 3 thousand).
A reconciliation between the reported income tax expense and the theoretical amount that would arise using the standard rates is as follows:

In thousands of EUR	31 December 2015	31 December 2014
Profit (Loss) before tax	1,503	(5,492)
Tax charge at statutory tax rate of 22% (2014: 22%)	331	(1,208)
Tax paid abroad and tax license	(32)	(39)
Forfeit tax loss carry forwards	355	25,114
Unrecognized deferred tax asset (incl. impact of change in tax rate)	(81)	(23,877)
Non-deductible expenses	(605)	(29)
Special levy	(1,394)	-
Total income tax	**(1,426)**	**(39)**

Deferred tax assets and liabilities at 31 December related to the following (for the year ended 31 December 2015 an income tax rate of 22% applicable in future accounting period was used, for the year ended 31 December 2014: 22%):

In thousands of EUR	31 December 2015	31 December 2014
Deferred tax assets		
Tax loss carried forward	3,085	4,113
Provision for environmental matters	4,893	5,024
Provision for employee benefits	3,446	3,486
Allowance for trade and other receivables	899	925
Allowance for inventories	155	258
Provision for legal cases	3,660	3,418
Termination payments	216	182
Other overdue liabilities (over 36 months)	6,029	10,234
Other	7,287	2,851
	29,670	**30,491**
Deferred tax liabilities		
Accelerated depreciation for tax purposes (net of value adjustments)	(3,480)	(4,268)
Other	(92)	(45)
	3,572	**(4,313)**
Valuation allowance	(26,098)	(26,178)
Net deferred tax assets (liabilities)	**-**	**-**

A valuation allowance of EUR 26,098 thousand (2014: EUR 26,178 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.

Under Slovak tax legislation, the company lost tax losses from 2009 of EUR 114,153 EUR in the prior year.
Only the special levy on business in regulated industries due in 2016 is recognized as a tax liability. Other tax liabilities as advances on employee income tax, property tax, etc. are reported under other liabilities in note 23.

12. INTANGIBLE ASSETS

In thousands of EUR	Software	Assets under construction	Total
Acquisition cost			
At 1 January 2015	**30,070**	**475**	**30,545**
Additions	-	1,523	1,523
Transfers	1,771	(1,771)	-
At 31 December 2015	**31,841**	**227**	**32,068**
Accumulated amortization			
At 1 January 2015	**(20,405)**	**-**	**(20,405)**
Charge for the period	(1,533)	-	(1,533)
At 31 December 2015	**(21,938)**	**-**	**(21,938)**
Net book value at 31 December 2015	**9,903**	**227**	**10,130**

In thousands of EUR	Software	Assets under construction	Total
Acquisition cost			
At 1 January 2014	**29,261**	**451**	**29,712**
Additions	-	843	843
Disposals	(10)	-	(10)
Transfers	819	(819)	-
At 31 December 2014	**30,070**	**475**	**30,545**
Accumulated amortization			
At 1 January 2014	**(17,198)**	**-**	**(17,198)**
Charge for the period	(3,217)	-	(3,217)
Disposals	10	-	10
At 31 December 2014	**(20,405)**	**-**	**(20,405)**
Net book value at 31 December 2014	**9,665**	**475**	**10,140**

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 2015	**77,561**	**462,432**	**4,414**	**544,407**
Additions	-	-	17,018	17,018
Disposals	(5,220)	(9,162)	(964)	(15,346)
Transfers	318	14,786	(15,104)	-
At 31 December 2015	**72,659**	**468,056**	**5,364**	**546,079**
Accumulated depreciation				
At 1 January 2015	**(31,783)**	**(215,186)**	**(534)**	**(247,503)**
Additions	(1,645)	(24,950)	-	(26,595)
Disposals	5,220	7,093	-	12,313
Impairment loss	(86)	(9,622)	-	(9,708)
At 31 December 2015	**(28,294)**	**(242,665)**	**(534)**	**(271,493)**
Net book value at 31 December 2015	**44,365**	**225,391**	**4,830**	**274,586**

In thousands of EUR	Land and buildings	Machines, equipment, other assets	Assets under construction	Total
Acquisition cost				
At 1 January 2014	**77,787**	**888,747**	**3,705**	**970,239**
Additions	-	-	23,354	23,354
Disposals	(237)	(28,459)	(35)	(28,731)
Transfers – Assets held for sale	-	(420,455)	-	(420,455)
Transfers	11	22,599	(22,610)	-
At 31 December 2014	**77,561**	**462,432**	**4,414**	**544,407**
Accumulated depreciation				
At 1 January 2014	**(29,105)**	**(423,434)**	**(534)**	**(453,073)**
Additions	(1,685)	(57,653)	-	(59,338)
Disposals	160	27,658	-	27,818
Transfers – Assets held for sale	-	240,026	-	240,026
Impairment loss	(1,153)	(1,783)	-	(2,936)
At 31 December 2014	**(31,783)**	**(215,186)**	**(534)**	**(247,503)**
Net book value at 31 December 2014	**45,778**	**247,246**	**3,880**	**296,904**

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

The Company recorded impairment losses on assets individually assessed as damaged or not capable for further use. The impairment losses were recorded to reflect the amount of actual damage, respectively, the net book value of an asset component at 31 December 2015.

The impairment test required by IAS 36 was performed by management of the Company as at 31 December 2015. 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 2016 business plan updated to the latest available information at the balance sheet date and on forecasts of future periods based on best estimates using all available information. The future cash flows were estimated for the next 15 years which is an average remaining useful life of the cash generating unit‘s assets. The cash flows include unavoidable investment expenditures required to maintain the ability of the cash generating unit to generate revenues and proceeds from scrap value at the end of the useful life. Discount rate of 5.90% used in the calculation was determined based on interest rates for incremental financing of fixed assets purchases by the Company as at the day of preparation of a financial statements and was adjusted for factors of time, risk and liquidity.

As a result of the procedures described above, the Company has increased an impairment loss by EUR 9,708 thousand due to a lower usage of assets and a decrease of cash inflows mainly from a transport revenues’ decrease in 2015 and expected utilization of assets and expected transported volumes (mainly in diesel traction) in the next period .

Property, plant and equipment include locomotives acquired by means of finance lease with a total acquisition value of EUR 21,217 thousand (net book value EUR 14,794 thousand), wagons with an aggregate acquisition value of EUR 111,724 thousand (net book value EUR 79,311 thousand) and computing technology with a total acquisition value of EUR 2,772 thousand (net book value EUR 0 thousand).

Property, plant and equipment in the ownership of the Company with a total acquisition value of EUR 2,219 thousand (EUR 2,219 thousand at 31 December 2014) and with a net book value of EUR 2,015 thousand (EUR 2,034 thousand at 31 December 2014) is registered by the State as protected for cultural purposes.

Since 1 January 2014 the Company´s property, plant and equipment and inventories have not been insured. Motor vehicles have third party and accident insurance cover, the cost of which is immaterial. Before 2014 Property, plant, equipment and inventories were insured against (i) natural disaster, (ii) theft and vandalism and (iii) damage of machinery (all risk cover). Risks (i) and (ii) are covered to a maximum of 240,104 EUR thousand and (iii) to a maximum of EUR 306,148 thousand.

The Company classified certain assets as held for sale as at 31 December 2014 (Note 25).

14. INVESTMENT IN JOINT VENTURE AND SUBSIDIARIES

The Company has a 40% share in BULK TRANSSHIPMENT SLOVAKIA, a. s. which is involved in the transshipment of iron ore in Cierna nad Tisou in the east of Slovakia. Based on contractual arrangements with the other shareholder, the management of the Company decided to consider this investment as a joint venture.
The Company has 34% share in Cargo Wagon, a.s. This investment is presented as affiliated company based on the agreed conditions of shareholder agreement.

Details of the Company's joint venture, affiliated company and subsidiary at 31 December 2015 are as follows:

Corporate name	Registration country	Ownership 2015	Carrying amount of investment 2015	Equity 2015	Profit/Loss 2015
Investment in joint ventures					
BULK TRANSSHIPMENT SLOVAKIA, a.s	Slovak Republic	40%	2,829.5	18,635	2,698
Cargo Wagon, a.s.	Slovak Republic	34%	3,402.5	3,844	(4,095)
Total investment in joint ventures			**6,232**		
Investments in subsidiaries					
ZSSK CARGO Intermodal, a.s.	Slovak Republic	100%	27	26	-

Details of the Company's joint venture and subsidiaries at 31 December 2014 are as follows:

Corporate name	Registration country	Ownership 2014	Carrying amount of investment 2014	Equity 2014	Profit/Loss 2014
Investment in joint ventures					
BULK TRANSSHIPMENT SLOVAKIA, a. s.	Slovak Republic	40%	2,840	15,891	1,683
Investments in subsidiaries					
Cargo Wagon, a.s.	Slovak Republic	100%	10 003	10,030	29
ZSSK CARGO Intermodal, a.s.	Slovak Republic	100%	27	26	(1)
Total investment in subsidiaries			**10,030**		

During 2014, BTS, a.s. increased its share capital in the form of non-cash contribution in the total amount of 1,298.6 EUR thousand (1,082.2 EUR thousand without VAT) while the share equity of the company stayed the same.
The Company signed a sale and purchase of shares contract with AAE Wagon a.s. (member of VTG/AAE Group), the winner of the international tender on 5 March 2015. According to the contract AAE Wagon a.s. acquired 66% of share capital of Cargo Wagon, a.s. and the transaction was completed after the approval of Antimonopoly authorities in May 2015.
As of 31 December 2015 Cargo Intermodal, a.s. is dormant with no operation.

15. INVENTORIES

In thousands of EUR	At cost 2015	At lower of cost or net realizable value 2015	At cost 2014	At lower of cost or net realizable value 2014
Machine and metal-working materials	3,068	2,814	3,078	2,556
Electrical materials	3,027	2,594	3,290	2,665
Diesel fuel	683	683	1,036	1,036
Chemicals and rubber	950	938	605	585
Protective tools	262	261	255	254
Other	198	194	119	113
	8,188	**7,484**	**8,383**	**7,209**

The Company expects to use up stocks amounted to EUR 24,608 thousand (2014: EUR 27,193 thousand) in a period of more than twelve months after the date of creation these financial statements.

16. TRADE AND OTHER RECEIVABLES

In thousands of EUR	31 December 2015	31 December 2014
Domestic trade receivables	24,637	28,079
Foreign trade receivables	13,753	13,252
VAT receivables	4,490	3,227
Other receivables	3,257	3,029
Allowance for impaired trade and other receivables	(4,085)	(4,204)
	42,052	**43,383**

At 31 December 2015 overdue receivables amounted to EUR 6,020 thousand (EUR 7,340 thousand at 31 December 2014).
Trade receivables are non-interest bearing and are generally due within 30-90 days.
For details of related party receivables, refer to Note 26.
The Company reported a long-term group loan in amount of 10,000 EUR to the affiliated company Cargo Wagon, a.s. This loan is subordinate to long-term bank loans used for the purchase of freight wagons by the affiliate. Loan repayments and interest at 6% per annum subject to compliance with bank covenants under the terms of pari pass to the majority shareholder.

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

Year	Total	Neither past due nor impaired	Past due but not impaired				
			< 90 days	90 - 180 days	180 – 270 days	270 – 365 days	> 365 days
2015	**42,052**	41,181	871	-	-	-	-
2014	**43,383**	41,163	1,920	-	-	-	-

17. CASH AND CASH EQUIVALENTS

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

In thousands of EUR	31 December 2015	31 December 2014
Cash at banks and on hand and cash equivalents	3,370	305
Bank overdrafts	(43,517)	(85,755)
	(40,147)	**(85,450)**

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

Bank overdrafts as of 31 December are as follows:

	31 December 2015		31 December 2014	
In thousands of EUR	Overdraft limit	Drawn down	Overdraft limit	Drawn down
Citibank Europe plc, poboč. zahr. banky.	20,000	**10,053**	20,000	**19,483**
ING Bank N.V., pobočka z.b.	20,000	**9,604**	-	**-**
Všeobecná úverová banka, a.s.	15,000	**7,235**	23,500	**22,967**
Tatra banka, a.s.	15,000	**7,144**	20,870	**12,947**
Slovenská sporiteľňa, a.s.	10,000	**4,946**	20,000	**17,876**
Československá obchodná banka, a.s.	10,000	**4,535**	-	**-**
UniCredit Bank Slovakia a.s.	-	**-**	17,593	**12,482**
	90,000	**43,517**	101,963	**85,755**

Cash and cash equivalents as at 31 December 2015, include EUR 3,326 thousand that is restricted (31 December 2014: EUR 0 thousand).

18. SHAREHOLDER'S EQUITY

Share capital
Share capital represents the State's investment in the Company, held through MTCRD, 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 MTCRD, this being a previously unpaid part of the initial equity contribution made on the Company's incorporation. In addition, the Company was awarded penalty interest of EUR 8,830 thousand to compensate for the late payment of this contribution.

Settlement of loss from previous accounting period
The settlement of the 2014 statutory result was approved by the Company's General Meeting on 12 June 2015 and was booked to accumulated losses.

19. SUBORDINATED DEBT

Subordinated debt of original amount EUR 165,970 thousand represented funding from the Ministry of Finance, approved by the Government on 4 March 2009 and received on 6 April 2009, to support the Company's operations. The Company paid the balance of liability from subordinated debt prematurely on 23 November 2015 with a closing balance of EUR 0 as at 31 December (EUR 117,220 thousand at 31 December 2014).

20. INTEREST-BEARING LOANS AND BORROWINGS

In thousands of EUR	Maturity date	31 December 2015	31 December 2014
Long-term loans			
Secured			
ING Bank N.V.	31 July 2019	13,098	15,153
Total		**13,098**	**15,153**
Short-term portion of loans		**2,118**	**2,055**
Long-term portion of loans		**10,980**	**13,098**

Short-term loans			
Secured			
Privatbanka, a.s.	8 June 2016	7,000	10,000
Československá obchodná banka, a.s.	24 November 2015	-	5,000
Short-term loans		**7,000**	**15,000**
Short-term portion of loans (see above)		**2,118**	**2,055**
Overdrafts (Note 17)		**43,517**	**85,755**
Short-term portion of loans		**52,635**	**102,810**
Total		**63,615**	**115,908**

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

All loans presented in the table above are secured by promissory notes with a value of EUR 50,517 thousand (EUR 95,443 thousand at 31 December 2014), and with a nominal value of EUR 112,200 thousand (EUR 118,060 thousand as of 31 December 2014) except for the loan from ING Bank N.V. The long-term loan from ING Bank N.V. is secured by a lien on 250 wagons “Shimmns”.
Under the terms of a loan agreement the Company is required to meet a financial debt ratio covenant. The covenant is derived from the Company’s management accounts. At 31 December 2015 the Company did not comply with the covenant for a loan in the amount of EUR 7,235 thousand (EUR 22,967 thousand as of 31 December 2014). The Company received a waiver from the bank on 26 October 2015 confirming the fact that earlier repayment of an overdraft would not be requested.
The fair value of interest-bearing loans and borrowings amounts to EUR 63,615 thousand (EUR 115,908 thousand at 31 December 2014).
All interest-bearing loans and borrowings bear floating interest which range from 0.950% to 2.700% (2.023% to 3.224% in 2014) except for the fixed interest loan from Privatbanka, a.s.
A loan from Cargo Wagon, a.s. in the amount of EUR 9,975 thousand. EUR was presented as a group loan as at 31 December 2014. The loan was paid during 2015 and is presented in other liabilities (Note 23).

21. EMPLOYEE BENEFITS

In thousands of EUR	Retirement benefits	Jubilee payments	Disability benefits	Total
At 1 January 2015	**12,420**	**3,410**	**15**	**15,845**
Current service cost	468	123	-	591
Interest expense	298	82	-	380
Actuarial gains and losses	189	25	(2)	212
Utilization of benefits	(905)	(451)	(6)	(1,362)
At 31 December 2015	**12,470**	**3,189**	**7**	**15,666**
Current 31 December 2015	496	369	4	869
Non-current 31 December 2015	11,974	2,820	3	14,797
At 31 December 2015	**12,470**	**3,189**	**7**	**15,666**

In thousands of EUR	Retirement benefits	Jubilee payments	Disability benefits	Total
At 1 January 2014	**11,253**	**3,461**	**30**	**14,744**
Current service cost	421	123	-	544
Interest expense	394	121	1	516
Actuarial gains and losses	813	366	(9)	1,170
Utilization of benefits	(463)	(533)	(7)	(1,003)
Past service cost	2	(128)	-	(126)
At 31 December 2014	**12,420**	**3,410**	**15**	**15,845**
Current 31 December 2014	412	433	7	852
Non-current 31 December 2014	12,008	2,977	8	14,993
At 31 December 2014	**12,420**	**3,410**	**15**	**15,845**

The principal actuarial assumptions used were as follows:

	2015	2014
Discount rate (% p.a.)	2.40	2.40
Future salary increases (%)	2.50	2.0
Mortality probability (male) (%)	0.04 – 2.26	0.04 – 2.26
Mortality probability (female) (%)	0.02 – 0.88	0.02 – 0.88

Sensitivity analysis

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

		Discount rate	Average income	Mortality
In thousands of EUR	31 December 2015	+ 1.00%	+ 1.00%	-10.00%
Net liability from employee benefits	15,666	(1,241)	321	150

		Discount rate	Average income	Mortality
In thousands of EUR	31 December 2014	+ 1.00%	+ 1.00%	-10.00%
Net liability from employee benefits	15,845	(1,302)	306	157

22. PROVISIONS

In thousands of EUR	Environmental	Legal	Terminations	Other	Total
At 1 January 2015	**22,838**	**15,535**	**828**	**-**	**39,201**
Additions	-	1,107	981	6,482	8,570
Interest costs	-	-	-	(409)	(409)
Reversals	(503)	-	-	-	(503)
Utilization	(93)	(6)	(828)	-	(927)
At 31 December 2015	**22,242**	**16,636**	**981**	**6,073**	**45,932**
Current 31 December 2015	8,999	-	981	1,080	11,060
Non-current 31 December 2015	13,243	16,636	-	4,993	34,872
At 31 December 2015	**22,242**	**16,636**	**981**	**6,073**	**45,932**

In thousands of EUR	Environmental	Legal	Terminations	Total
At 1 January 2014	**22,955**	**9,112**	**1,100**	**33,167**
Additions	13	6,602	828	7,443
Reversals	(3)	(157)	-	(160)
Utilization	(127)	(22)	(1,100)	(1,249)
At 31 December 2014	**22,838**	**15,535**	**828**	**39,201**
Current 31 December 2014	8,732	-	828	9,560
Non-current 31 December 2014	14,106	15,535	-	29,641
At 31 December 2014	**22,838**	**15,535**	**828**	**39,201**

Environmental matters
In 2015, the Company updated its analysis of potential breaches of environmental regulations at its various sites, with the support of an environment specialist, Centrum environmentalnych sluzieb, s.r.o. (previously operating under the name, Life & Waste, s.r.o.). As a result of this analysis, and based on the findings of Centrum environmentalnych sluzieb, s.r.o., the Company has estimated that costs of EUR 22,242 thousand (EUR 22,838 thousand at 31 December 2014) are required to remedy the significant environmental issues relating to water, oil and fuel management identified in the past.
Their exact estimates are not necessarily accurate due to several uncertainties involving continuous development of laws and regulatory requirements in the areas of environment and methods, timing and extent of corrective actions which could have a potentially significant impact on the economic results of the company in future periods.
Expenditures will incur in 2016 – 2018. A discount rate of 2.4% p.a. was used in the calculation.

Legal claims
Provisions for legal claims relate to a number of claims, the most significant one is REFIN B.A., Ltd. in the amount of EUR 8,252 thousand.

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

In thousands of EUR	31 December 2015	31 December 2014
Domestic trade payables	62,729	76,686
Foreign trade payables	7,190	7,213
Payables due to employees	5,907	6,526
Payables due to social institutions	3,503	3,721
Other payables	3,419	15,373
	82,748	**109,519**

At 31 December 2015 overdue trade payables amounted to EUR 1,103 thousand (EUR 1,194 thousand at 31 December 2014). For details of related party payables, refer to Note 26 and 19.

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

In thousands of EUR	31 December 2015	31 December 2014
At 1 January	**200**	**155**
Additions	610	602
Utilization	(710)	(557)
At 31 December	**100**	**200**

24. COMMITMENTS AND CONTINGENCIES

Finance lease commitments

At 31 December 2015 the Company has finance lease commitments relating to the acquisition of 1,104 wagons, 12 powered vehicles and hardware equipment (1,104 wagons and 12 powered vehicles at 31 December 2014).

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

In thousands of EUR	31 December 2015		31 December 2014	
	Minimum lease payments	Present value of payments	Minimum lease payments	Present value of payments
Within one year	12,708	11,963	22,597	21,538
After one year but not more than five years	19,134	18,563	17,390	16,098
More than five years	-	-	1,577	1,573
Total minimum lease payments	**31,842**	**30,526**	**41,564**	**39,209**
Less: future finance charges	(1,316)	-	(2,355)	-
Present value of minimum lease payments	**30,526**	**30,526**	**39,209**	**39,209**

Operating lease commitments
At 31 December 2015 the Company has operating lease for a fixed period including mainly wagons, motor vehicles and other equipment.

In thousands of EUR	31 December 2015	31 December 2014
Operating lease of wagons	24,710	9,606
Operating lease of motor vehicles	427	406
Operating lease of other equipment	160	85
	25,297	**10,097**

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

In thousands of EUR	31 December 2015	31 December 2014
Within one year	40,973	25,298
After one year but not more than five years	190,383	193,451
More than five years	48,886	86,791
	280,242	**305,540**

Investing commitments
The Company's investment expenditure for the period from 1 January 2016 to 31 December 2016 (1 January 2015 to 31 December 2015) is as follows:

In thousands of EUR	31 December 2015	31 December 2014
Land and buildings	19	656
Machines, equipment and other assets	402	1,395
Intangible assets	-	26
	421	**2,077**

Expenditures of EUR 421 thousand (EUR 2,077 thousand at 31 December 2014) are committed under contractual arrangements.

Contingent liabilities
ČD CARGO, a.s. filed a lawsuit against the Company claiming an amount of EUR 1,508 thousand (including interest) in respect of unpaid VAT related to the Company's usage of their wagons for international transportation during the period from 24 May 2007 to 3 May 2008. District Court Bratislava II announced judgment on 26 November 2014 in which rejected the charge in its entirety. ČD Cargo appealed to a higher court. Under Slovak legislation, trade practices of neighbouring countries and international agreements, the usage of wagons for international transportation is not deemed to be a rental arrangement and is, therefore, exempt from VAT. Consequently, supported by their legal advisors, management has concluded that the probability of ČD CARGO, a.s. succeeding in this legal action against the Company is remote and therefore no provision has been recorded in these financial statements.

The Company reports an administrative procedure conducted by the Antimonopoly Office of the Slovak Republic regarding a possible misuse of the dominant position in 2005-2010 on the market of sale and rental of electric locomotives capable of operation in the Slovak Republic and on the market of fuel stations. The Antimonopoly Office charged a penalty of EUR 10,254 thousand. The company had appealed the penalty on 6 September 2013.

The appeal was subsequently complemented on 6 December 2013. The Board of the Antimonopoly Office of the Slovak Republic has confirmed the penalty on 5 November 2014. The Company filed an appeal to the District Court in Bratislava against the ruling of the Antimonopoly Office. The Court has not made any judgment yet. The Company's management has some arguments which may result in cancellation of the Antimonopoly ruling. It is concluded that the result of this lawsuit is uncertain.

25. ASSETS CLASSIFIED AS HELD FOR SALE AND LIABILITIES DIRECTLY ASSOCIATED WITH ASSETS HELD FOR SALE

In thousands of EUR	Land and buildings	Machines, equipment, other assets	Assets under construction	Total
At 1 January 2015	**-**	**180,429**	**-**	**180,429**
Disposals	-	(180,429)	-	(180,429)
At 31 December 2015	**-**	**-**	**-**	**-**

In thousands of EUR	Land and buildings	Machines, equipment, other assets	Assets under construction	Total
At 1 January 2014	**-**	**-**	**-**	**-**
Transfers – Assets held for sale	-	180,429	-	180,429
At 31 December 2014	**-**	**180,429**	**-**	**180,429**

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 was also signed. After an approval of the Antimonopoly authorities, registering transfer of shares and the fulfillment of other conditional clauses the final transaction documents were signed – 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 which was used to finance the purchase of railway carriages. The Company finalized the deal on 10 July 2015.

26. 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 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 2015 and 2014:

In thousands of EUR	31 December 2015			
Related party	Sales to related parties	Purchases from related parties	Amounts owed by related parties	Amounts owed to related parties
ŽSR	734	63,706	95	40,132
ZSSK	13,434	3,924	1,963	501
Ministry of Finance	90	-	-	-
Slovenský plynárenský priemysel	-	256	-	8
Cargo Wagon, a.s.	180,900	16,736	10,312	3,482
BTS (joint venture)	3,317	5,871	137	1,446
Other related parties	314	607	18	2

In thousands of EUR	31 December 2014			
Related party	Sales to related parties	Purchases from related parties	Amounts owed by related parties	Amounts owed to related parties
ŽSR	938	64,025	201	55,632
ZSSK	13,338	4,169	2,027	580
Ministry of Finance	-	4,499	-	117,220
Slovenský plynárenský priemysel	-	225	-	28
Cargo Wagon, a.s.	-	41	-	10,016
BTS (joint venture)	636	5,981	67	1,229
Other related parties	365	586	56	6

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 2015 are as follows:

Board of Directors:

Ing. Vladimír Ľupták, chairman (since 26 April 2012)

Ing. Jaroslav Daniška vice-chairman (since 26 April 2012)

Ing. Peter Fejfar (since 26 April 2012)

Supervisory Board:

Ing. Martin Čatloš, chairman (since 15 August 2012)

Ing. Radovan Majerský, PhD. (since 15 August 2012)

Ing. Pavol Gábor (since 15 August 2012)

Ing. Štefan Hlinka (since 15 August 2012)

Ing. Bartolomej Kun (since 1 January 2015)
Mgr. Zita Verčíková (since 1 January 2015)
Bc. Anton Andel, člen dozornej rady (till 31 December 2014)
Ján Baláž, člen dozornej rady (till 31 December 2014)

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

The Board of Directors' total remuneration approximated EUR 29 thousand (EUR 29 thousand in 2014). The total remuneration of members of the Supervisory Board amounted to EUR 15 thousand (EUR 9 thousand in 2014).

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

27. 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 impact on the Company's equity.

In thousands of EUR	31 December 2015	31 December 2014
EURIBOR (+0.5%)	(652)	(453)
EURIBOR (-0.5%)	161	166

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 2015 and 2014 consist of the following:

In thousands of EUR	31 December 2015	31 December 2014
Long-term loan facilities available	-	-
Short-term loan facilities available	49,577	10,295
Total loan facilities available	**49,577**	**10,295**

As at 31 December 2015 the Company did not have any banks guarantees (EUR 0 thousand at 31 December 2014).
The table below summarises the maturity profile of the Company's financial liabilities at 31 December 2015 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
Subordinated debt	-	-	-	-	-	-
Long-term loans	-	-	-	10,980	-	10,980
Trade and other payables	1,103	47,490	17,503	18,046	-	84,142
Obligations under finance leases	-	258	11,705	18,563	-	30,526
Short-term loans	-	-	38,085	14,549	-	52,634
	1,103	**47,748**	**67,293**	**62,138**	**-**	**178,282**

The table below summarises the maturity profile of the Company's financial liabilities at 31 December 2014 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
Subordinated debt	-	-	19,500	78,000	19,720	117,220
Long-term loans	-	-	-	13,098	-	13,098
Trade and other payables	1,194	55,981	16,796	35,546	-	109,517
Obligations under finance leases	-	752	20,786	16,098	1,573	39,209
Short-term loans	-	-	102,810	-	-	102,810
	1,194	**56,733**	**159,892**	**142,742**	**21,293**	**381,854**

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, US Steel Košice, Budamar Logistics and Express Slovakia, sales to which represent 56% of transport and related revenues (55% in 2014), 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 2015 and 31 December 2014.

The Company monitors indebtedness using a debt to equity ratio, by which debt consists of external interest-bearing loans and borrowings and excludes subordinated debt provided by related parties and finance lease obligations, divided by total equity. In 2015 the ratio has improved in comparison with the previous period.

In thousands of EUR	31 December 2015	31 December 2014
Long-term debt, net of current portion (excluding subordinated debt and finance lease obligations)	10,980	13,098
Short-term debt, including current portion of long-term debt (excluding finance lease obligations)	52,634	102,810
Debt	**63,614**	**115,908**
Equity	**114,215**	**114,138**
Debt to equity ratio (%)	**56%**	**102%**

28. EVENTS AFTER THE BALANCED SHEET DATE

No events occurred subsequent to 31 December 2015 that might have a material effect on the fair presentation of the matters disclosed in these financial statements.

Approved by Ing. Vladimír Ľupták and Ing. Peter Fejfar on behalf of the Board of Directors on 15 April 2016.

ZSSK CARGO

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 2015

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Independent Auditors' Report

To the Shareholder of Železničná spoločnosť Cargo Slovakia, a.s.:

We have audited the accompanying consolidated financial statements of Železničná spoločnosť Cargo Slovakia, a.s. and its joint venture ('the Group'), which consist of the consolidated statement of financial position as at 31 December 2015 and the consolidated statements of income, comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and presentation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the EU, and for such internal controls as management determines are necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements on the basis of our audit. We conducted our audit in accordance with the International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers those internal controls relevant to the entity's preparation of consolidated financial statements that give a true and fair view, so as to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2015, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

THIS IS A TRANSLATION OF THE ORIGINAL SLOVAK REPORT

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

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Emphasis of Matter

Without qualifying our opinion, we draw attention to the following matters:

i. As set out in Note 2.1 to the consolidated financial statements, the Group reported total accumulated losses of EUR 285,455 thousand. The future of the Group depends on the complete implementation of measures directly linked to the revitalization program for the railways sector passed by the Slovak government in 2013. This situation indicates the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern.

ii. As set out in Note 22 to the consolidated financial statements, the Group recorded provisions of EUR 22,242 thousand for potential environmental remediation. Estimates of the future costs relating to environmental remediation are not necessarily accurate due to uncertainties involving 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.

iii. As set out in Note 26 to the consolidated financial statements, the Group has significant related party transactions and significant trading relationships with Železnice Slovenskej republiky and Železničná spoločnosť Slovensko, a.s., which are generally contracted on an annual basis.

14 April 2016
Bratislava, Slovak Republic

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

Ing. Peter Uram-Hrišo
UDVA Licence No. 996

THIS IS A TRANSLATION OF THE ORIGINAL SLOVAK REPORT

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2015

In thousands of EUR	Note	31 December 2015	31 December 2014
Revenues			
Transportation and related revenues	3	268,810	281,805
Other revenues	4	15,471	14,411
		284,281	**296,216**
Costs and expenses			
Consumables and services	5	(143,093)	(128,941)
Staff costs	6	(88,978)	(90,247)
Depreciation, amortisation and impairment of property, plant and equipment and intangible assets	12, 13	(40,894)	(65,682)
Other operating revenues (expenses), net	7	(4,964)	(7,576)
		(277,929)	**(292,446)**
Finance costs			
Interest expense	8	(5,329)	(9,833)
Other finance revenues (costs), net	9	480	646
Share of the profit of the joint venture and affiliated company	14	(313)	673
		(5,162)	**(8,514)**
Income tax	11	(1,426)	(47)
Profit (Loss) for the period		**(236)**	**(4,791)**
Other comprehensive income for the period		-	-
Total comprehensive income for the period		**(236)**	**(4,791)**

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

Profit attributable to:		
Shareholder of the Company	(236)	(4,791)
Non-controlling interest of other owners of subsidiaries	-	-

Approved by Ing. Vladimír Ľupták and Ing. Peter Fejfar on behalf of the Board of Directors on 15 April 2016.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2015

In thousands of EUR	Note	31 December 2015	31 December 2014
ASSETS			
Non-current assets			
Property, plant and equipment	13	274,586	296,904
Intangible assets	12	10,130	10,140
Group loans	16, 26	10,298	-
Investment in joint venture	14	9,475	6,356
Other non-current assets	10	4	-
		304,493	**313,400**
Current assets			
Inventories	15	7,484	7,209
Trade and other receivables	16	42,052	43,385
Cash and cash equivalents	17	3,395	351
		52,931	**50,945**
Assets held for sale	25	-	180,429
		52,931	**231,374**
TOTAL ASSETS		**357,424**	**544,774**
EQUITY AND LIABILITIES			
Shareholder's equity			
Share capital	18	401,646	401,646
Legal reserve fund	18	26	26
Other funds	18	1,228	1,228
Accumulated losses	18	(285,455)	(285,219)
Total equity		**117,445**	**117,681**
Non-current liabilities			
Subordinated debt	19	-	97,720
Interest-bearing loans and borrowings	20	10,980	13,098
Employee benefits	21	14,797	14,993
Provisions	22	34,872	29,641
Trade and other payables	23	18,046	35,546
Finance lease liabilities	24	18,563	17,671
Other non-current liabilities	23	100	200
		97,358	**208,869**
Current liabilities			
Subordinated debt	19	-	19,500
Interest-bearing loans and borrowings	20	52,634	102,810
Employee benefits	21	869	852
Provisions	22	11,060	9,560
Trade and other payables	23	64,701	63,964
Tax liabilities	11	1,394	-
Finance lease liabilities	24	11,963	21,538
		142,621	**218,224**
Liabilities directly associated with assets held for sale	25	-	-
Total liabilities		**239,979**	**427,093**
TOTAL EQUITY AND LIABILITIES		**357,424**	**544,774**

The accounting policies and notes form an integral part of the financial statements.
Approved by Ing. Vladimír Ľupták and Ing. Peter Fejfar on behalf of the Board of Directors on 15 April 2016.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2015

In thousands of EUR	Share capital	Legal reserve fund	Other funds	Accumulated losses	Total
At 1 January 2014	**401,646**	**-**	**1,228**	**(280,402)**	**122,472**
Loss for the period	-	-	-	(4,791)	(4,791)
Other comprehensive income	-	-	-	-	-
Total comprehensive income	-	-	-	(4,791)	(4,791)
Legal reserve fund	-	26	-	(26)	-
At 31 December 2014	**401,646**	**26**	**1,228**	**(285,219)**	**117,681**
Profit for the period	-	-	-	(236)	(236)
Other comprehensive income	-	-	-	-	-
Total comprehensive income	-	-	-	(236)	(236)
At 31 December 2015	**401,646**	**26**	**1,228**	**(285,455)**	**117,445**

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

Approved by Ing. Vladimír Ľupták and Ing. Peter Fejfar on behalf of the Board of Directors on 15 April 2016.

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2015

In thousands of EUR	Note	31 December 2015	31 December 2014
Cash flows from operating activities			
Profit / (Loss) before tax		1,190	(4,744)
Adjustments for:			
Non-cash items			
■ Depreciation, amortisation and impairment of property, plant and equipment and intangible assets	12, 13	40,893	65,430
■ Gain on sale of property, plant and equipment	7	(4,793)	(693)
■ Gain on sale of Cargo Wagon's shares	14	(400)	-
■ Allowance of receivables and inventories	15, 16	(589)	(894)
■ Interest expense	8	5,329	9,833
■ Interest income and shares of profits		(323)	-
■ Share of the profit of the joint venture		287	(673)
■ Movements in provisions and employee benefits		5,158	7,186
■ Other non-cash items	4, 14	42	(1,061)
		46,794	**74,384**
Working capital adjustments			
■ Decrease in inventories		195	1,340
■ Decrease (increase) in trade and other receivables		1,446	5,527
■ Increase (decrease) in trade and other payables		(14,190)	8,431
Cash flows from operating activities		**34,271**	**89,682**
Income tax paid	11	(32)	(36)
Net cash flows from operating activities		**34,239**	**89,646**
Investing activities			
Purchase of property, plant and equipment	12, 13	(18,541)	(24,179)
Share capital contribution in subsidiaries	14	-	(216)
Group loans	16	(10,000)	-
Proceeds from sale of Cargo Wagon's shares	14	7,000	-
Dividends received		25	-
Cash in subsidiaries after sale of majority share		(21)	
Proceeds from sale of property, plant and equipment		185,173	1,079
Net cash flows from (used in) investing activities		**163,636**	**(23,334)**
Financing activities			
Proceeds from loans and borrowings	20	-	-
Repayment of loans and borrowings	20	(20,030)	(19,898)
Repayment of subordinated debt	19	(117,220)	(19,500)
Interest paid		(6,660)	(9,558)
Payments of finance lease liabilities	24	(8,683)	(14,413)
Net cash flows used in financing activities		**(152,593)**	**(63,369)**
Net (decrease) increase in cash and cash equivalents		**45,282**	**2,943**
Cash and cash equivalents at 1 January	**17**	**(85,404)**	**(88,347)**
Cash and cash equivalents at 31 December	**17**	**(40,122)**	**(85,404)**

The accounting policies and notes form an integral part of the financial statements.
Approved by Ing. Vladimír Ľupták and Ing. Peter Fejfar on behalf of the Board of Directors on 15 April 2016.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

Information on Reporting entity

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

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

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

Principal activities

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

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

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

2.1 BASIS OF PREPARATION AND MEASUREMENT

These consolidated financial statements were approved and authorized for issue by the Board of Directors on 15 April 2016. The General Meeting held on 12 June 2015 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 2015 to 31 December 2015.

The consolidated financial statements were prepared using the going concern assumption that the Group will continue its operations for the foreseeable future. The Group reported a loss of EUR 236 thousand for the year and total accumulated loss of EUR 285,455 thousand.

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

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

After an approval of the Antimonopoly authorities, registering transfer of share and the fulfillment of other conditional clauses the final transaction documents were signed in May 2015– Agreement on transfer of movable assets for consideration and subsequent lease back of means of transport (Agreement on sale of 12,342 railway carriages and lease back of 8,216 railway carriages) and Bank loan agreement between financing banks and Cargo Wagon, a.s used to finance the purchase of railway carriages. Whole transaction was completed on 10 july 2015, when ZSSK CARGO received a payment for the sale of carriages of EUR 216.6 million (incl. VAT) which was used to decrease Group´s debt. The Group began to lease a significant part of its freight wagons. Regarding ZSSK Cargo Intermodal, a.s. the Group has closed the international tender without selecting a qualified partner in 2015. The Group will support activities of intermodal activities within ZSSK CARGO.

The successful rail freight transport consolidation, with the goal being the achievement of balanced results in the mid-term while continuing to implement internal measures, which should increase the productivity and effectivity of internal processes, considering the decreasing transports and fiercer competition will depend on additional supporting measures and a new regulatory framework for rail freight transporters and the fee set for the usage of rail infrastructure after the year 2016.

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

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

Statement of compliance

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

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

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted all of the new and revised standards and interpretations issued by the International Accounting Standards Board (IASB) and the International Financial Reporting Interpretations Committee (IFRIC) of the IASB that have been endorsed for use in the EU and that are relevant to its operations and are effective for accounting periods beginning on 1 January 2015. The following standards, amendments and improvements issued by the IASB and adopted by the EU are effective for the current accounting period:

- Amendments to IAS 19 Defined Benefit Plans: Employee Contributions - effective for financial years beginning on or after 1 July 2014 (for EU on or after 1 February 2015)
- IFRIC 21 Levies - effective for annual periods beginning on or after 1 January 2014 (for EU on or after 1 January 2015)
- Annual Improvements to IFRSs 2010-2012 – effective for financial years beginning on or after 1 July 2014 (for EU on or after 1 February 2015)
- Annual Improvements to IFRSs 2011-2013 – effective for financial years beginning on or after 1 July 2014 (for EU on or after 1 January 2015)

These amendments to the existing standards did not have material impact on the financial statements of the Group.

The following standards, interpretations and amendments to published standards that have been published are effective for accounting periods starting on 1 January 2016 or later, and the Group has not adopted them early:

- IFRS 9 - Financial Instruments (issued in 2014) - effective for financial years beginning on or after 1 January 2018. The Group is currently assessing the impact of changes on its financial statements

- IFRS 14 Regulatory Deferral Accounts - effective for financial years beginning on or after 1 January 2016

- Amendments to IAS 16 and IAS 38: Clarification of Accountable Methods of Depreciation and Amortisation - effective for financial years beginning on or after 1 January 2016

- Amendments to IFRS 11: Accounting for Acquisition of Interests in Joint Operations - effective for financial years beginning on or after 1 January 2016

- IFRS 15 Revenue from Contracts with Customers - effective for financial years beginning on or after 1 January 2018

- Amendments to IAS 27: Equity Method in Separate Financial Statements - effective for financial years beginning on or after 1 January 2016

- Amendments to IFRS 10, IFRS 12 and IAS 28: Investment Entities: Applying the Consolidation Exception - effective for financial years beginning on or after 1 January 2016

- Annual Improvements to IFRSs 2012-2014 – effective for financial years beginning on or after 1 January 2016

- Amendments to IAS 1: Disclosure Initiative – effective for financial years beginning on or after 1 January 2016

- Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture – effective for financial years beginning on or after 1 January 2016

If not otherwise stated, the Group anticipates that the adoption of these standards, amendments to the existing standards, and interpretations will not have material impact on its financial statements.

2.3 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

Critical judgments in applying accounting policies

In the process of applying accounting policies, Group's 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. Group's management uses the work of specialists, its previous experience and its own interpretations of the relevant regulations in determining the need for environmental provisions.

Lease arrangements

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

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

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

Sources of estimate uncertainty

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

Legal claims

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

Quantification and timing of environmental liabilities

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

Impairment of property, plant and equipment

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

Actuarial estimates applied for calculation of retirement benefit obligations

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

Depreciable lives and residual values of property, plant and equipment

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Functional and presentation currency

These 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 is 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 and subsidiaries

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

The cost of securities and interests in joint ventures is the price that was paid for the shares.

Financial assets

Initial recognition

Financial assets within the scope of IAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. Financial assets are designated on initial recognition.

Financial assets are recognized initially at fair value plus, in case of financial assets not classified at fair value through profit or loss, directly attributable transaction costs. The Group's financial assets comprise cash at bank, petty cash and cash equivalents, trade and other receivables.

Subsequent measurement

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

Financial assets at fair value through profit or loss

Financial assets 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 in the near term. This category includes derivative financial instruments entered into by the Group that do not meet the hedge accounting criteria as defined by IAS 39. Derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets at fair value through profit and loss are carried in the balance sheet at fair value with gains or losses recognized in the statement of comprehensive income.

The Group has not designated any financial assets at fair value through profit or loss in the current year.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial measurement loans and receivables are measured at amortized cost using the effective interest rate method (EIR) less any impairment losses. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. Gains and losses are recognized in the statement of comprehensive income when the loans and receivables are derecognized or impaired, as well as through the amortization process.

Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets which carry fixed or determinable payments, have fixed maturities and which the Group has the positive intention and ability to hold to maturity. After initial measurement held-to-maturity investments are measured at amortized cost. This cost is computed as the amount initially recognized minus principal repayments, plus or minus cumulative amortization using the effective interest rate method of any difference between the initially recognized amount and the maturity amount, less allowance for impairment. This calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums and discounts. Gains and losses are recognized in the statement of comprehensive income for the period when the investments are derecognized or impaired, as well as through the amortization process.

As at 31 December 2015 and 2014, no financial assets have been designated as held-to-maturity investments.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale or are not classified in any of the three preceding categories of financial assets. Subsequent to initial measurement, available for sale financial assets are measured at fair value with unrealized gains or losses being recognized in other comprehensive income and presented in the fair value reserve in equity. When an investment is disposed of or is determined to be impaired, the cumulative gain or loss previously recognised in other comprehensive income is reclassified to profit or loss.

Subsequent to initial recognition available-for-sale financial assets are measured on the basis of existing market conditions and management intent to hold on to the investment in the foreseeable future. In rare circumstances when these conditions are no longer appropriate, the Group may choose to reclassify these financial assets to loans and receivables or held-to-maturity investments when this is in accordance with the applicable IFRS.

As at 31 December 2015 and 2014, no financial assets have been designated as available-for-sale financial assets.

Amortised cost of financial instruments

Amortised cost is computed using the effective interest method less any impairment loss and principal repayment or reduction. The calculation takes into account any premium or discount on acquisition and includes transaction costs and fees that are an integral part of the effective rate.

Financial liabilities

Initial recognition

Financial liabilities within the scope of IAS 39 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial liabilities at initial recognition.

Financial liabilities are recognized initially at fair value less directly attributable transaction costs in case of loans and borrowings.

The Group's financial liabilities include trade and other payables, bank overdrafts, loans and borrowings.

Subsequent measurement

The measurement of financial liabilities depends on their classification as follows:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss includes 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 sale in the near future. This category includes derivative financial instruments entered into by the Group that do not meet criteria of hedge accounting as defined by IAS 39. Gains or losses arising on liabilities held for trading are recognised in profit or loss.

The Group has not designated any financial liabilities at fair value through profit or loss.

Loans and borrowings & subordinated debt

Subsequent to initial recognition, interest bearing loans and borrowings are measured at amortised cost using the effective interest rate method.

Gains and losses are recognised in the statement of comprehensive income when the liabilities are derecognised as well as through the amortisation process.

Trade and other payables

Trade and other payables are recognized and measured at amortized cost, being the original invoice amount. The Group accrues for those expenses that have not been invoiced at the balance sheet date. Penalty interest charged on overdue payables is accounted for in trade payables.

Fair value of financial instruments

The fair value of financial instruments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business on the balance sheet date. For financial instruments where there is no active market, fair value is determined using 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.

Impairment of financial assets

The Group assesses at each balance sheet date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Classification and derecognition of financial instruments

Financial assets and financial liabilities presented in the balance sheet include cash and cash equivalents, trade and other accounts receivable and payable and loans and borrowings. The accounting policies on recognition and measurement of these items are disclosed in the respective accounting policies found in this Note.

Financial instruments (including compound financial instruments) are classified as assets, liabilities or equity in accordance with the substance of the contractual agreement. Interest, dividends and gains and losses relating to a financial instrument classified as a liability are reported as expense or income as incurred. Distributions to holders of financial instruments classified as equity are charged directly to equity. In case of compound financial instruments the liability component is valued first, with the equity component being determined as a residual value. Financial instruments are offset when the Group has a legally enforceable right to offset and intends to settle either on a net basis or to realize the asset and settle the liability simultaneously.

The derecognition of a financial asset takes place when the Group no longer controls the contractual rights that comprise the financial asset, which is normally the case when the instrument is sold, or all the cash flows attributable to the instrument are passed through to an independent third party. A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expires.

Derivative financial instruments and hedging activities

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

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

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

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

Hedging

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

- Fair value hedge,
- Cash flow hedge

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

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

<u>Fair value hedge</u>

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.

<u>Cash flow hedge</u>

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 2015 and 2014, no financial liabilities have been designated as derivative financial instruments.

Cash and cash equivalents

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

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

Employee benefits

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

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

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

Termination payments

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

Provisions

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

Environmental matters

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

Legal claims

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

Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

As Lessee

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

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

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

As Lessor

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

Revenue recognition

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

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

Borrowing costs

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

Income tax

Current income tax

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

In line 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. The levy rate is 4.356% per annum. 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 2015	31 December 2014
Inland transport:		
Transport of goods	34,729	32,631
Wagon deposition	6,180	8,049
Haulage fees	1,252	1,158
	42,161	**41,838**
International transport:		
Import	92,383	98,633
Export	105,119	107,379
Transit	14,251	14,971
	211,753	**220,983**
Other transport related revenues:		
Usage of wagons under RIV, PGV and AVV regimes	6,996	9,597
Wagon rentals	2,067	3,381
Cross-border services	3,411	3,387
Other	2,422	2,619
	14,896	**18,984**
	268,810	**281,805**

4. OTHER REVENUES

In thousands of EUR	31 December 2015	31 December 2014
Repairs and maintenance	6,203	6,114
Operational performance	2,094	2,298
Property rentals	2,813	3,759
Other	4,361	2,240
	15,471	**14,411**

Other revenues included revenues charged to ZSSK of EUR 6,104 thousand (2014: EUR 6,652 thousand) for repair and maintenance, operational performance, property rental and other support services.

5. CONSUMABLES AND SERVICES

In thousands of EUR	31 December 2015	31 December 2014
Traction electricity	(29,028)	(28,591)
Network fees	(27,340)	(26,679)
Wagon rentals	(24,739)	(10,667)
Traction crude oil	(11,849)	(13,972)
Materials	(8,677)	(9,278)
IT services and telecommunication charges	(7,179)	(7,508)
Third party transhipment services	(5,599)	(5,661)
Foreign segments	(5,522)	(3,796)
Other energy costs	(4,972)	(4,620)
Cross-border services	(4,492)	(3,882)
Repair and maintenance	(3,407)	(4,094)
Rentals	(3,005)	(3,242)
Advisory and consultancy fees	(1,520)	(595)
Security services	(1,252)	(1,587)
Travelling and entertainment	(1,235)	(1,244)
Cleaning of cars, property, waste disposal	(500)	(589)
Medical care	(422)	(365)
Training	(301)	(200)
Other	(2,054)	(2,371)
	(143,093)	**(128,941)**

Consumables and services include amounts charged by ŽSR of EUR 63,706 thousand (2014: EUR 64,025 thousand), primarily relating to the usage of ŽSR's network (the Group has a one year contract with ŽSR which specifies planned kilometres and charge rates for different types of transport) and also to the purchase of traction energy (refer to Note 26).

6. STAFF COSTS

In thousands of EUR	31 December 2015	31 December 2014
Wages and salaries	(61,540)	(61,799)
Social security costs	(25,794)	(27,794)
Employee benefits (Note 21; 25)	(2,625)	(1,587)
Termination payments (Note 22)	981	933
	(88,978)	**(90,247)**

Employee numbers at 31 December 2015 were 6,027 (2014: 6,103), thereof five were members of management (as members of the Board of Directors or directors of individual departments). Average employee numbers at 31 December 2015 were 6,056 (2014: 6,210).

The average salary in 2015 amounted to EUR 896 (2014: EUR 858).

7. OTHER OPERATING REVENUES (EXPENSES), NET

In thousands of EUR	31 December 2015	31 December 2014
Reversal (creation) of provision for environmental matters, net (Note 22)	503	(10)
Profit on sale of property, plant, equipment and inventories (Note 25)	5,363	1,499
Provision for legal cases and other provisions (Note 22)	(7,589)	(6,445)
Allowance for doubtful debts	(733)	(207)
Insurance of assets	(1,138)	(1,085)
Other	(1,370)	(1,328)
	(4,964)	**(7,576)**

8. INTEREST EXPENSE

In thousands of EUR	31 December 2015	31 December 2014
Interest on loans and borrowings	(2,025)	(3,375)
Interest on subordinated debt	(2,322)	(4,499)
Interest charges on finance lease liabilities	(1,011)	(1,443)
Unwinding of discount on provisions and employee benefits	29	(516)
	(5,329)	**(9,833)**

9. OTHER FINANCE REVENUES (COSTS), NET

In thousands of EUR	31 December 2015	31 December 2014
Foreign exchange losses, net	(96)	(18)
Gains on sale of securities	400	-
Other revenues (costs), net	176	664
	480	**646**

10. OTHER NON-CURRENT ASSETS

In thousands of EUR	31 December 2015	31 December 2014
Accrued costs	4	-
	4	**-**

11. INCOME TAX

The reported income tax represents special levy of EUR 1,394 thousand, a withholding tax paid abroad and in the amount of EUR 29 thousand and tax license in the amount of EUR 3 thousand. (2014: EUR 0 thousand, EUR 36 thousand and EUR 3 thousand).
A reconciliation between the reported income tax expense and the theoretical amount that would arise using the standard rates is as follows:

In thousands of EUR	31 December 2015	31 December 2014
Profit (Loss) before tax	1,190	(4,744)
Tax charge at statutory tax rate of 22% (2014: 22%)	262	(1,044)
Tax paid abroad and tax license	(32)	(47)
Forfeit tax loss carry forwards	355	25,114
Unrecognized deferred tax asset (incl. impact of change in tax rate)	(12)	(23,867)
Non-deductible expenses	(605)	(203)
Special levy	(1,394)	-
Total income tax	**(1,426)**	**(47)**

Deferred tax assets and liabilities at 31 December related to the following (for the year ended 31 December 2015 an income tax rate of 22% applicable in future accounting period was used, for the year ended 31 December 2014: 22%):

In thousands of EUR	31 December 2015	31 December 2014
Deferred tax assets		
Tax loss carried forward	3,085	4,113
Provision for environmental matters	4,893	5,024
Provision for employee benefits	3,446	3,486
Allowance for trade and other receivables	899	925
Allowance for inventories	155	258
Provision for legal cases	3,660	3,418
Termination payments	216	182
Other overdue liabilities (over 36 months)	6,029	10,234
Other	7,287	2,851
	29,670	**30,491**
Deferred tax liabilities		
Accelerated depreciation for tax purposes (net of value adjustments)	(3,480)	(4,268)
Deferred tax on revaluation of joint venture	69	(148)
Other	(92)	(45)
	3,503	**(4,461)**
Valuation allowance	**(26,167)**	**(26,030)**
Net deferred tax assets (liabilities)	**-**	**–**

A valuation allowance of EUR 26,167 thousand (2014: EUR 26,030 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.

Under Slovak tax legislation, the Group lost tax losses from 2009 of EUR 114,153 thousand in the prior year.

Only the special levy on business in regulated industries due in 2016 is recognized as a tax liability. Other tax liabilities as advances on employee income tax, property tax, etc. are reported under other liabilities in note 23.

12. INTANGIBLE ASSETS

In thousands of EUR	Software	Assets under construction	Total
Acquisition cost			
At 1 January 2015	**30,070**	**475**	**30,545**
Additions	-	1,523	1,523
Transfers	1,771	(1,771)	-
At 31 December 2015	**31,841**	**227**	**32,068**
Accumulated amortization			
At 1 January 2015	**(20,405)**	**-**	**(20,405)**
Charge for the period	(1,533)	-	(1,533)
At 31 December 2015	**(21,938)**	**-**	**(21,938)**
Net book value at 31 December 2015	**9,903**	**227**	**10,130**

In thousands of EUR	Software	Assets under construction	Total
Acquisition cost			
At 1 January 2014	**29,261**	**451**	**29,712**
Additions	-	843	843
Disposals	(10)	-	(10)
Transfers	819	(819)	-
At 31 December 2014	**30,070**	**475**	**30,545**
Accumulated amortization			
At 1 January 2014	**(17,198)**	**-**	**(17,198)**
Charge for the period	(3,217)	-	(3,217)
Disposals	10	-	10
At 31 December 2014	**(20,405)**	**-**	**(20,405)**
Net book value at 31 December 2014	**9,665**	**475**	**10,140**

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 2015	**77,561**	**462,432**	**4,414**	**544,407**
Additions	-	-	17,018	17,018
Disposals	(5,220)	(9,162)	(964)	(15,346)
Transfers	318	14,786	(15,104)	-
At 31 December 2015	**72,659**	**468,056**	**5,364**	**546,079**
Accumulated depreciation				
At 1 January 2015	**(31,783)**	**(215,186)**	**(534)**	**(247,503)**
Additions	(1,645)	(24,950)	-	(26,595)
Disposals	5,220	7,093	-	12,313
Impairment loss	(86)	(9,622)	-	(9,708)
At 31 December 2015	**(28,294)**	**(242,665)**	**(534)**	**(271,493)**
Net book value at 31 December 2015	**44,365**	**225,391**	**4,830**	**274,586**

In thousands of EUR	Land and buildings	Machines, equipment, other assets	Assets under construction	Total
Acquisition cost				
At 1 January 2014	**77,787**	**888,747**	**3,705**	**970,239**
Additions	-	-	23,354	23,354
Disposals	(237)	(28,459)	(35)	(28,731)
Transfers – Assets held for sale	-	(420,455)	-	(420,455)
Transfers	11	22,599	(22,610)	-
At 31 December 2014	**77,561**	**462,432**	**4,414**	**544,407**
Accumulated depreciation				
At 1 January 2014	**(29,105)**	**(423,434)**	**(534)**	**(453,073)**
Additions	(1,685)	(57,653)	-	(59,338)
Disposals	160	27,658	-	27,818
Transfers – Assets held for sale	-	240,026	-	240,026
Impairment loss	(1,153)	(1,783)	-	(2,936)
At 31 December 2014	**(31,783)**	**(215,186)**	**(534)**	**(247,503)**
Net book value at 31 December 2014	**45,778**	**247,246**	**3,880**	**296,904**

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

The Group recorded impairment losses on assets individually assessed as damaged or not capable for further use. The impairment losses were recorded to reflect the amount of actual damage, respectively, the net book value of an asset component at 31 December 2015.

The impairment test required by IAS 36 was performed by management of the Group as at 31 December 2015. 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 2016 business plan updated to the latest available information at the balance sheet date and on forecasts of future periods based on best estimates using all available information. The future cash flows were estimated for the next 15 years which is an average remaining useful life of the cash generating unit‘s assets. The cash flows include unavoidable investment expenditures required to maintain the ability of the cash generating unit to generate revenues and proceeds from scrap value at the end of the useful life. Discount rate of 5.90% used in the calculation was determined based on interest rates for incremental financing of fixed assets purchases by the Group as at the day of preparation of a financial statements and was adjusted for factors of time, risk and liquidity.
As a result of the procedures described above, the Group has increased an impairment loss by EUR 9,708 thousand due to a lower usage of assets and a decrease of cash inflows mainly from a transport revenues’ decrease in 2015 and expected utilization of assets and expected transported volumes (mainly in diesel traction) in the next period .

Property, plant and equipment include locomotives acquired by means of finance lease with a total acquisition value of EUR 21,217 thousand (net book value EUR 14,794 thousand), wagons with an aggregate acquisition value of EUR 111,724 thousand (net book value EUR 79,311 thousand) and computing technology with a total acquisition value of EUR 2,772 thousand (net book value EUR 0 thousand).

Property, plant and equipment in the ownership of the Group with a total acquisition value of EUR 2,219 thousand (EUR 2,219 thousand at 31 December 2014) and with a net book value of EUR 2,015 thousand (EUR 2,034 thousand at 31 December 2014) is registered by the State as protected for cultural purposes.

Since 1 January 2014 the Group´s property, plant and equipment and inventories have not been insured. Motor vehicles have third party and accident insurance cover, the cost of which is immaterial. Before 2014 Property, plant, equipment and inventories were insured against (i) natural disaster, (ii) theft and vandalism and (iii) damage of machinery (all risk cover). Risks (i) and (ii) are covered to a maximum of 240,104 EUR thousand and (iii) to a maximum of EUR 306,148 thousand.

The Group classified certain assets as held for sale as at 31 December 2014 (Note 25).

14. INVESTMENT IN JOINT VENTURE AND SUBSIDIARIES

The Group has a 40% share in BULK TRANSSHIPMENT SLOVAKIA, a. s. which is involved in the transshipment of iron ore in Cierna nad Tisou in the east of Slovakia. Based on contractual arrangements with the other shareholder, the management of the Group decided to consider this investment as a joint venture.
The Group has 34% share in Cargo Wagon, a.s. This investment is presented as an affiliate based on the agreed conditions of shareholder agreement.

Details of the Group's joint venture, affiliated company and subsidiary as at 31 December 2015 are as follows:

Corporate name	Registration country	Ownership 2015	Carrying amount of investment 2015	Equity 2015	Profit/Loss 2015
Investment in joint ventures					
BULK TRANSSHIPMENT SLOVAKIA, a.s.	Slovak Republic	40%	7,454	18,635	2,698
Cargo Wagon, a.s.	Slovak Republic	34%	2,011	3,844	(4,094)
Total investment in joint ventures			**9,465**		
Investments in subsidiaries					
ZSSK CARGO Intermodal, a.s.	Slovak Republic	100%	27	26	-

Details of the Group´s joint venture and subsidiaries as at 31 December 2014 are as follows:

Corporate name	Registration country	Ownership 2014	Carrying amount of investment 2014	Equity 2014	Profit/Loss 2014
Investment in joint ventures					
BULK TRANSSHIPMENT SLOVAKIA, a. s.	Slovak Republic	40%	6,356	15,891	1,683
Investments in subsidiaries					
Cargo Wagon, a.s.	Slovak Republic	100%	10,003	10,030	29
ZSSK CARGO Intermodal, a.s.	Slovak Republic	100%	27	26	(1)
Total investment in subsidiaries			**10,030**		

During 2014, BTS, a.s. increased its share capital in the form of non-cash contribution in the total amount of 1,298.6 EUR thousand (1,082.2 EUR thousand without VAT) while the share equity of the Group stayed the same.

The Group signed a sale and purchase of shares contract with AAE Wagon a.s. (member of VTG/AAE Group), the winner of the international tender on 5 March 2015. According to the contract AAE Wagon a.s. acquired 66% of share capital of Cargo Wagon, a.s. and the transaction was completed after the approval of Antimonopoly authorities in May 2015.

As of 31 December 2015 Cargo Intermodal, a.s. is dormant with no operation.

The Group's share of assets and liabilities as at 31 December 2015 and 2014 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 2015	31 December 2014
Current assets	1,520	1,354
Non-current assets	8,466	6,848
Total assets	**9,986**	**8,202**
Current liabilities	1,012	772
Non-current liabilities	1,520	1,074
Total liabilities	**2,532**	**1,846**
Net assets	**7,454**	**6,356**

In thousands of EUR	31 December 2015	31 December 2014
Revenues	3,400	2,995
Costs	(2,011)	(2,112)
Profit before income tax	**1,390**	**883**
Income tax expense	(310)	(210)
Net profit (loss)	**1,079**	**673**

The Group's share of the assets and liabilities as at 31 December 2015 and 2014 and income and expenses for the years then ended of the Cargo Wagon, a.s. are as follows:

In thousands of EUR	31 December 2015	31 December 2014
Current assets	5,367	10,038
Non-current assets	56,306	-
Total assets	**61,673**	**10,038**
Current liabilities	5,237	8
Non-current liabilities	55,129	-
Total liabilities	**60,366**	**8**
Net assets	**1,307**	**10,030**

In thousands of EUR	31 December 2015	31 December 2014
Revenues	7,900	41
Costs	(9,291)	(4)
Profit before income tax	**(1,391)**	**37**
Income tax expense	(1)	(8)
Net profit (loss)	**(1,392)**	**29**

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

As of 31 December 2015 the Company is dormant with no operation.

15. INVENTORIES

In thousands of EUR	At cost 2015	At lower of cost or net realizable value 2015	At cost 2014	At lower of cost or net realizable value 2014
Machine and metal-working materials	3,068	2,814	3,078	2,556
Electrical materials	3,027	2,594	3,290	2,665
Diesel fuel	683	683	1,036	1,036
Chemicals and rubber	950	938	605	585
Protective tools	262	261	255	254
Other	198	194	119	113
	8,188	**7,484**	**8,383**	**7,209**

The Group expects to use up stocks amounted to EUR 24,608 thousand (2014: EUR 27,193 thousand) in a period of more than twelve months after the date of creation these consolidated financial statements.

16. TRADE AND OTHER RECEIVABLES

In thousands of EUR	31 December 2014	31 December 2013
Domestic trade receivables	24,637	28,081
Foreign trade receivables	13,753	13,252
VAT receivables	4,490	3,227
Other receivables	3,257	3,029
Allowance for impaired trade and other receivables	(4,085)	(4,204)
	42,052	**43,385**

At 31 December 2015 overdue receivables amounted to EUR 6,020 thousand (EUR 7,340 thousand at 31 December 2014).

Trade receivables are non-interest bearing and are generally due within 30-90 days.
For details of related party receivables, refer to Note 26.

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

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

Year	Total	Neither past due nor impaired	Past due but not impaired				
			< 90 days	90 - 180 days	180 – 270 days	270 – 365 days	> 365 days
2015	**42,052**	41,181	871	-	-	-	-
2014	**43,385**	41,165	1,920	-	-	-	-

17. CASH AND CASH EQUIVALENTS

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

In thousands of EUR	31 December 2015	31 December 2014
Cash at banks and on hand and cash equivalents	3,395	351
Bank overdrafts	(43,517)	(85,755)
	(40,122)	**(85,404)**

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 2015		31 December 2014	
	Overdraft limit	Drawn down	Overdraft limit	Drawn down
Citibank Europe plc, poboč. zahr. banky.	20,000	**10,053**	20,000	**19,483**
ING Bank N.V., pobočka z.b.	20,000	**9,604**	-	**-**
Všeobecná úverová banka, a.s.	15,000	**7,235**	23,500	**22,967**
Tatra banka, a.s.	15,000	**7,144**	20,870	**12,947**
Slovenská sporiteľňa, a.s.	10,000	**4,946**	20,000	**17,876**
Československá obchodná banka, a.s.	10,000	**4,535**	-	**-**
UniCredit Bank Slovakia a.s.	-	**-**	17,593	**12,482**
	90,000	**43,517**	101,963	**85,755**

Cash and cash as at 31 December 2015, include EUR 3,326 thousand that is restricted
(31 December 2014: EUR 0 thousand).

18. SHAREHOLDER'S EQUITY

Share capital
Share capital represents the State's investment in the Group, held through MTCRD, 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 MTCRD, this being a previously unpaid part of the initial equity contribution made on the Group's incorporation. In addition, the Group was awarded penalty interest of EUR 8,830 thousand to compensate for the late payment of this contribution.

Settlement of loss from previous accounting period
The settlement of the 2014 statutory result was approved by the Group's General Meeting on 12 June 2015 and was booked to accumulated losses.

19. SUBORDINATED DEBT

Subordinated debt of original amount EUR 165,970 thousand represented funding from the Ministry of Finance, approved by the Government on 4 March 2009 and received on 6 April 2009, to support the Group's operations.
The Group paid the balance of liability from subordinated debt prematurely on 23 November 2015 with a closing balance of EUR 0 as at 31 December 2015 (EUR 117,220 thousand at 31 December 2014).

20. INTEREST-BEARING LOANS AND BORROWINGS

In thousands of EUR	Maturity date	31 December 2015	31 December 2014
Long-term loans			
Secured			
ING Bank N.V.	31 July 2019	13,098	15,153
Total		**13,098**	**15,153**
Short-term portion of loans		**2,118**	**2,055**
Long-term portion of loans		**10,980**	**13,098**
Short-term loans			
Secured			
Privatbanka, a.s.	8 June 2016	7,000	10,000
Československá obchodná banka, a.s.	24 November 2015	-	5,000
Short-term loans		**7,000**	**15,000**
Short-term portion of loans (see above)		**2,118**	**2,055**
Overdrafts (Note 17)		**43,517**	**85,755**
Short-term portion of loans		**52,635**	**102,810**
Total		**63,615**	**115,908**

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

All loans presented in the table above are secured by promissory notes with a value of EUR 50,516 thousand (EUR 95,443 thousand at 31 December 2014), and with a nominal value of EUR 112,200 thousand (EUR 118,060 thousand as of 31 December 2014) except for the loan from ING Bank N.V. The long-term loan from ING Bank N.V. is secured by a lien on 250 wagons "Shimmns".

Under the terms of a loan agreement the Group is required to meet a financial debt ratio covenant. The covenant is derived from the Group's management accounts. At 31 December 2015 the Group did not comply with the covenant for a loan in the amount of EUR 7,235 thousand (EUR 22,967 thousand as of 31 December 2014). The Group received a waiver from the bank on 26 October 2015 confirming the fact that earlier repayment of an overdraft would not be requested.

The fair value of interest-bearing loans and borrowings amounts to EUR 63,615 thousand (EUR 115,908 thousand at 31 December 2014).

All interest-bearing loans and borrowings bear floating interest which range from 0.950% to 2.700% (2.023% to 3.224% in 2014) except for the fixed interest loan from Privatbanka, a.s.

A loan from Cargo Wagon, a.s. in the amount of EUR 9,975 thousand. EUR was presented as a group loan as at 31 December 2014. The loan was paid during 2015 and is presented in other liabilities (Note 23).

21. EMPLOYEE BENEFITS

In thousands of EUR	Retirement benefits	Jubilee payments	Disability benefits	Total
At 1 January 2015	**12,420**	**3,410**	**15**	**15,845**
Current service cost	468	123	-	591
Interest expense	298	82	-	380
Actuarial gains and losses	189	25	(2)	212
Utilization of benefits	(905)	(451)	(6)	(1,362)
At 31 December 2015	**12,470**	**3,189**	**7**	**15,666**
Current 31 December 2015	496	369	4	869
Non-current 31 December 2015	11,974	2,820	3	14,797
At 31 December 2015	**12,470**	**3,189**	**7**	**15,666**

In thousands of EUR	Retirement benefits	Jubilee payments	Disability benefits	Total
At 1 January 2014	**11,253**	**3,461**	**30**	**14,744**
Current service cost	421	123	-	544
Interest expense	394	121	1	516
Actuarial gains and losses	813	366	(9)	1,170
Utilization of benefits	(463)	(533)	(7)	(1,003)
Past service cost	2	(128)	-	(126)
At 31 December 2014	**12,420**	**3,410**	**15**	**15,845**
Current 31 December 2014	412	433	7	852
Non-current 31 December 2014	12,008	2,977	8	14,993
At 31 December 2014	**12,420**	**3,410**	**15**	**15,845**

The principal actuarial assumptions used were as follows:

	2015	2014
Discount rate (% p.a.)	2.40	2.40
Future salary increases (%)	2.50	2.0
Mortality probability (male) (%)	0.04 – 2.26	0.04 – 2.26
Mortality probability (female) (%)	0.02 – 0.88	0.02 – 0.88

Sensitivity analysis

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

In thousands of EUR		Discount rate	Average income	Mortality
	31 December 2015	+ 1.00%	+ 1.00%	- 10.00%
Net liability from employee benefits	15,666	(1,241)	321	150

In thousands of EUR		Discount rate	Average income	Mortality
	31 December 2014	+ 1.00%	+ 1.00%	- 10.00%
Net liability from employee benefits	15,845	(1,302)	306	157

22. PROVISIONS

In thousands of EUR	Environmental	Legal	Terminations	Other	Total
At 1 January 2015	**22,838**	**15,535**	**828**	**-**	**39,201**
Additions	-	1,107	981	6,482	8,570
Interest costs	-	-	-	(409)	(409)
Reversals	(503)	-	-	-	(503)
Utilization	(93)	(6)	(828)	-	(927)
At 31 December 2015	**22,242**	**16,636**	**981**	**6,073**	**45,932**
Current 31 December 2015	8,999	-	981	1,080	11,060
Non-current 31 December 2015	13,243	16,636	-	4,993	34,872
At 31 December 2015	**22,242**	**16,636**	**981**	**6,073**	**45,932**

In thousands of EUR	Environmental	Legal	Terminations	Total
At 1 January 2014	**22,955**	**9,112**	**1,100**	**33,167**
Additions	13	6,602	828	7,443
Reversals	(3)	(157)	-	(160)
Utilization	(127)	(22)	(1,100)	(1,249)
At 31 December 2014	**22,838**	**15,535**	**828**	**39,201**
Current 31 December 2014	8,732	-	828	9,560
Non-current 31 December 2014	14,106	15,535	-	29,641
At 31 December 2014	**22,838**	**15,535**	**828**	**39,201**

Environmental matters

In 2015, the Group updated its analysis of potential breaches of environmental regulations at its various sites, with the support of an environment specialist, Centrum environmentalnych sluzieb, s.r.o. (previously operating under the name, Life & Waste, s.r.o.). As a result of this analysis, and based on the findings of Centrum environmentalnych sluzieb, s.r.o., the Group has estimated that costs of EUR 22,242 thousand (EUR 22,838 thousand at 31 December 2014) are required to remedy the significant environmental issues relating to water, oil and fuel management identified in the past.
Their exact estimates are not necessarily accurate due to several uncertainties involving continuous development of laws and regulatory requirements in the areas of environment and methods, timing and extent of corrective actions which could have a potentially significant impact on the economic results of the Group in future periods. Expenditures will be incurred through 2016 – 2018. A discount rate of 2.4% p.a. was used in the calculation.

Legal claims

Provisions for legal claims relate to a number of claims, the most significant one is REFIN B.A., Ltd. in the amount of EUR 8,252 thousand.

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

In thousands of EUR	31 December 2015	31 December 2014
Domestic trade payables	62,729	76,686
Foreign trade payables	7,190	7,213
Payables due to employees	5,907	6,526
Payables due to social institutions	3,503	3,721
Other payables	3,418	5,364
	82,747	**99,510**

At 31 December 2015 overdue trade payables amounted to EUR 1,103 thousand (EUR 1,194 thousand at 31 December 2014). For details of related party payables, refer to Note 26 and 19.

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

In thousands of EUR	31 December 2015	31 December 2014
At 1 January	200	155
Additions	610	602
Utilization	(710)	(557)
At 31 December	**100**	**200**

24. COMMITMENTS AND CONTINGENCIES

Finance lease commitments

At 31 December 2015 the Group has finance lease commitments relating to the acquisition of 1,104 wagons, 12 powered vehicles and hardware equipment (1,104 wagons and 12 powered vehicles at 31 December 2014).

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

In thousands of EUR	31 December 2015		31 December 2014	
	Minimum lease payments	Present value of payments	Minimum lease payments	Present value of payments
Within one year	12,708	11,963	22,597	21,538
After one year but not more than five years	19,134	18,563	17,390	16,098
More than five years	-	-	1,577	1,573
Total minimum lease payments	31,842	30,526	41,564	39,209
Less: future finance charges	(1,316)	-	(2,355)	-
Present value of minimum lease payments	**30,526**	**30,526**	**39,209**	**39,209**

Operating lease commitments

At 31 December 2015 the Group has operating lease for fixed period including mainly wagons, motor vehicles and other equipment.

In thousands of EUR	31 December 2015	31 December 2014
Operating lease of wagons	24,710	9,606
Operating lease of motor vehicles	427	406
Operating lease of other equipment	160	85
	25,297	**10,097**

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

In thousands of EUR	31 December 2015	31 December 2014
Within one year	40,973	25,298
After one year but not more than five years	190,383	193,451
More than five years	48,886	86,791
	280,242	**305,540**

Investing commitments

The Group's investment expenditure for the period from 1 January 2016 to 31 December 2016 (1 January 2015 to 31 December 2015) is as follows:

In thousands of EUR	31 December 2015	31 December 2014
Land and buildings	19	656
Machines, equipment and other assets	402	1,395
Intangible assets	-	26
	421	**2,077**

Contingent liabilities

ČD CARGO, a.s. filed a lawsuit against the Group claiming an amount of EUR 1,508 thousand (including interest) in respect of unpaid VAT related to the Group's usage of their wagons for international transportation during the period from 24 May 2007 to 3 May 2008. District Court Bratislava II announced judgment on 26 November 2014 in which rejected the charge in its entirety. ČD Cargo appealed to a higher court.
Under Slovak legislation, trade practices of neighbouring countries and international agreements, the usage of wagons for international transportation is not deemed to be a rental arrangement and is, therefore, exempt from VAT. Consequently, supported by their legal advisors, management has concluded that the probability of ČD CARGO, a.s. succeeding in this legal action against the Group is remote and therefore no provision has been recorded in these consolidated financial statements.

The Group reports an administrative procedure conducted by the Antimonopoly Office of the Slovak Republic regarding a possible misuse of the dominant position in 2005-2010 on the market of sale and rental of electric locomotives capable of operation in the Slovak Republic and on the market of fuel stations. The Antimonopoly Office charged a penalty of EUR 10,254 thousand. The Group had appealed the penalty on 6 September 2013. The appeal was subsequently complemented on 6 December 2013. The Board of the Antimonopoly Office of the Slovak Republic has confirmed the penalty on 5 November 2014. The Group filed an appeal to the District Court in Bratislava against the ruling of the Antimonopoly Office. The Court has not made any judgment yet. The Group's management has some arguments which may result in cancellation of the Antimonopoly ruling. It is concluded that the result of this lawsuit is uncertain.

25. ASSETS CLASSIFIED AS HELD FOR SALE AND LIABILITIES DIRECTLY ASSOCIATED WITH ASSETS HELD FOR SALE

In thousands of EUR	Land and buildings	Machines, equipment, other assets	Assets under construction	Total
At 1 January 2015	**-**	**180,429**	**-**	**180,429**
Disposals	-	(180,429)	-	(180,429)
At 31 December 2015	**-**	**-**	**-**	**-**

In thousands of EUR	Land and buildings	Machines, equipment, other assets	Assets under construction	Total
At 1 January 2014	**-**	**-**	**-**	**-**
Transfers – Assets held for sale	-	180,429	-	180,429
At 31 December 2014	**-**	**180,429**	**-**	**180,429**

The Group signed a sale and purchase of shares contract with AAE Wagon a.s. (member of VTG/AAE Group), the winner of the international tender on 5 March 2015. According to the contract AAE Wagon a.s. acquired 66% of share capital of Cargo Wagon, a.s. A shareholders agreement governing relations between both shareholders AAE and ZSSK CARGO was 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 – 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 which was used to finance the purchase of railway carriages. The Group finalized the deal on 10 July 2015.

26. 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 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 2015 and 2014:

In thousands of EUR	31 December 2015			
Related party	Sales to related parties	Purchases from related parties	Amounts owed by related parties	Amounts owed to related parties
ŽSR	734	63,706	95	40,132
ZSSK	13,434	3,924	1,963	501
Ministry of Finance	90	-	-	-
Slovenský plynárenský priemysel	-	256	-	8
Cargo Wagon, a.s.	180,900	16,736	10,312	3,482
BTS (joint venture)	3,317	5,871	137	1,446
Other related parties	314	607	18	2

In thousands of EUR	31 December 2014			
Related party	Sales to related parties	Purchases from related parties	Amounts owed by related parties	Amounts owed to related parties
ŽSR	938	64,025	201	55,632
ZSSK	13,338	4,169	2,027	580
Ministry of Finance	-	4,499	-	117,220
Slovenský plynárenský priemysel	-	225	-	28
Cargo Wagon, a.s.	-	41	-	10,016
BTS (joint venture)	636	5,981	67	1,229
Other related parties	365	586	56	6

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 2015 are as follows:

Board of Directors:
Ing. Vladimír Ľupták, chairman (since 26 April 2012)
Ing. Jaroslav Daniška, vice-chairman (since 26 April 2012)
Ing. Peter Fejfar (since 26 April 2012)

Supervisory Board:
Ing. Martin Čatloš, chairman (since 15 August 2012)
Ing. Radovan Majerský, PhD. (since 15 August 2012)
Ing. Pavol Gábor (since 15 August 2012)
Ing. Štefan Hlinka (since 15 August 2012)
Ing. Bartolomej Kun (since 1 January 2015)
Mgr. Zita Verčíková (since 1 January 2015)
Bc. Anton Andel (till 31 December 2014)
Ján Baláž(till 31 December 2014)

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

The Board of Directors' total remuneration approximated EUR 29 thousand (EUR 29 thousand in 2014). The total remuneration of members of the Supervisory Board amounted to EUR 15 thousand (EUR 9 thousand in 2014).

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

27. 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 impact on the Group's equity.

In thousands of EUR	31 December 2015	31 December 2014
EURIBOR (+0.5%)	(652)	(453)
EURIBOR (-0.5%)	161	166

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 2015 and 2014 consist of the following:

In thousands of EUR	31 December 2015	31 December 2014
Long-term loan facilities available	-	-
Short-term loan facilities available	49,577	10,295
Total loan facilities available	**49,577**	**10,295**

As at 31 December 2015 the Group did not have any banks guarantees (EUR 0 thousand at 31 December 2014).

The table below summarises the maturity profile of the Group's financial liabilities at 31 December 2015 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
Subordinated debt	-	-	-	-	-	-
Long-term loans	-	-	-	10,980	-	**10,980**
Trade and other payables	1,102	47,490	17,503	18,046	-	**84,141**
Obligations under finance leases	-	258	11,705	18,563	-	**30,526**
Short-term loans	-	-	38,085	14,549	-	**52,634**
	1,102	47,748	67,293	62,138	-	**178,281**

The table below summarises the maturity profile of the Group's financial liabilities at 31 December 2014 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
Subordinated debt	-	-	19,500	78,000	19,720	**117,220**
Long-term loans	-	-	-	13,098	-	**13,098**
Trade and other payables	1,194	45,974	16,796	35,546	-	**99,510**
Obligations under finance leases	-	752	20,786	16,098	1,573	**39,209**
Short-term loans	-	-	102,810	-	-	**102,810**
	1,194	46,726	159,892	142,742	21,293	**371,847**

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, US Steel Košice, Budamar Logistics and Express Slovakia, sales to which represent 56% of transport and related revenues (55% in 2014), 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 2015 and 31 December 2014.

The Group monitors indebtedness using a debt to equity ratio, by which debt consists of external interest-bearing loans and borrowings and excludes subordinated debt provided by related parties and finance lease obligations, divided by total equity. In 2015 the ratio has improved in comparison with the previous period.

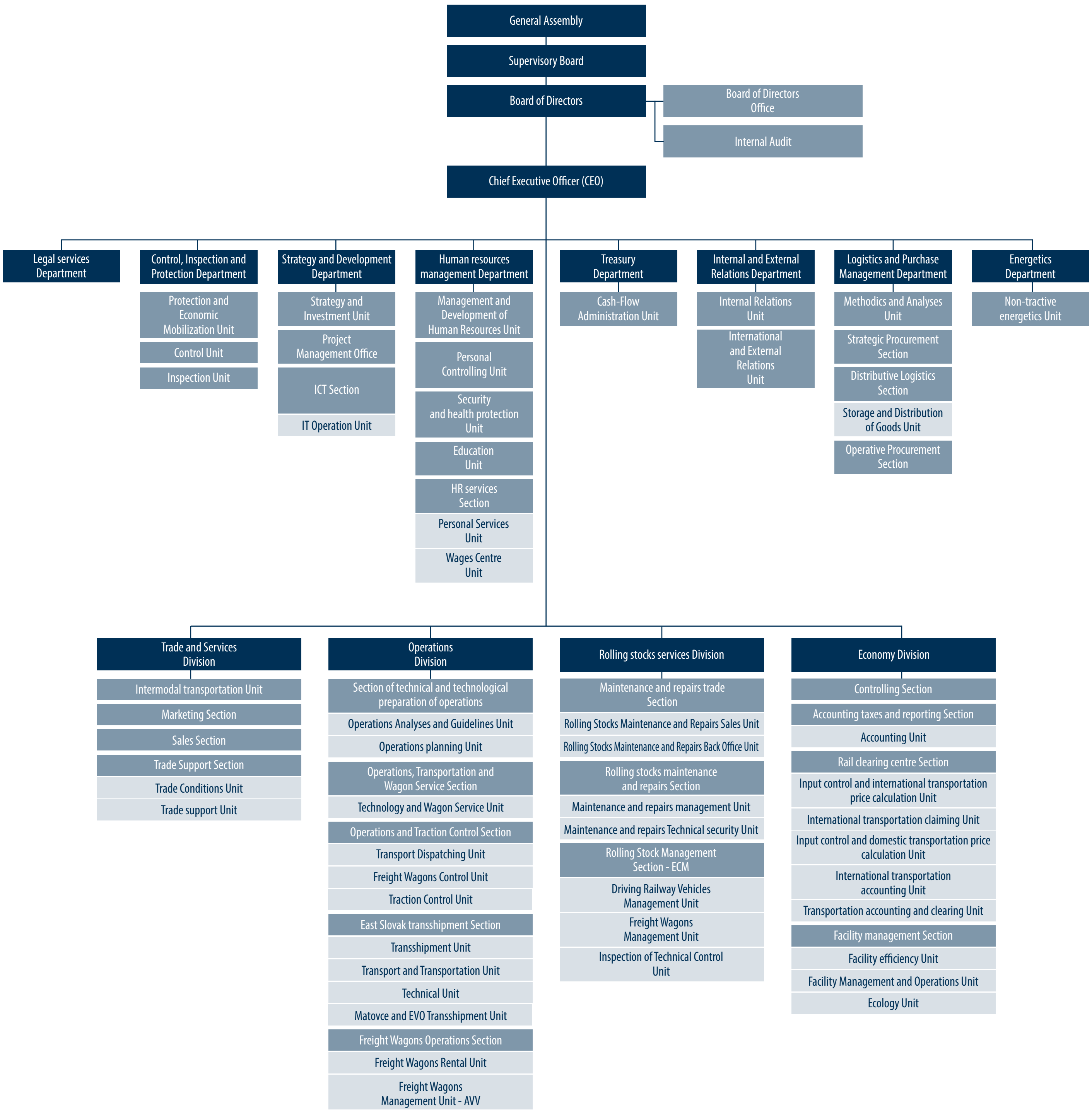
In thousands of EUR	31 December 2015	31 December 2014
Long-term debt, net of current portion (excluding subordinated debt and finance lease obligations)	10,980	13,098
Short-term debt, including current portion of long-term debt (excluding finance lease obligations)	52,634	102,810
Debt	**63,614**	**115,908**
Equity	**117,445**	**117,681**
Debt to equity ratio (%)	**54%**	**98 %**

28. EVENTS AFTER THE BALANCED SHEET DATE

No events occurred subsequent to 31 December 2015 that might have a material effect on the fair presentation of the matters disclosed in these consolidated financial statements.

Approved by Ing. Vladimír Ľupták and Ing. Peter Fejfar on behalf of the Board of Directors on 15 April 2016.

ORGANIZATION STRUCTURE AS AT 31. 12. 2015



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FOREIGN REPRESENTATION:

General Agency in Ukraine

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