ANNUAL REPORT 2020

Železničná spoločnosť Cargo Slovakia, a. s.

ZSSK CARGO

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FOREWORD BY THE CHAIRMAN OF THE BOARD OF DIRECTORS

From economic point of view, the year 2020 was extremely challenging for ZSSK CARGO. The ongoing recession in the metallurgical and related industries continued throughout the year, which had been negatively affecting the company's transport volumes since 2019.

In March 2020, another negative factor, the COVID-19 pandemic, began to fully affect us. The first wave of the pandemic in the spring caused a decline in the transport volumes not due to traffic restrictions, but due to interruptions or restrictions of the production of several major customers and a consequent decline in market consumption, especially in Western Europe, in the automotive, wood processing and metallurgical industries and later also in other sectors of the economy.

Already during the creation of our business plan for 2020, the recession was predicted to continue, and a year-over-year decrease in transport volumes of more than 1 million tonnes was expected. In April 2020, we were forced to revise the plan due to the growing impact of COVID-19. We expected the pandemic to be resolved by the end of the third quarter of 2020 and a subsequent start to the originally planned parameters. However, the consequences of the pandemic were more severe, so despite the increase in the transport volumes that we managed to achieve in the fourth quarter of 2020, we ended the year with the lowest volume of transported goods ever reached in the company's history - 26.2 million tonnes. When comparing this result with the year 2019, when the company still transported almost 30 million tonnes of cargo, this means a year-over-year decline of more than 12 per cent.

Low transport volumes automatically resulted in low transport revenues. For the first time in history, they fell below 200 million euros, which compared to 2019, represents a decrease of more than EUR 32 million. The decrease in transport volumes also had an adverse impact on the use of wagons and the revenues for their use.

Despite the aforementioned development, our company also recorded several positives in shipments where we see the potential for further growth. Given as an example can be a project concerning the provision of domestic transport of timber in the form of single wagon loads for the Ružomberok-based paper production plant. New shipments resulted from technological changes, when we established three new attraction circuits - the regions of Zemplín, Western Slovakia and Central Slovakia, from where we regularly transport logistics block trains. Another form of shipments within this project is the transport of timber using the road – rail intermediate storage facility, where the customer transports timber by trucks and then loads it on a block train which goes directly to the consumer. Moreover we are gradually succeeding in increasing business activities in the automotive segment and gaining new transport orders from Slovak car manufacturers also thanks to multi-system locomotives, which are used on the entire transport route without interruptions at the borders.

In operating costs, which amounted to EUR 220 million (the amount of costs is taken from management reports and without the impact of IFRS 16 reporting), the largest item is staff costs. Their share in operating revenues for 2020 exceeded 40 per cent.

Since 2019, remedial measures had been taken as part of action plans addressing staff costs. The negative development on the revenue side in 2020 required even more vigorous and unpopular, but necessary steps. The aim was to adjust employment to transport volumes and achieved revenues, i.e., to optimise employment, and, therefore, several social programs were launched, including mass redundancies in the autumn. As part of the savings plan, the values of points and personal evaluation were also reduced. The headcount recorded by the company as at 31 December 2020 was 4,753 employees.

Also in 2021, we have been continuing the recovery, the process of mass redundancies is coming to an end, and we have been addressing several other key areas to ensure the sustainable management of the company. The company's total headcount should be reduced by almost 20 per cent. The downsizing process applies to all professions and categories. The number of managing employees and managers dropped by more than 30 per cent, administrative employees by almost 10 per cent, technical-economic employees in operation and workers by 15 per cent.

I am glad that despite last year's negative development, we managed to maintain the existing average wage level. We managed to conclude a collective agreement for 2021, in which the employer undertook to ensure a wage increase of EUR 2.5 million, which represents an unpaid obligation under the collective agreement from the years 2019-2020 in the form of a variable wage component. All benefits beyond the scope of the Labour Code, to which the employees had already been entitled under the previous Collective Agreement, remain. Another goal is to fine-tune the new system of employee remuneration, with indicators being determined in the variable component, and we are working on fine-tuning the motivational values so that the employees feel that their wages really depend on their performance and quality of work.

Last year, rationalisation, increasing efficiency and reducing costs also affected other areas, namely the East Slovak Transshipment Yards, wagons and energy costs, but there was also a significant reduction in capital expenditures. However, due to their nature, the total operating cost savings of EUR 17.5 million could not fully cover the decline on the revenue side. The result of our operating activities is the operating result before depreciation, interest, and taxes (EBITDA) at the level of EUR 4.3 million (EBITDA is taken from management reports and without the impact of IFRS 16 reporting).

After including depreciation, interest, adjustments, and provisions, ZSSK CARGO's total loss for 2020 amounted to EUR 32.2 million.

Last year, the rationalisation in the company was accompanied by changes in the organisational structure, process modifications, and changes in technology and work efficiency. This also continues in 2021; as an example, I will mention combining road transport and warehouse management and their joint management in the area of procurement of materials and spare parts to ensure rolling stock maintenance and repair services. In operating activities, there is an effort to process wagon masters' shifts in the operations information system as part of the planning of operating personnel, where we expect increased efficiency in the use of working time. Similarly, we plan to gradually automate the circulation of locomotives (MPUs), as well as the processing of the shifts of drivers and train crews.

Let me revert to the recovery plan, which was necessitated by the ongoing recession multiplied by the pandemic in the middle of last year. It contains a set of concrete internal measures where assistance and cooperation on the part of the shareholder, i.e., the state, are essential. Three most important measures need to be emphasised here: employment optimisation, support for single wagon load traffic, and enhancing support in the form of discounts for access to railway infrastructure.

As employment optimisation has already been mentioned above, I will just add that it first took place in the first half of the year in the least painful way, with several social programs, when employment relationships were terminated by mutual consent and employees received money beyond the scope of the Labour Code; later since autumn 2020, we have launched mass redundancies. We expect the whole process to be completed in the second quarter of 2021. However, the full positive effect on economic results will not be felt until 2022.

At the same time, external audits are still being carried out aimed at identifying low productivity in selected professions and better organisational setting of internal processes.

As to addressing the support for single wagon loads, this segment is very demanding in terms of technology and personnel and, unfortunately, loss-making for us in the long run. ZSSK CARGO is the only network-wide carrier to provide single wagon load shipments in Slovakia, and it is necessary, as in the surrounding countries, to ensure financial support for such shipments to prevent goods from moving back to road. We expect that in the course of 2021 the shareholder will be able to set up a system of support for SWL. The third mentioned measure - enhancing support in the form of discounts for access to railway infrastructure aims to maintain and increase rail freight transport volumes, lighten the road network, and eliminate environmental risks.

If we manage to implement the key measures of the recovery plan, the economic results of ZSSK CARGO can be increased by more than EUR 25 million, taking account of the current transport parameters. However, the successful implementation will require not only the cooperation of the Ministry of Transport and Construction of the Slovak Republic, but also additional financial resources for rail freight transport.

The business plan for 2021 envisages a slight recovery in transport volumes. The development seen so far in the first quarter confirms the growing trend in transport volumes. However, during 2021, it will still be necessary to manage the cost structure as efficiently as possible and to minimise operating and capital expenditures in order to maximise the operating profit and keep debt at an acceptable level.

Our joint effort must be to ensure that after the challenging year 2020, the recovery measures are reflected in higher efficiency as to our operations, management, customer relations, but also real results. Here, I would like to thank all the employees for showing a great deal of fellowship and diligence. A large part of the way is still ahead of us to get through this difficult period in good health. However, I believe that with the help of our employees, we will overcome these challenges and ZSSK CARGO can be a prosperous and efficient company.

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

LIST OF USED ABBREVIATIONS

AVV	General Contract for Use of Wagons (Allgemeiner Vertrag für die Verwendung von Güterwagen)
BTS	BULK TRANSSHIPMENT SLOVAKIA, a. s.
CEF	Connecting Europe Facility
ECM	Entity in Charge of Maintenance
EIR	Effective Interest Rate
EURIBOR	Euro Interbank Offered Rate
EU	European Union
EVO	Vojany Power Station (Elektrárne Vojany)
GPS	Global Positioning System
IAS	International Accounting Standards
IASB	International Accounting Standards Board
ICT	Information and Communication Technologies
ID	Identification
IFRIC	International Financial Reporting Interpretations Committee
IFRS	International Financial Reporting Standards
ISA	International Standards on Auditing
ISO	International Organization for Standardization
IT	Information Technologies
MTC	Ministry of Transport and Construction
MPU	Motive Power Unit
PGV	Regulation on Use of Wagons in International Rail Transport of Goods
RIV	Agreement Governing the Exchange and Use of Wagons between Railway Undertakings (Regolamento Internazionale Veicoli)
SKAU	Slovak Chamber of Auditors (Slovenská komora audítorov)
SR	Slovak Republic
STN	Slovak Technical Standard (Slovenská technická norma)
SWL	Single wagon loads
VAT	Value Added Tax
ZSSK	Železničná spoločnosť Slovensko, a. s. (Slovak rail passenger operator)
ZSSK CARGO	Železničná spoločnosť Cargo Slovakia, a. s.
ŽS	Železničná spoločnosť, a. s. (Slovak rail passenger and freight operator)
ŽSR	Železnice Slovenskej republiky (Slovak rail infrastructure manager)

MILESTONES

- The consequences of the global COVID-19 pandemic leading to a significant decline in the volumes of transported goods, especially in the second quarter, however the decline was slighter when compared to other EU countries. In the second half of 2020 a gradual increase in transport volumes was recorded.
- The continuing decline in shipments for the metallurgical industry in Slovakia and in the surrounding countries.
- Exclusive deployment of Vectron locomotives from the ZSSK CARGO fleet for international shipments in cooperation with other carriers.
- Continued optimisation of the number of locomotives maintained in the ZSSK CARGO portfolio in an operable condition with respect to the realised shipments, which most affected the locomotives of the 183, 742, 751 and 752 series.
- Acquisition and deployment of 4 locomotives of the 712 series for technological shunting operations in the maintenance and repair centres.
- Continued reconstruction of electrical equipment and control system on the most commonly used MPUs of 363 series.
- Reviewing the selected wagon rental contracts, taking into account the realised shipments with an impact on the termination of the rental of wagon series Habbins and Laags and on the reduction of the number of wagons rented from the joint venture Cargo Wagon, a. s. (the most significant reduction in the number of wagons of Eas, Hbis, Res and Zas series).
- Implementation of the project of fitting silent brake blocks onto freight wagons using the CEF funds, reaching the target number of 2,050 wagons in the middle of 2021.
- Implementation of the project of installing GPS monitoring devices on a total of 5,000 wagons and the introduction of weekly monitoring reports.
- Renewal of the safety certificate (Part A and Part B relating to the ŽSR infrastructure) and introduction of a security risk management system and external security audits in accordance with EU legislation.
- The year 2020 was marked by a persistent recession in metallurgy, which was multiplied by the COVID-19 pandemic in the spring. These negative factors resulted in the historically lowest transport volumes and achieved revenues. The company was forced to prepare an ambitious recovery plan and start implementing optimisation measures, the implementation of which is expected in the years 2020-2021. The aim of the measures is to increase labour productivity, enhance the use of assets and competitiveness of the company.
- The running of the company was affected by increased costs due to the anti-pandemic measures of the Public Health Authority and other legislative requirements, which were refunded insufficiently or were not refunded at all.
- The existing pandemic situation necessitated the increased use of new IT technologies (video meetings) and home office for most employees where the nature of their work made it possible.

FREIGHT TRANSPORT

In 2020, ZSSK CARGO transported 26,222 thousand tonnes of goods, with the transport output reaching almost 5,375 million net tonne-kilometres and the average transport distance being 205 km. Compared to the figures for 2019, we recorded a significant decrease of -3,736 thousand tonnes and -695 million net tonne-kilometres, while the average transport distance rose by 2.3 km.

This unfavourable situation resulted mainly from the continuing decline in metallurgical shipments due to the oversupply of cheap Chinese steel in the European and global markets, which began in 2019 and manifested itself in 2020 in a year-over-year decrease in the volumes of commodities such as coal (-1,411 thousand tonnes), iron ore (-703 thousand tonnes) and metals (-626 thousand tonnes). Another significant factor causing the decline in transport volumes was the global pandemic COVID-19, when for anti-epidemiological reasons, several major customers began to temporarily suspend or restrict their production in March 2020. The decline was first felt in the automotive and wood processing segments, and later also in other sectors of the economy. Production was resumed mainly in the summer months.

However, we also recorded positives, especially in the field of timber transport for a Slovak customer, when in cooperation with the customer, we carried out the transport of single wagon loads using both the road – rail intermediate storage facilities and the collection stations, from where the shipments collected from the attraction circuits continued their journey to the recipient as a block train. We consider this an important step in maintaining the system of single wagon loads with sustainable growth in costs. Another significant achievement was gaining new transport orders in the automotive segment.

Freight transport by commodities

In thousands of tonnes	2020	2019	2018	2017	2016	2020/2019
Iron ore	9,560	10,263	12,121	12,533	12,764	0.93
Coal	3,023	3,649	4,780	5,204	5,377	0.83
Metals	2,915	4,326	5,123	4,717	4,674	0.67
Building material	2,497	2,980	3,514	3,621	3,040	0.84
Petroleum products	2,382	2,388	2,307	2,691	2,696	1.00
Timber	1,985	2,245	2,434	2,415	2,371	0.88
Chemical products	1,837	1,971	1,889	2,201	2,177	0.93
Intermodal transport	1,009	1,044	1,175	1,181	1,434	0.97
Non-specified	809	794	773	820	872	1.02
Foodstuffs	205	297	270	282	230	0.69
Total	**26,222**	**29,958**	**34,386**	**35,665**	**35,637**	**0.88**

Freight transport by transport modes

Domestic	2020	2019	2018	2017	2016	2020/2019
Transported goods (in thous. of tonnes)	3,258	3,630	3,958	4,140	4,279	0.90
Operation performance (in mil. net tkm)	607	671	722	767	812	0.91
Import	**2020**	**2019**	**2018**	**2017**	**2016**	**2020/2019**
Transported goods (in thous. of tonnes)	10,427	12,125	14,926	14,674	13,722	0.86
Operation performance (in mil. net tkm)	1,838	1,962	2,334	2,309	2,079	0.94
Export	**2020**	**2019**	**2018**	**2017**	**2016**	**2020/2019**
Transported goods (in thous. of tonnes)	6,878	7,425	8,683	9,481	9,358	0.93
Operation performance (in mil. net tkm)	933	1,066	1,345	1,450	1,419	0.88
Transit	**2020**	**2019**	**2018**	**2017**	**2016**	**2020/2019**
Transported goods (in thous. of tonnes)	5,659	6,778	6,819	7,369	8,278	0.83
Operation performance (in mil. net tkm)	1,997	2,372	2,329	2,483	2,762	0.84
Freight transport in Total	**2020**	**2019**	**2018**	**2017**	**2016**	**2020/2019**
Transported goods (in thous. of tonnes)	26,222	29,958	34,386	35,665	35,637	0.88
Operation performance (in mil. net tkm)	5,375	6,070	6,729	7,008	7,072	0.89

STRUCTURE OF MPUs

Inventory status of ZSSK CARGO MPUs as at 31 December 2020

	Total	Up to 15 years	Up to 30 years	Over 30 years
Electric locomotives	229	1	8	220
Diesel locomotives	238	55	22	161
Diesel coaches	1	-	-	1
Total	**468**	**56**	**30**	**382**

FREIGHT WAGONS

Age structure of ZSSK CARGO freight wagon fleet

	Total	0-5 years	6-10 years	11-15 years	16-20 years	21-25 years	26-30 years	Over 30 years
Covered wagons	164	-	-	150	1	2	-	11
Open wagons	364	-	200	156	-	-	-	8
Flat wagons	1,294	-	459	307	312	196	-	20
Other freight wagons	1	-	-	-	-	-	-	1
Freight wagons in Total	**1,823**	**-**	**659**	**613**	**313**	**198**	**-**	**40**

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

Structure of ZSSK CARGO freight wagons fleet

Year	2020	2019	2018	2017	2016
Covered wagons	164	172	171	126	204
Open wagons	364	164	166	89	71
Flat wagons	1,294	1,294	1,295	1,115	1,075
Other freight wagons	1	1	1	4	11
Freight wagons in Total	**1,823**	**1,631**	**1,633**	**1,334**	**1,361**

Leasing

Year	2020	2019	2018	2017	2016
Covered wagons	-	-	-	150	150
Open wagons	-	200	200	300	356
Flat wagons	-	-	-	200	247
Other freight wagons	-	-	-	-	-
Freight wagons in Total	**-**	**200**	**200**	**650**	**753**

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

Series	Total	0-5 years	6-10 years	11-15 years	16-20 years	21-25 years	26-30 years	Over 30 years
E – ordinary open high-sided wagon	164	-	-	156	-	-	-	8
F – special open wagon	200	-	200	-	-	-	-	-
G – ordinary covered wagon	4	-	-	-	-	-	-	4
H – special covered wagon	154	-	-	150	1	2	-	1
K – ordinary flat wagon	4	-	-	-	-	-	-	4
L – special flat wagon	202	-	200	2	-	-	-	-
R – ordinary flat bogie wagon	312	-		14	283	-	-	15
S – special flat bogie wagon	776	-	259	291	29	196	-	1
T – wagon with opening roof	6	-	-	-	-	-	-	6
Z – tank wagon	1	-	-	-	-	-	-	1
Total	**1,823**	**-**	**659**	**613**	**313**	**198**	**-**	**40**

CAPITAL INVESTMENTS OF ZSSK CARGO

(Accounting balance as at 31 December 2020 in EUR)

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

INTEGRATED MANAGEMENT SYSTEM

Quality of the transport process is one of the most important top management priorities of the company, with great emphasis being placed on customers' satisfaction. The 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 the 4th quarter of 2020, the independent certification company TÜV SÜD Slovakia checked the functionality of the integrated management system and confirmed that the management system certificates were rightfully awarded pursuant to ISO 9001 and ISO 45001 standards. We have demonstrated our professional attitude and effort to continuously improve our activities, products, and services with particular focus on quality and occupational safety.

We hold following certificates:

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

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

According to STN ISO 45001:2019:

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

HUMAN RESOURCES

The company employed 5,371 employees as of 31 December 2019. Within external mobility, 74 employees from available resources on the labour market were hired while employment contracts were terminated with 696 employees. Owing to mobility and employment optimisation, the headcount recorded by the company as at 31 December 2020 was 4,753 employees.

This represents a reduction of 618 employees (-11.5%) compared to 2019.

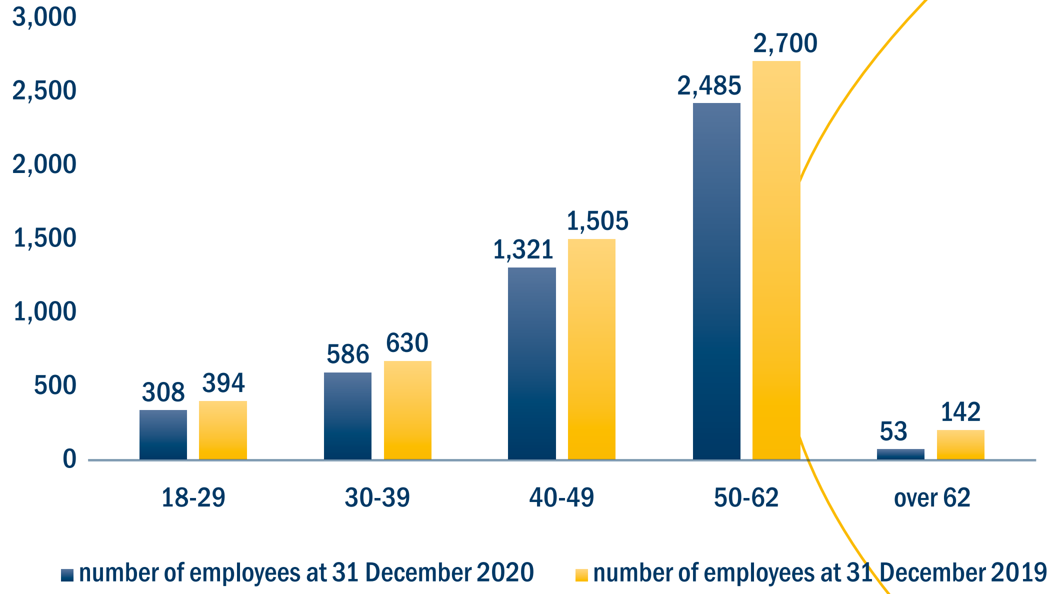
Structure of the employees according to the sex as at 31 December 2020

Men	3,585	75.43 %
Women	1,168	24.57 %
Total	**4,753**	**100.00 %**

Structure of the employees according to the type of work as at 31 December 2020

Administrative employees	635	13.36 %
Technical-economic employees in operation and workers	4,118	86.64 %
Total	**4,753**	**100.00 %**

Age structure of the employees



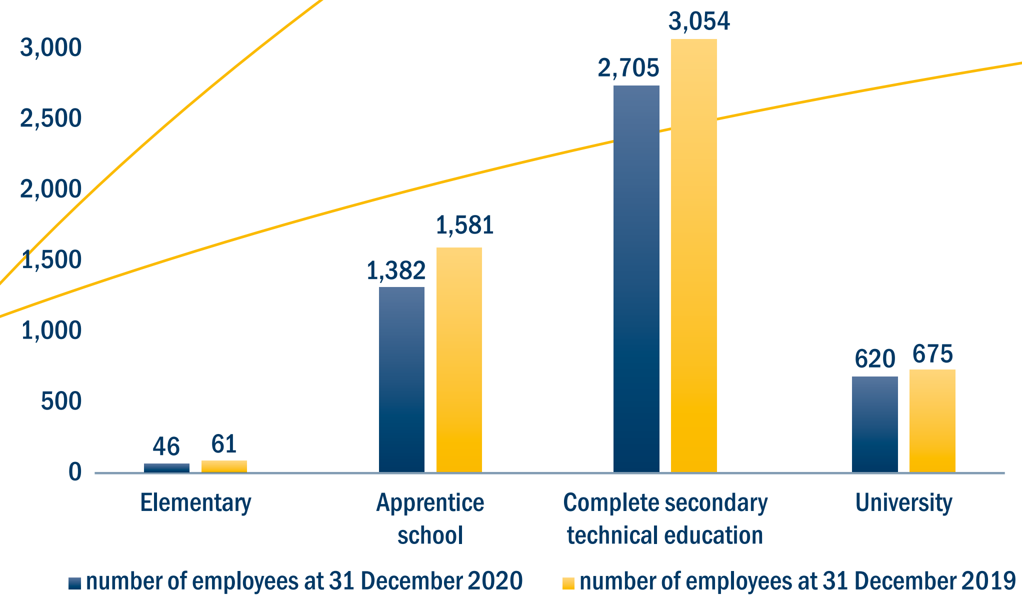
Decrease in the number of employees affected the structure of employees in terms of age and education:

- **with respect to the employees structure according to their age,** the largest decrease in number of employees was found in the age category 50-62 years (-215 employees) where the highest number of employees (2,485 employees) is recorded.

The average age of employees as of 31 December 2020 was **48.75 years.** The average number of years worked on railways was **23.92 year.**

ZSSK CARGO

Education structure of the employees



- **with respect to the employees structure according to education,** the largest decrease in number of employees was in the category employees with complete secondary technical education (-349 employees) where the highest number of employees (2,705 employees) is recorded.

Remuneration

The average wage in 2020 was EUR 1,069 which represents a 0.31% increase compared to 2019.

The company had a collective agreement with 11 trade unions.

RISKS

- High dependence on the metallurgical industry (which is also one of the reasons for the decline in transport volumes due to the ongoing recession and the trade war with China).
- Tough competition between road and rail carriers, with the freight market becoming saturated (rail freight is not sufficiently supported to achieve the environmental objectives in line with the principles of the EU White Paper “Roadmap to a Single European Transport Area - Towards a competitive and resource efficient transport system” and the objectives of Paris Agreement).
- Persistently high fixed costs in relation to the achieved performance figures and their growing share in the overall cost structure. When transport volumes decrease, ZSSK CARGO cannot reduce them immediately.
- The risk of personnel costs being increased by changes in current legislation (significant increase in the minimum wage, an increase in extra pay for work at night and during weekends, the introduction of recreational vouchers and other benefits).
- The risk of cost increases due to higher traction energy prices.
- The risk of material costs rising due to a significant increase in the prices of spare parts, while there is a risk of them gradually becoming unavailability for obsolete locomotives.

EXPECTED FUTURE DEVELOPMENT

Due to the ongoing recession in the metallurgical and related industries, which was exacerbated by the COVID-19 pandemic during 2020, ZSSK CARGO does not expect a significant increase in transport performance and volumes in the near future. This may deepen the competition within the Slovak Republic due to unused transport capacities. To cover declines in the domestic market, the company will continue to focus actively on increasing international transport volumes in connection with the use of new multi-system locomotives and the provision of transport services along the entire transport route. During 2021, the company will focus intensively on the implementation of measures to increase labour productivity, enhance the efficiency of internal processes and the utilisation of capacities and other measures defined in the Recovery Plan. After the successful completion of the internal processes, ZSSK CARGO plans to continue modernising the strategic series of locomotives, implementing projects aimed at reducing the operating costs, improving the working environment and safety at workplaces. As to motor traction, it plans to renew the locomotives used for shunting operations at depots and wagon repair workshops and to re-motorise the locomotives used for carriage in order to reduce energy intensity and increase operational reliability.

PARTICULAR INFORMATION FOR THE YEAR 2020

In 2020, as in previous years, the process of significant renewal and development of assets failed to be launched. The primary reason was a slowdown in production faced by the company's main customers, the deepened recession in the metallurgical and related industries and the spread of the global COVID-19 pandemic. The decline in transport volumes was reflected in significantly lower revenues, which did not generate sufficient resources for future modernisation. The lower operating profit was reflected in an additional need for financial resources and a slowdown in capital expenditures. The amount of debt rose by more than EUR 26 million. On the other hand, in 2020, the company historically invested the least (less than 80% of the annual plan in the amount of EUR 17 million).

Large investment projects reflecting the medium-term investment plan are expected to be realised in the future after the implementation of internal optimisation measures aimed at significantly increasing labour productivity and efficiency in the use of available assets and after the situation on the transport market gets better again, which will guarantee the generation of sufficient funds.

In 2020, the company did not expend any research and development costs.

The company does not have any business unit abroad.

No events have occurred subsequent to the end of the financial year as at 31 December 2020 that would significantly affect the fair presentation of facts disclosed in the attached financial statements. In January 2020, the company received dividends in the amount of EUR 800 thousand from associated company BULK TRANSSHIPMENT SLOVAKIA, a. s.

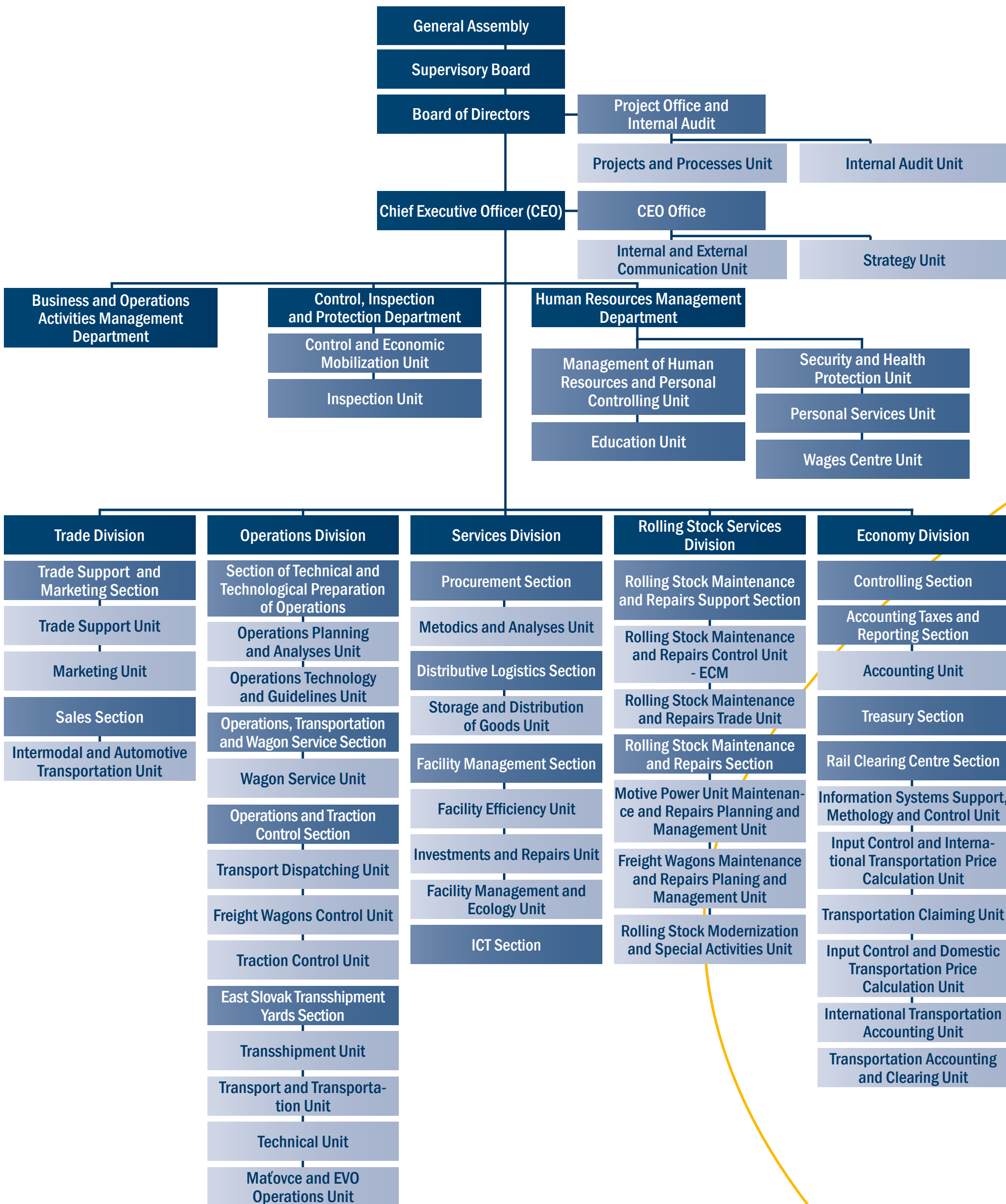
It will be proposed to the statutory body that a recognised accounting loss of EUR 32,224 thousand for 2020 should be reclassified to accumulated losses from previous years.

SELECTED ECONOMIC INDICATORS

(According to the data of consolidated financial statements)

In thousands of EUR	2020	2019
Total assets	482,158	524,098
Long-term tangible property	210,021	211,970
Equity	100,214	129,819
Loans (short-term + long-term)	122,033	95,843
Revenues	245,270	283,113
Costs	(274,637)	(282,994)
Profit (Loss) from financial operations	(3,545)	(1,834)
Share of the profit of the joint venture and associated company	3,207	3,388
Income tax	(112)	(106)
Profit (Loss) for the period	**(29,817)**	**1,567**
Other comprehensive income for the period	144	99
Total comprehensive income for the period	**(29,672)**	**1,666**

ORGANIZATION STRUCTURE AS AT 31 DECEMBER 2020



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 2020

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Independent Auditor's Report

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

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Železničná spoločnosť Cargo Slovakia, a.s. (the Company), which comprise the statement of financial position as at 31 December 2020, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements of the Company give a true and fair view of the financial position of the Company as at 31 December 2020, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by EU ("IFRS EU").

Basis for Opinion

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

Emphasis of Matter

We draw attention to Note 22 Provisions to the financial statements. The Company recorded provisions of EUR 17,618 thousand as at 31 December 2020 for potential environmental remediation. Estimates of the future costs relating to environmental remediation are not necessarily accurate, due to uncertainties concerning the constant development of laws and regulatory requirements on the environment and the methods, timing and extent of corrective action, and so cannot be precisely specified. These costs could have a significant impact on the Company's financial results in future accounting periods.

Our opinion is not modified in respect of this matter.

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

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

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

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Spoločnosť zo skupiny Ernst & Young Global Limited
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the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

THIS IS A TRANSLATION OF THE ORIGINAL SLOVAK REPORT

Report on Other Legal and Regulatory Requirements

Report on Information Disclosed in the Annual Report

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

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

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

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

- Information disclosed in the annual report prepared for 2020 is consistent with the financial statements for the relevant year,
- The annual report contains information based on the Act on Accounting.

Additionally, based on our understanding of the Company and its situation, obtained in the audit of the financial statements, we are required to disclose whether material misstatements were identified in the annual report, which we received prior to the date of issue of this auditor's report. In this regard, there are no findings which we should disclose.

27 April 2021
Bratislava, Slovak Republic

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

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

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STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2020

In thousands of EUR	Note	31 December 2020	31 December 2019
Revenues			
Transportation and related revenues	3	227,079	266,950
Other revenues	4	18,191	16,163
		245,270	**283,113**
Costs and expenses			
Consumables and services	5	(101,634)	(115,322)
Staff costs	6	(96,771)	(96,496)
Depreciation, amortisation and impairment of property, plant and equipment	12, 13	(75,976)	(74,373)
Other operating revenues (expenses), net	7	(256)	3,198
		(274,637)	**(282,993)**
Finance costs			
Interest expense	8	(4,115)	(4,776)
Other finance revenues (costs), net	9	1,370	2,942
		(2,745)	**(1,834)**
Income tax	11	(112)	(106)
Profit (Loss) for the period		**(32,224)**	**(1,820)**
Other comprehensive income for the period		-	-
Total comprehensive income for the period		**(32,224)**	**(1,820)**

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

Approved by Ing. Roman Gono and Ing. Ľubomír Kuťka on behalf of the Board of Directors on 27 April 2021.

ZSSK CARGO

STATEMENT OF FINANCIAL POSITION FOR THE YEAR ENDED 31 DECEMBER 2020

In thousands of EUR	Note	31 December 2020	31 December 2019
ASSETS			
Non-current assets			
Property, plant and equipment	13	210,021	211,970
Intangible assets	12	10,305	10,950
Right-of-use assets	14	157,499	202,929
Group loans	17, 25	13,343	12,733
Investment in joint ventures and associates	15	10,073	10,073
Investment in subsidiaries	15	28	28
Other non-current assets	10	51	549
		401,320	**449,232**
Current assets			
Inventories	16	8,413	7,869
Trade and other receivables	17	52,736	49,601
Cash and cash equivalents	18	39	365
		61,188	**57,835**
TOTAL ASSETS		**462,508**	**507,067**
EQUITY AND LIABILITIES			
Shareholder's equity			
Share capital	19	401,646	401,646
Legal reserve fund	19	73	73
Other funds	19	1,228	1,228
Accumulated losses	19	(322,383)	(290,159)
Total equity		**80,564**	**112,788**
Non-current liabilities			
Interest-bearing loans and borrowings	20	19,125	19,924
Employee benefits	21	12,693	13,273
Provisions	22	35,322	36,276
Lease liabilities (2019: from financial leasing)	24	112,256	145,167
Other non-current liabilities	23	118	68
		179,514	**214,708**
Current liabilities			
Interest-bearing loans and borrowings	20	102,908	75,919
Employee benefits	21	622	1,297
Provisions	22	4,091	2,520
Trade and other payables	23	48,245	51,915
Lease liabilities	24	46,564	47,920
		202,430	**179,571**
Total liabilities		**381,944**	**394,279**
TOTAL EQUITY AND LIABILITIES		**462,508**	**507,067**

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

Approved by Ing. Roman Gono and Ing. Ľubomír Kuťka on behalf of the Board of Directors on 27 April 2021.

STATEMENT OF CHANGES IN EQUITY AS AT 31 DECEMBER 2020

In thousands of EUR	Share capital	Legal reserve fund	Other funds	Accumulated losses	Total
At 1 January 2019	**401,646**	**61**	**1,228**	**(288,327)**	**114,608**
Profit for the period	-	-	-	(1,820)	(1,820)
Other comprehensive income	-	-	-	-	-
Total comprehensive income	-	-	-	(1,820)	(1,820)
Legal reserve fund	-	12	-	(12)	-
At 31 December 2019	**401,646**	**73**	**1,228**	**(290,159)**	**112,788**
Profit for the period	-	-	-	(32,224)	(32,224)
Other comprehensive income	-	-	-	-	-
Total comprehensive income	-	-	-	(32,224)	(32,224)
Legal reserve fund	-	12	-	-	-
At 31 December 2020	**401,646**	**73**	**1,228**	**(322,383)**	**80,564**

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

Approved by Ing. Roman Gono and Ing. Ľubomír Kuťka on behalf of the Board of Directors on 27 April 2021.

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2020

In thousands of EUR	Note	31 December 2020	31 December 2019
Cash flows from operating activities			
Profit / (Loss) before tax		(32,112)	(1,714)
Adjustments for:			
Non-cash items			
Depreciation, amortisation and impairment of property, plant and equipment and intangible assets	12, 13, 14	75,063	74,373
Gain on sale of property, plant and equipment		(952)	(502)
Allowance of receivables and inventories	16, 17	(201)	(763)
Interest expense	8	4,115	4,776
Interest income and shares of profits		(1,410)	(609)
Movements in provisions and employee benefits		(821)	(2,845)
Non-cash contribution to share capital in affiliated company	15	-	(2,379)
		43,682	**70,337**
Working capital adjustments:			
Decrease in inventories		(543)	675
Decrease (increase) in trade and other receivables		(2,437)	8,004
Increase (decrease) in trade and other payables		(6,691)	(18,561)
Cash flows from operating activities		**34,010**	**60,455**
Income tax paid	11	(112)	(106)
Net cash flows from operating activities		**33,898**	**60,349**
Cash flows from investing activities:			
Purchase of property, plant and equipment	12, 13	(14,049)	(22,152)
Proceeds from sale of property, plant and equipment		3,998	717
Dividends received	15	800	-
Net cash flows from investing activities		**(9,251)**	**(21,435)**
Cash flows from financing activities:			
Proceeds from loans and borrowings	20	32,800	13,491
Repayment of loans and borrowings	20	(11,397)	(8,450)
Interest paid		(1,217)	(1,029)
Proceeds from lease liabilities	24	1,600	-
Payments of lease liabilities	24	(51,547)	(44,775)
Net cash flows from financing activities		**(29,761)**	**(40,763)**
Net (decrease) increase in cash and cash equivalents		**(5,113)**	**(1,849)**
Cash and cash equivalents at 1 January	**18**	**(32,957)**	**(31,108)**
Cash and cash equivalents at 31 December	**18**	**(38,070)**	**(32,957)**

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

Approved by Ing. Roman Gono and Ing. Ľubomír Kuťka on behalf of the Board of Directors on 27 April 2021.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

Information on Reporting entity

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

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

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

Principal activities

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

The registered office of ZSSK CARGO

Drieňová 24

820 09 Bratislava

Slovak Republic

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

2.1 BASIS OF PREPARATION AND MEASUREMENT

These separate financial statements were approved and authorized for issue by the Board of Directors on 27 April 2021. The General Meeting held on 5 August 2020 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 2020 to 31 December 2020.

The financial statements were prepared using the going concern assumption that the Company will continue its operations for the foreseeable future. The Company reported a loss of EUR 32,224 thousand for the year and total accumulated loss of EUR 322,383 thousand.

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

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

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

The successful future rail freight transport consolidation, with an aim of achieving balanced results in the mid-term while continuing to implement internal measures, which should increase the productivity and effectivity of internal processes, considering a decreasing transports and increasing competition, will depend on additional supporting measures and a new regulatory framework for rail freight transporters and fees set for usage of rail infrastructure after year 2020. In 2021, with outlook for 2022-2023, the support for rail freight transport in Slovakia continues in form of reduced network fees.

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

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

Statement of compliance

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

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

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

Issued standards, interpretations and amendments to standards that the Group applied for the first time in 2020:

- Amendment to the Conceptual Framework for Financial Reporting (amendment issued on 29 March 2018 and effective for annual periods beginning on or after 1 January 2020).
- Definition of a Business - Amendment to IFRS 3 (issued on 22 October 2018 and effective for acquisitions from the beginning of the annual accounting period beginning on or after 1 January 2020).
- Definition of materiality - amendment to IAS 1 and IAS 8 (issued on 31 October 2018 and effective for annual periods beginning on or after 1 January 2020).
- Reform of reference interest rates - amendment to IFRS 9, IAS 39 and IFRS 7 (issued on 26 September 2019 and effective for annual periods beginning on or after 1 January 2020).

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

Issued standards, interpretations and amendments to standards that are effective after 31 December 2020 and that the Company has not prematurely applied:

- Sale or contribution of assets between an investor and its associate or joint venture - amendment to IFRS 10 and IAS 28 (issued on 11 September 2014 and effective for annual periods beginning on or after the date specified by the IASB).
- Classification of Liabilities as Short-Term or Long-Term - Amendment to IAS 1 (issued on 23 January 2020 and effective for annual periods beginning on or after 1 January 2023).
- Definition of a Business - Amendment to IFRS 3 (issued on 22 October 2018 and effective for acquisitions from the beginning of the annual accounting period beginning on or after 1 January 2022).
- IFRS 16 Leases - Covid 19 Related Rental Concessions (Amendment). The amendment is effective

retrospectively from the beginning of the annual accounting period beginning on or after 1 June 2020.

- Reform of reference interest rates - Phase 2 - IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 (amendments).

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

The Company has not opted for the earlier adoption of any standard, interpretation or amendment that has been published but has not yet entered into force.

The Company is currently assessing the impact of these standards 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 useful lives and residual values of property, plant and equipment

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

A global pandemic caused by COVID-19

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Functional and presentation currency

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

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

Property, plant and equipment

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

Ongoing repairs, maintenance and minor renewals are expensed as incurred. Depreciation is calculated on a straight-line basis over the useful life of an asset (8-50 years for buildings, 3-40 years for machines, equipment and other assets). Land is not depreciated.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is recognized in profit or loss in the year the asset is derecognised.

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

a) its carrying amount before the asset was classified as held for sale, adjusted for any depreciation and amortisation that would have been recognised had the asset not been classified as held for sale, and
b) its recoverable amount at the date of the subsequent decision not to sell.

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

Intangible assets

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

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

Intangible assets are derecognised upon disposal or when no future economic benefits are expected from their use or disposal. Any gain or loss arising on derecognition of an asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is recognized in profit and loss in the year the asset is derecognised.

The residual values, useful lives and amortisation methods of intangible assets are reviewed and adjusted, if appropriate, at each financial year end.

Impairment of non-financial assets

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

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

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

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

Inventories

Inventories are measured at the lower of cost and net realisable value. Cost includes the purchase price of inventory and expenses related to the acquisition of inventory (including transportation costs, insurance and customs duties) and are accounted for using the weighted average method.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs necessary to make the sale.

Allowances for old, obsolete and slow-moving items are booked to reduce the carrying value of these items to net realisable value.

Joint venture, associate and subsidiary

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

The cost of securities and interests in joint venture, associate and subsidiary is the price that was paid for the shares.

Financial assets

Initial recognition and classification of financial assets

A financial asset is recognized in the statement of financial position when, and only when, the Company becomes party to the contractual provisions of the instrument. Financial assets within the scope of IFRS 9 Financial Instruments are classified as financial assets subsequently measured at amortised cost, financial assets measured at fair value through other comprehensive income or financial assets measured at fair value through profit or loss, depending on the Company´s business model for managing the financial assets and the contractual cash flows characteristics of the financial assets. Financial assets can be designated as hedging instruments in an effective hedging relationship, as appropriate.

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

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

Except for trade receivables, at initial recognition, the Company measures a financial asset at its fair value plus or minus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset. Transaction costs of financial asset carried at fair value through profit or loss are expensed in profit or loss. At initial recognition, the Company measures trade receivables that do not contain a significant financing component at their transaction price.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognised on the trade date, i.e. the date that the Company commits to purchase or sell the asset.

The Company's financial assets include cash and short-term deposits, trade and other receivables, quoted and unquoted financial instruments.

Subsequent measurement

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

- Financial assets measured at amortised cost

A financial asset is classified as measured at amortised cost if the objective of the Company is to hold the asset in order to collect contractual cash flows and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. After initial recognition, such financial assets are subsequently measured at amortised cost using the effective interest rate method (hereinafter as "EIR"), less impairment. Amortised cost is calculated by taking into account the fees paid or received between the contractual parties that are an integral part of the EIR, transaction costs and all other premiums and discounts. The EIR amortisation is included in finance income in the income statement. The losses arising from impairment are recognised in the income statement. This category includes cash and cash equivalents, trade and other receivables and other current and non-current assets.

- Financial assets measured at fair value through other comprehensive income

A financial asset is classified as measured at fair value through other comprehensive income if the Company´s business model objective is achieved by both collecting contractual cash flows and selling financial assets and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Movements in the carrying amount are taken through other comprehensive income, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognized in profit or loss. When the financial asset is derecognized, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss. This category includes equity securities which are not held for trading.

- Financial assets measured at fair value through profit or loss

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

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

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

Impairment of financial assets

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

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

For all financial assets other than trade receivables and lease receivables, the Company applies the general approach under IFRS 9, based on the assessment of a significant increase in credit risk since initial recognition. Under such approach, loss allowance on financial assets is recognized at an amount equal to the lifetime expected credit losses, if the credit risk on those financial assets has increased significantly, since initial recognition, considering all reasonable and supportable information, including also forward-looking inputs. If at the reporting date, the credit risk on financial assets has not increased significantly since initial recognition, the Company measures the loss allowance at an amount equal to 12-month expected credit losses. Lifetime expected credit losses represent the expected credit losses that result from all possible default events over the expected life of a financial instrument.

As at 31 December 2020 and 2019, the Company recognised allowance for doubtful debts only in respect of trade and lease receivables. There has been no significant increase in credit risk identified for other financial assets recognised in the balance sheet, nor have any historical credit losses been experienced for other financial assets, except for the trade receivables.

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

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

Derecognition

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

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

Financial liabilities

Initial recognition and measurement

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

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

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

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

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

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

Subsequent measurement

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

- Financial liabilities at fair value through profit or loss statement

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

- Financial liabilities measured at amortised cost

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

Derecognition

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

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

Offsetting of financial instruments

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

Fair value of financial instruments

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

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

Derivative financial instruments and hedging activities

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

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

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

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

Hedging

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

- Fair value hedge,
- Cash flow hedge.

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

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

Fair value hedge

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

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

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

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

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

Cash flow hedge

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

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

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

As at 31 December 2020 and 2019, no financial liabilities have been designated as derivative financial instruments.

Cash and cash equivalents

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

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

Employee benefits

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

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

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

Termination payments

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

Provisions

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

Environmental matters

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

Legal claims

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

Leases

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

This applies when the Company has both of the following:

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

Company as a lessee

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

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

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

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

Company as a lessor

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

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

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

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

Revenue recognition

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

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

Borrowing costs

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

Income tax

Current income tax

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

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

Deferred income tax

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

Deferred tax liabilities are recognised for all taxable temporary differences.

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

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

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

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

3. TRANSPORTATION AND RELATED REVENUES

In thousands of EUR	31 December 2020	31 December 2019
Inland transport:		
Transport of goods	26,155	28,555
Wagon deposition	7,408	10,761
Haulage fees	943	1,047
	34,506	**40,363**
International transport:		
Import	84,437	102,285
Export	80,704	88,471
Transit	7,957	12,561
	173,098	**203,317**
Other transport related revenues:		
Usage of wagons under RIV, PGV and AVV regimes	8,294	9,796
Wagon rentals	5,864	7,288
Cross-border services	2,727	2,966
Other	2,590	3,220
	19,475	**23,270**
	227,079	**266,950**

4. OTHER REVENUES

In thousands of EUR	31 December 2020	31 December 2019
Repairs and maintenance	6,437	6,802
Operational performance	1,296	1,807
Asset rentals	5,305	5,121
Other	5,153	2,433
	18,191	**16,163**

5. CONSUMABLES AND SERVICES

In thousands of EUR	31 December 2020	31 December 2019
Traction electricity	(22,257)	(26,449)
Foreign segments	(16,920)	(20,512)
Network fees	(11,614)	(13,157)
Third party transhipment services	(8,554)	(9,122)
Traction crude oil	(7,433)	(9,823)
Materials	(7,424)	(7,544)
IT services and telecommunication charges	(6,240)	(6,095)
Cross-border services	(3,899)	(4,357)
Advisory and consultancy fees	(3,856)	(683)
Repair and maintenance	(3,824)	(4,774)
Other energy costs	(3,484)	(3,125)
Rentals	(1,422)	(2,117)
Security services	(1,160)	(1,352)
Travelling and entertainment	(970)	(1,290)
Cleaning of cars, property, waste disposal	(766)	(836)
Wagon rentals	(411)	(1,257)
Medical care	(221)	(307)
Training	(150)	(371)
Other	(1,029)	(2,151)
	(101,634)	**(115,322)**

Consumables and services include amounts charged by ŽSR of EUR 38,744 thousand (2019: EUR 45,006 thousand), primarily relating to the usage of ŽSR's network (the Company has a one-year contract with ŽSR which specifies planned kilometres and charge rates for different types of transport) and to the purchase of traction energy (refer to Note 25).

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

The year-on-year decrease in reported costs is primarily due to a decrease in transport performance and related purchased services.

6. STAFF COSTS

In thousands of EUR	31 December 2020	31 December 2019
Wages and salaries	(65,370)	(66,534)
Social security costs	(28,695)	(27,723)
Employee benefits (Note 21)	410	(681)
Termination payments (Note 22)	(3,116)	(1,558)
	(96,771)	**(96,496)**

Number of employees at 31 December 2020 was 4,753 (2019: 5,371), thereof five were members of management (as members of the Board of Directors or directors of individual departments). Average number of employees as at 31 December 2020 were 5,081 (2019: 5,445).

The average salary in 2020 amounted to EUR 1,069 (2019: EUR 1,066).

7. OTHER OPERATING REVENUES (EXPENSES), NET

In thousands of EUR	31 December 2020	31 December 2019
Provision for environmental matters (Note 22)	1,971	1,665
Profit on sale of property, plant, equipment and inventories	1,437	1,268
Release (creation) of allowance for doubtful debts	(137)	(593)
Provision for future obligations (Note 22)	(757)	-
Insurance of assets	(966)	(931)
Provision for legal cases and other provisions (Note 22)	(1,170)	998
Other	(634)	791
	(256)	**3,198**

8. INTEREST EXPENSE

In thousands of EUR	31 December 2020	31 December 2019
Interest on loans and borrowings	(1,147)	(914)
Interest charges on lease liabilities	(16)	(47)
Unwinding of discount on provisions and employee benefits	(182)	(386)
Interest expense on the right to use the asset	(2,716)	(3,418)
Other	(54)	(11)
	(4,115)	**(4,776)**

9. OTHER FINANCE REVENUES (COSTS), NET

In thousands of EUR	31 December 2020	31 December 2019
Dividends received (Note 15)	800	-
Foreign exchange gains (losses), net	6	(22)
Other revenues (costs), net	564	2,964
	1,370	**2,942**

10. OTHER NON-CURRENT ASSETS

In thousands of EUR	31 December 2020	31 December 2019
Advanced payments	-	480
Accrued expenses	51	69
	51	**549**

11. INCOME TAX

The reported income tax represents a withholding tax paid abroad in the amount of EUR 112 thousand (2019: EUR 106 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 2020	31 December 2019
Profit (Loss) before tax	(32,224)	(1,714)
Tax charge at statutory tax rate of 21% (2019: 21%)	(6,767)	(360)
Tax paid abroad and tax license	(112)	(106)
Forfeit tax loss carry forwards	317	-
Unrecognized deferred tax asset (incl. impact of change in tax rate)	11,509	(3,357)
Non-deductible expenses	(5,059)	3,717
Total income tax	**(112)**	**(106)**

Deferred tax assets and liabilities are related to the following (for the year ended 31 December 2020 an income tax rate of 21% applicable in future accounting period was used, for the year ended 31 December 2019: 21%):

In thousands of EUR	31 December 2020	31 December 2019
Deferred tax assets		
Tax loss carried forward	3,755	1,270
Provision for environmental matters	3,700	4,149
Provision for employee benefits	2,796	2,854
Allowance for trade and other receivables	820	862
Allowance for inventories	105	105
Provision for legal cases	3,781	3,542
Termination payments	637	455
Customer bonuses	494	336
Other overdue liabilities (over 3 years)	8	568
Property, plant and equipment and intangible assets	9,943	2,188
Other	4,092	2,295
	30,130	**18,624**
Deferred tax liabilities		
Other	(30)	(32)
	(30)	**(32)**
Valuation allowance	**(30,100)**	**(18,592)**
Net deferred tax assets (liabilities)	**-**	**-**

A valuation allowance of EUR 30,100 thousand (2019: EUR 18,592 thousand) has been recognised for temporary deductible differences due to uncertainty as to the realization of tax benefits in future years. The Company will continue to assess the valuation allowance and, to the extent it is determined that such allowance is no longer required, the tax benefits of the remaining deferred tax assets will be recognised at that time.

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

The company reported a tax loss in the amount of EUR 13,345 thousand in 2020.

12. INTANGIBLE ASSETS

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

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

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

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

Land and buildings consist of halls used in the repair of locomotives and wagons, depots, stores, workshops and administrative buildings, 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 2020.

The impairment test required by IAS 36 was performed by management of the Company as at 31 December 2020. 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 2021 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 7.02% used in the calculation was determined based on interest rates for incremental financing of fixed assets purchases by the Company as at the day of preparation of financial statements and was adjusted for factors of time, risk and liquidity.

As a result of the procedures described above, the Company has decreased an impairment loss by EUR 766 thousand (2019: deccrease in impairment loss by EUR 1,794 thousand) due to a higher usage of assets and an increase of cash inflows mainly from a transport revenues’ increase in 2020 and expected utilization of assets and expected transported volumes (mainly in diesel traction) in the next period.

Property, plant and equipment in the ownership of the Company with a total acquisition value of EUR 653 thousand (EUR 612 thousand at 31 December 2019) and with a net book value of EUR 392 thousand (EUR 383 thousand at 31 December 2019) is registered by the State as protected for cultural purposes.

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

The gross carrying amount of any fully depreciated property, plant and equipment that is still in use, is EUR 17,701 thousand.

14. RIGHT-OF-USE ASSETS

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

The following table shows the amount of the right to use the leased assets in the years ended 31 December 2020 and 2019:

In thousands of EUR	Land and buildings	Wagons	Locomotives	Others	Total
Acquisition cost					
At 1 January 2020	**6,754**	**190,686**	**52,636**	**1,271**	**251,347**
Additions	1,865	23,087	4,073	375	29,400
Disposals	(148)	(17,460)	(6,426)	(333)	(24,367)
Other transfers	-	(12,689)	-	(73)	(12,762)
At 31 December 2020	**8,471**	**183,623**	**50,283**	**1,240**	**243,617**
Accumulated depreciation					
At 1 January 2020	**(1,033)**	**(41,889)**	**(4,997)**	**(499)**	**(48,418)**
Additions	(1,802)	(39,040)	(5,543)	(441)	(46,826)
Disposals	33	4,354	3,382	333	8,103
Impairment loss (net)	-	1,023	-	-	1,023
At 31 December 2020	**(2,802)**	**(75,551)**	**(7,158)**	**(607)**	**(86,118)**
Net book value at 31 December 2020	**5,669**	**108,072**	**43,125**	**633**	**157,499**

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

One of the contracts contain an extension option, which grants additional 4 years of lease term, with specified conditions. Lessor does not have such option. Since the Company cannot estimate future use of the option, the extended lease term beyond July 2023 is not included in Right-of-use asset. The option maturity date is 2 years prior to the end of lease period, i.e. July 2021. The Company has estimated that the full usage of option would result in additional liability from lease of EUR 88.85 million.

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

15. INVESTMENT IN JOINT VENTURE, ASSOCIATE AND SUBSIDIARY

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

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

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

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

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

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

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

Corporate name	Registration country	Ownership 2019	Carrying amount of investment 2019	Equity 2019	Profit/Loss 2019
Investment in joint venture and associate					
BULK TRANSSHIPMENT SLOVAKIA, a. s.	Slovak Republic	40%	6,660	35,436	2,034
Cargo Wagon, a. s.	Slovak Republic	34%	3,403	37,930	7,571
Total investments			**10,063**		
Investments in subsidiary					
ZSSK CARGO Intermodal, a. s.	Slovak Republic	100%	27.5	21	(1)

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

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

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

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

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

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

Subsidiary ZSSK CARGO Intermodal, a. s. has no activity as at 31 December 2020.

16. INVENTORIES

In thousands of EUR	At cost 2020	At lower of cost or net realizable value 2020	At cost 2019	At lower of cost or net realizable value 2019
Machine and metal-working materials	4,302	4,091	3,589	3,397
Electrical materials	2,024	1,755	2,173	1,873
Chemicals and rubber	1,521	1,514	1,389	1,387
Diesel fuel	548	548	729	729
Protective tools	232	231	237	236
Other	285	275	252	247
Total	**8,912**	**8,413**	**8,369**	**7,869**

The Company expects to use up stocks amounted to EUR 16,109 thousand (2019: EUR 19,309 thousand) in a period of more than twelve months after the date of creation these financial statements.

17. TRADE AND OTHER RECEIVABLES

In thousands of EUR	31 December 2020	31 December 2019
Domestic trade receivables	39,134	35,333
Foreign trade receivables	12,165	12,367
VAT receivables	1,486	2,326
Other receivables	3,857	3,681
Allowance for impaired trade and other receivables	(3,906)	(4,106)
	52,736	**49,601**

At 31 December 2020 overdue receivables amounted to EUR 8,238 thousand (EUR 5,629 thousand at 31 December 2019).

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

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

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

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

Year	Total	Neither past due nor impaired	Past due but not impaired				
			< 90 days	90 – 180 days	180 – 270 days	270 – 365 days	> 365 days
2020	**52,736**	49,703	3,033	-	-	-	-
2019	**49,601**	48,049	1,552	-	-	-	-

18. CASH AND CASH EQUIVALENTS

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

In thousands of EUR	31 December 2020	31 December 2019
Cash at banks and on hand and cash equivalents	39	365
Bank overdrafts	(38,109)	(33,322)
	(38,070)	**(32,957)**

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 2020		31 December 2019	
	Overdraft limit	Drawn down	Overdraft limit	Drawn down
ING Bank N.V., pob. zahr.banky	20,000	18,603	20,000	14,147
Slovenská sporiteľňa, a. s.	15,000	11,063	10,000	6,270
Citibank Europe plc, pob. zahr. banky	15,000	5,483	15,000	10,876
Československá obchodná banka, a. s.	10,000	1,096	10,000	-
Tatra banka, a. s.	25,000	1,031	20,000	1,304
Všeobecná úverová banka, a. s.	25,000	832	25,000	725
	110,000	**38,109**	**100,000**	**33,322**

19. SHAREHOLDER'S EQUITY

Share capital

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

Legal reserve fund

On the Company's incorporation, in accordance with Slovak legislation, a legal reserve fund was established at 10% of the Company's registered capital, again through an in-kind contribution. Slovak legislation requires that the legal reserve fund will be increased by amounts of at least equal to 10% of annual net profit up to an amount equal to 20% of the Company's registered capital. Under the Company's Articles of Association, the legal reserve fund is not available for distribution and can only be used to cover losses or increase registered capital. Based on the decision of the sole shareholder of 9 November 2010, the statutory reserve fund was utilized to cover the losses of the Company.

Other funds

Other funds represent the difference between the value of the assets and liabilities contributed by the State on the Company's incorporation and through an additional capital contribution made on 2 November 2005 and that of the Company's registered capital and legal reserve fund, adjusted by an amount of EUR 4,216 thousand to restate an error in the initial valuation of the assets contributed by the State identified in 2006. During 2008 the Company received an additional capital contribution of EUR 12,149 thousand from MTC, this being a previously unpaid part of the initial equity contribution made on the Company's incorporation. In addition, the Company was awarded penalty interest of EUR 8,830 thousand to compensate for the late payment of this contribution.

Settlement of loss from previous accounting period

The settlement of the 2019 statutory result was approved by the Company's General Meeting on 5 August 2020 and was booked to accumulated losses.

20. INTEREST-BEARING LOANS AND BORROWINGS

In thousands of EUR	Maturity date	31 December 2020	31 December 2019
Long-term loans			
Secured			
Slovenská sporiteľňa, a. s.	31 December 2024	22,500	22,500
Unsecured			
Československá obchodná banka, a. s.	31 March 2027	3,125	3,625
UniCredit Bank Czech Republic and Slovakia, a.s., pob. zahr. banky	31 March 2021	299	896
Total		**25,924**	**27,021**
Short-term portion of loans		**6,799**	**7,097**
Long-term portion of loans		**19,125**	**19,924**

In thousands of EUR	Maturity date	31 December 2020	31 December 2019
Short-term loans			
Secured			
Všeobecná úverová banka, a. s.	30 April 2021	22,500	14,500
Československá obchodná banka, a. s.	30 June 2021	8,000	6,500
Citibank Europe plc., pob. zahr. banky	31 March 2021	5,000	-
Unsecured			
Tatra banka, a. s.	31 March 2022	22,500	14,500
Short-term loans		**58,000**	**35,500**
Short-term portion of loans (see above)		**6,799**	**7,097**
Overdrafts (Note 18)		**38,109**	**33,322**
Short-term portion of loans		**102,908**	**75,919**
Total		**122,033**	**95,843**

All loans presented in the table above are secured by promissory notes with a value of EUR 95,078 thousand (EUR 75,518 thousand at 31 December 2019), and with a nominal value of EUR 116,000 thousand (EUR 105,000 thousand as of 31 December 2019) except for long-term loan from Československá obchodná banka, a. s. and long-term loan from UniCredit Bank Czech Republic and Slovakia, a. s., pob. zahr. banky, and short-term loan from Tatra banka, a. s.

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

At 31 December 2020 the Company has no obligation to comply with any financial covenants.

The fair value of interest-bearing loans and borrowings amounts to EUR 122,033 thousand (EUR 95,843 thousand at 31 December 2019).

All interest-bearing loans and borrowings bear floating interest which range from 0.750% p.a. to 1.500% p.a. (0.750% p.a. to 1.300% p.a. in 2019) except for the fixed interest loan from UniCredit Bank Czech Republic and Slovakia, a. s., pob. zahr. banky.

21. EMPLOYEE BENEFITS

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

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

The principal actuarial assumptions used were as follows:

	2020	2019
Discount rate (% p.a.)	0.78	1.09
Future salary increases (%)	2.50	2.50
Mortality probability (male) (%)	0.04 – 2.46	0.04 – 2.26
Mortality probability (female) (%)	0.02 – 1.00	0.02 – 0.88

Sensitivity analysis

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

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

In thousands of EUR	31 December 2020	Discount rate (1.00%)	Average income (1.00%)	Mortality (-10.00%)
Net liability from employee benefits	14,570	(1,174)	415	159

22. PROVISIONS

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

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

Environmental matters

In 2020, the Company updated its analysis of potential breaches of environmental regulations at its various sites, with the support of an environment specialist, Centrum environmentálnych služieb, s.r.o. As a result of this analysis, and based on the findings of Centrum environmentálnych služieb, s.r.o., the Company has estimated that costs of EUR 17,618 thousand (EUR 19,759 thousand at 31 December 2019) are required to remedy the significant environmental issues relating to water, oil and fuel management identified in the past.

Their exact estimates are not necessarily accurate due to several uncertainties involving continuous development of laws and regulatory requirements in the areas of environment and methods, timing and extent of corrective actions which could have a potentially significant impact on the economic results of the company in future periods. A discount rate of 1.50 % p.a. was used in the calculation.

Legal claims

Provisions for legal claims relate to a number of claims, the most significant one is REFIN B.A., s.r.o., REFIN Development, s.r.o. a REFIN S.P., s.r.o. in the amount of EUR 13,309 thousand (EUR 12,508 thousand at 31 December 2019).

Other

The reserve relates to future obligations for violent damage to freight wagons in the amount of EUR 757 thousand.

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

In thousands of EUR	31 December 2020	31 December 2019
Domestic trade payables	24,229	30,696
Foreign trade payables	4,474	5,093
Payables due to employees	9,417	6,733
Payables due to social institutions	4,850	3,911
Other payables	5,275	5,482
	48,245	**51,915**

At 31 December 2020 overdue trade payables amounted to EUR 918 thousand (EUR 5,102 thousand at 31 December 2019).

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

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

In thousands of EUR	2020	2019
At 1 January	**68**	**71**
Additions	559	636
Utilization	509	639
At 31 December	**118**	**68**

24. COMMITMENTS AND CONTINGENCIES

Finance lease commitments

At 31 December 2020 the Company has finance lease commitments relating to the acquisition of 4 wagons and 4 freight road vehicles (200 wagons, 4 powered vehicles and 4 freight road vehicles at 31 December 2019), which were previously reported as finance leases. As at 31 December 2020, the Company has concluded fixed-term contracts that were previously reported as operating leases, mainly relating to the lease of wagons, road motor vehicles and other equipment. Both groups of leases are reported under lease liabilities.

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

In thousands of EUR	31 December 2020	31 December 2019
Within one year	46,564	47,920
From one to five years	90,710	125,518
Over five years	21,546	19,649
Present value of lease payments	**158,820**	**193,087**

In valuing lease liabilities that were previously classified as operating leases, the Company used an incremental interest rate to discount. The weighted interest rate used was 1.68% as at 31 December 2020.

Note 26 summarizes the lease liabilities based on contractual undiscounted payments (according to repayment schedules) when summarizing the maturity of financial liabilities as at 31 December 2020.

Investing commitments

The Company's investment expenditure for the period from 1 January 2021 to 31 December 2021 (1 January 2020 to 31 December 2020) is as follows:

In thousands of EUR	31 December 2020	31 December 2019
Land and buildings	38	1,440
Machines, equipment and other assets	126	2,484
Intangible assets	-	768
	164	**4,692**

Expenditures of EUR 164 thousand (EUR 4,692 thousand at 31 December 2019) are committed under contractual arrangements.

Contingent liabilities

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

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

25. RELATED PARTY DISCLOSURES

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

The following tables provide the total amount of transactions which have been entered into with related partiesfor the years ended 31 December 2020 and 2019:

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

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

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 2020 and 2019 are as follows:

Board of Directors:	Ing. Roman Gono, chairman of the board (since 24 April 2020)
	Ing. Jaroslav Daniška, vice-chairman (since 9 October 2020)
	Ing. Ľubomír Kuťka, member (since 28 July 2016)
	Ing. Miroslav Hopta, vice-chairman (since 30 May 2016 till 8 October 2020)
	Ing. Róbert Nemčík, PhD., member (since 8 July 2016 till 15 July 2020)
	Ing. Martin Vozár, MBA, chairman of the board and general director (since 7 July 2016 till 23 April 2020)
Supervisory Board:	Ing. Ján Lupták, chairman of the board (since 12 October 2017)
	Ing. Ivan Gránsky, member (since 13 July 2016)
	Peter Pikna, member (since 1 January 2020)
	Jozef Róbert Šmigalla, member (since 1 January 2020)
	Mgr- Lukáš Parízek, member (since 4 February 2021)
	Ing. Bartolomej Kun, member (since 1 January 2015 till 31 December 2019)
	Mgr. Zita Verčíková, member (since 1 January 2015 till 31 December 2019)

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

The Board of Directors' total remuneration approximated EUR 44 thousand (EUR 46 thousand in 2019). The total remuneration of members of the Supervisory Board amounted to EUR 21 thousand (EUR 20 thousand in 2019).

Loans granted

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

26. FINANCIAL RISK MANAGEMENT

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

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

Interest rate risk

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

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

In thousands of EUR	31 December 2020	31 December 2019
EURIBOR (+0.5%)	-	(418)
EURIBOR (-0.5%)	-	-

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 2020 and 2019 consist of the following:

In thousands of EUR	31 December 2020	31 December 2019
Long-term loan facilities available	-	1,500
Short-term loan facilities available	11,932	24,225
Total loan facilities available	**11,932**	**25,725**

As at 31 December 2020 and at 31 December 2019 the Company did not have any banks guarantee.

The table below summarises the maturity profile of the Company's financial liabilities at 31 December 2020 based on contractual undiscounted payments:

In thousands of EUR	On demand	Less than 3 months	From 3 to 12 months	From 1 to 5 years	Over 5 years	Total
Long-term loans	-	-	-	18,500	625	19,125
Trade and other payables	918	45,907	1,420	-	-	48,245
Obligations under leases	-	12,080	36,786	94,444	22,243	165,553
Short-term loans	-	12,408	90,500	-	-	102,908
	918	**70,395**	**128,706**	**112,944**	**22,868**	**335,831**

The table below summarises the maturity profile of the Company's financial liabilities at 31 December 2019 based on contractual undiscounted payments:

In thousands of EUR	On demand	Less than 3 months	From 3 to 12 months	From 1 to 5 years	Over 5 years	Total
Long-term loans	-	-	-	18,799	1,125	19,924
Trade and other payables	5,102	46,813	-	-	-	51,915
Obligations under leases	-	12,955	34,965	125,518	19,649	193,087
Short-term loans	-	1,924	73,995	-	-	75,919
	5,102	**61,692**	**108,960**	**144,317**	**20,774**	**340,845**

Credit risk

The Company provides a variety of customers with products and services, none of whom, based on volume and creditworthiness, present a significant credit risk, individually or in aggregate. The Company has three major customers: U. S. Steel Košice s. r. o., BUDAMAR LOGISTICS, a. s. and Railtrans International, a. s. (BUDAMAR LOGISTICS, a. s., U. S. Steel Košice, s. r. o. and ŠPED-TRANS Levice, a. s. in 2019), sales to which represent 54 % of transport and related revenues (53 % in 2019), 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 2020 and 31 December 2019.

The Company monitors indebtedness using a debt to equity ratio, by which debt consists of external interest-bearing loans and borrowings and excludes financial lease obligations, divided by total equity.

In thousands of EUR	31 December 2020	31 December 2019
Long-term debt, net of current portion (excluding subordinated debt and lease obligations)	19,125	19,924
Short-term debt, including current portion of long-term debt (excluding lease obligations)	102,908	75,919
Debt	**122,033**	**95,843**
Equity	**80,564**	**112,788**
Debt to equity ratio (%)	**151%**	**85%**

27. EVENTS AFTER THE BALANCE SHEET DATE

No events occurred subsequent to 31 December 2020 that might have a material effect on the fair presentation of the matters disclosed in these financial statements except for the following:

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

Approved by Ing. Roman Gono and Ing. Ľubomír Kuťka on behalf of the Board of Directors on 27 April 2021.

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 2020

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Independent Auditor's Report

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

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Železničná spoločnosť Cargo Slovakia, a.s. and its subsidiary ("the Group"), which comprise the consolidated statement of financial position for the year ended 31 December 2020, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements of the Group give a true and fair view of the financial position of the Group as at 31 December 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by EU ("IFRS EU").

Basis for Opinion

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

Emphasis of Matter

We draw attention to Note 22 Provisions to the consolidated financial statements. The Group recorded provisions of EUR 17,618 thousand as at 31 December 2020 for potential environmental remediation. Estimates of the future costs relating to environmental remediation are not necessarily accurate, due to uncertainties concerning the constant development of laws and regulatory requirements on the environment and the methods, timing and extent of corrective action, and so cannot be precisely specified. These costs could have a significant impact on the Group's financial results in future accounting periods.

Our opinion is not modified in respect of this matter.

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

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

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

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

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

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

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

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

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other

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matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Report on Other Legal and Regulatory Requirements

Report on Information Disclosed in the Annual Report

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

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

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

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

- Information disclosed in the annual report prepared for 2020 is consistent with the consolidated financial statements for the relevant year,
- The annual report contains information based on the Act on Accounting.

Additionally, based on our understanding of the Group and its situation, obtained in the audit of the consolidated financial statements, we are required to disclose whether material misstatements were identified in the annual report, which we received prior to the date of issue of this auditor's report. In this regard, there are no findings which we should disclose.

27 April 2021
Bratislava, Slovak Republic

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

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

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CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2020

In thousands of EUR	Note	31 December 2020	31 December 2019
Revenues			
Transportation and related revenues	3	227,079	266,950
Other revenues	4	18,191	16,163
		245,270	**283,113**
Costs and expenses			
Consumables and services	5	(101,634)	(115,323)
Staff costs	6	(96,771)	(96,496)
Depreciation, amortisation and impairment of property, plant and equipment	12, 13	(75,976)	(74,373)
Other operating revenues (expenses), net	7	(256)	3,198
		(274,637)	**(282,994)**
Finance costs			
Interest expense	8	(4,115)	(4,776)
Other finance revenues (costs), net	9	570	2,942
Share of the profit of the joint ventures	15	3,207	3,388
		(338)	**1,554**
Income tax	11	(112)	(106)
Profit (Loss) for the period		**(29,817)**	**1,567**
Cash flow hedges in joint venture	19	144	99
Items possible to move to profit (loss) total		144	99
Other comprehensive income for the period		**144**	**99**
Total comprehensive income for the period		**(29,672)**	**1,666**
Profit attributable to:			
Shareholder of the Company		(29,672)	1,666
Non-controlling interest of other owners of subsidiaries		-	-

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

Approved by Ing. Roman Gono and Ing. Ľubomír Kuťka on behalf of the Board of Directors on 27 April 2021.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION FOR THE YEAR ENDED 31 DECEMBER 2020

In thousands of EUR	Note	31 December 2020	31 December 2019
ASSETS			
Non-current assets			
Property, plant and equipment	13	210,021	211,970
Intangible assets	12	10,305	10,950
Right-of-use assets	14	157,499	202,929
Group loans	17, 25	13,343	12,733
Investment in joint ventures	15	29,730	27,110
Other non-current assets	10	51	549
		420,949	**466,241**
Current assets			
Inventories	16	8,413	7,869
Trade and other receivables	17	52,736	49,601
Cash and cash equivalents	18	60	387
		61,209	**57,857**
TOTAL ASSETS		**482,158**	**524,098**
EQUITY AND LIABILITIES			
Shareholder's equity			
Share capital	19	401,646	401,646
Legal reserve fund	19	73	73
Other funds	19	1,228	1,228
Accumulated losses	19	(302,733)	(273,128)
TOTAL EQUITY		**100,214**	**129,819**
Non-current liabilities			
Interest-bearing loans and borrowings	20	19,125	19,924
Employee benefits	21	12,693	13,273
Provisions	22	35,322	36,276
Lease liabilities	24	112,256	145,167
Other non-current liabilities	23	118	68
		179,514	**214,708**
Current liabilities			
Interest-bearing loans and borrowings	20	102,908	75,919
Employee benefits	21	622	1,297
Provisions	22	4,091	2,520
Trade and other payables	23	48,245	51,915
Lease liabilities	24	46,564	47,920
		202,430	**179,571**
Total liabilities		**381,944**	**394,279**
TOTAL EQUITY AND LIABILITIES		**482,158**	**524,098**

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

Approved by Ing. Roman Gono and Ing. Ľubomír Kuťka on behalf of the Board of Directors on 27 April 2021.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2020

In thousands of EUR	Share capital	Legal reserve fund	Other funds	Accumulated losses (Note 19)	Total
At 1 January 2019	**401,646**	**61**	**1,228**	**(274,782)**	**128,153**
Loss for the period	-	-	-	1,567	1,567
Other comprehensive income	-	-	-	99	99
Total comprehensive income	-	-	-	1,666	1,666
Legal reserve fund	-	12	-	(12)	-
Other changes	-	-	-	-	-
At 31 December 2019	**401,646**	**73**	**1,228**	**(273,128)**	**129,819**
Profit for the period	-	-	-	(29,817)	(29,817)
Other comprehensive income	-	-	-	144	144
Total comprehensive income	-	-	-	(29,672)	(29,672)
Legal reserve fund	-	-	-	-	-
Other changes	-	-	-	67	67
At 31 December 2020	**401,646**	**73**	**1,228**	**(302,733)**	**100,214**

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

Approved by Ing. Roman Gono and Ing. Ľubomír Kuťka on behalf of the Board of Directors on 27 April 2021.

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2020

In thousands of EUR	Note	31 December 2020	31 December 2019
Cash flows from operating activities			
Profit / (Loss) before tax		(29,705)	1,666
Adjustments for:			
Non-cash items			
Depreciation, amortisation and impairment of property, plant and equipment and intangible assets	12, 13	75,063	74,373
Gain on sale of property, plant and equipment	7	(952)	(502)
Allowance of receivables and inventories	16, 17	(201)	(763)
Interest expense	8	4,115	4,776
Interest income and shares of profits		(610)	(609)
Share of the profit of the joint ventures		(3,207)	(3,388)
Movements in provisions and employee benefits		(821)	(2,845)
Non-cash contribution to share capital in affiliated company	15	-	(2,379)
		43,682	**70,329**
Working capital adjustments			
Decrease in inventories		(543)	675
Decrease (increase) in trade and other receivables		(2,437)	8,004
Increase (decrease) in trade and other payables		(6,692)	(18,553)
Cash flows from operating activities		**34,009**	**60,455**
Income tax paid	11	(112)	(106)
Net cash flows from operating activities		**33,898**	**60,349**
Cash flows from investing activities			
Purchase of property, plant and equipment	12, 13	(14,049)	(22,152)
Proceeds from sale of property, plant and equipment		3,998	717
Dividends received	15	800	-
Net cash flows from investing activities		**(9,251)**	**(21,435)**
Cash flows from financing activities			
Proceeds from loans and borrowings	20	32,800	13,491
Repayment of loans and borrowings	20	(11,397)	(8,450)
Interest paid		(1,217)	(1,029)
Proceeds from lease liabilities	24	1,600	-
Payments of finance lease liabilities	24	(51,547)	(44,775)
Net cash flows from finanicng activities		**(29,761)**	**(40,763)**
Net increase (decrease) in cash and cash equivalents		**(5,114)**	**(1,849)**
Cash and cash equivalents at 1 January	**18**	**(32,935)**	**(31,086)**
Cash and cash equivalents at 31 December	**18**	**(38,049)**	**(32,935)**

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

Approved by Ing. Roman Gono and Ing. Ľubomír Kuťka on behalf of the Board of Directors on 27 April 2021.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

Information on Reporting entity

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

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

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

Principal activities

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

The registered office of ZSSK CARGO

Drieňová 24

820 09 Bratislava

Slovak Republic

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

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

2.1 BASIS OF PREPARATION AND MEASUREMENT

These consolidated financial statements were approved and authorized for issue by the Board of Directors on 27 April 2021. The General Meeting held on 5 August 2020 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 2020 to 31 December 2020. Joint venture and associate are consolidated using the equity method and subsidiary using the full consolidation method.

The consolidated financial statements were prepared using the going concern assumption that the Group will continue its operations for the foreseeable future. The Group reported a loss of EUR 28,872 thousand for the year and total accumulated loss of EUR 302,733 thousand.

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

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

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

The successful future rail freight transport consolidation, with the goal being the achievement of balanced results in the mid-term while continuing to implement internal measures, which should increase the productivity and effectivity of internal processes, considering the decreasing transports and fiercer competition will depend on additional supporting measures and a new regulatory framework for rail freight transporters and the fee set for the usage of rail infrastructure after the year 2020. In 2021 with outlook for 2022-2023 the support for rail freight transport in Slovakia continues in form of reduced network fees.

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

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

Issued standards, interpretations and amendments to standards that the Group applied for the first time in 2020:

- Amendment to the Conceptual Framework for Financial Reporting (amendment issued on 29 March 2018 and effective for annual periods beginning on or after 1 January 2020).
- Definition of a Business - Amendment to IFRS 3 (issued on 22 October 2018 and effective for acquisitions from the beginning of the annual accounting period beginning on or after 1 January 2020).
- Definition of materiality - amendment to IAS 1 and IAS 8 (issued on 31 October 2018 and effective for annual periods beginning on or after 1 January 2020).
- Reform of reference interest rates - amendment to IFRS 9, IAS 39 and IFRS 7 (issued on 26 September 2019 and effective for annual periods beginning on or after 1 January 2020).

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

Issued standards, interpretations and amendments to standards that are effective after 31 December 2020 and that the Group has not prematurely applied:

- Sale or contribution of assets between an investor and its associate or joint venture - amendment to IFRS 10 and IAS 28 (issued on 11 September 2014 and effective for annual periods beginning on or after the date specified by the IASB).
- Classification of Liabilities as Short-Term or Long--Term - Amendment to IAS 1 (issued on 23 January 2020 and effective for annual periods beginning on or after 1 January 2023).
- Definition of a Business - Amendment to IFRS 3 (issued on 22 October 2018 and effective for acquisitions from the beginning of the annual accounting

period beginning on or after 1 January 2022).

- IFRS 16 Leases - Covid 19 Related Rental Concessions (Amendment). The amendment is effective retrospectively from the beginning of the annual accounting period beginning on or after 1 June 2020.
- Reform of reference interest rates - Phase 2 - IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 (amendments).

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

The Group has not opted for the earlier adoption of any standard, interpretation or amendment that has been published but has not yet entered into force.

The Group is currently assessing the impact of these standards 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 of the Group has made certain judgments that have a significant effect on the amounts recognized in the financial statements (apart from those involving estimates, which are dealt with below). These are detailed in the respective notes, however the most significant judgments relate to the following:

Environmental matters

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

Lease arrangements

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

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

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

Sources of estimate uncertainty

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

Legal claims

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

Quantification and timing of environmental liabilities

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

Impairment of property, plant and equipment

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

Actuarial estimates applied for calculation of retirement benefit obligations

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

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

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

A global pandemic caused by COVID-19

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Functional and presentation currency

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

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

Property, plant and equipment

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

Ongoing repairs, maintenance and minor renewals are expensed as incurred. Depreciation is calculated on a straight-line basis over the useful life of an asset (8-50 years for buildings, 3-40 years for machines, equipment and other assets). Land is not depreciated.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is recognized in profit or loss in the year the asset is derecognised.

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

a) its carrying amount before the asset was classified as held for sale, adjusted for any depreciation and amortisation that would have been recognised had the asset not been classified as held for sale, and
b) its recoverable amount at the date of the subsequent decision not to sell.

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

Intangible assets

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

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

Intangible assets are derecognised upon disposal or when no future economic benefits are expected from their use or disposal. Any gain or loss arising on derecognition of an asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is recognized in profit and loss in the year the asset is derecognised.

The residual values, useful lives and amortisation methods of intangible assets are reviewed and adjusted, if appropriate, at each financial year end.

Impairment of non-financial assets

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

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

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

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

Inventories

Inventories are measured at the lower of cost and net realisable value. Cost includes the purchase price of inventory and expenses related to the acquisition of inventory (including transportation costs, insurance and customs duties) and are accounted for using the weighted average method.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs necessary to make the sale.

Allowances for old, obsolete and slow-moving items are booked to reduce the carrying value of these items to net realisable value.

Joint venture, associate and subsidiary

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

The cost of securities and interests in joint venture, associate and subsidiary is the price that was paid for the shares.

Financial assets

Initial recognition and classification of financial assets

A financial asset is recognized in the statement of financial position when, and only when, the Group becomes party to the contractual provisions of the instrument. Financial assets within the scope of IFRS 9 Financial Instruments are classified as financial assets subsequently measured at amortised cost, financial assets measured at fair value through other comprehensive income or financial assets measured at fair value through profit or loss, depending on the Group´s business model for managing the financial assets and the contractual cash flows characteristics of the financial assets. Financial assets can be designated as hedging instruments in an effective hedging relationship, as appropriate.

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

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

Except for trade receivables, at initial recognition, the Group measures a financial asset at its fair value plus or minus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset. Transaction costs of financial asset carried at fair value through profit or loss are expensed in profit or loss. At initial recognition, the Group measures trade receivables that do not contain a significant financing component at their transaction price.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognised on the trade date, i.e. the date that the Group commits to purchase or sell the asset.

The Group's financial assets include cash and short--term deposits, trade and other receivables, quoted and unquoted financial instruments.

Subsequent measurement

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

- Financial assets measured at amortised cost

A financial asset is classified as measured at amortised cost if the objective of the Group is to hold the asset in order to collect contractual cash flows and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. After initial recognition, such financial assets are subsequently measured at amortised cost using the effective interest rate method (hereinafter as "EIR"), less impairment. Amortised cost is calculated by taking into account the fees paid or received between the contractual parties that are an integral part of the EIR, transaction costs and all other premiums and discounts. The EIR amortisation is included in finance income in the income statement. The losses arising from impairment are recognised in the income statement. This category includes cash and cash equivalents, trade and other receivables and other current and non-current assets.

- Financial assets measured at fair value through other comprehensive income

A financial asset is classified as measured at fair value through other comprehensive income if the Group´s business model objective is achieved by both collecting contractual cash flows and selling financial assets and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Movements in the carrying amount are taken through other comprehensive income, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognized in profit or loss. When the financial asset is derecognized, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss. This category includes equity securities which are not held for trading.

- Financial assets measured at fair value through profit or loss

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

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

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

Impairment of financial assets

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

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

For all financial assets other than trade receivables and lease receivables, the Group applies the general approach under IFRS 9, based on the assessment of a significant increase in credit risk since initial recognition. Under such approach, loss allowance on financial assets is recognized at an amount equal to the lifetime expected credit losses, if the credit risk on those financial assets has increased significantly, since initial recognition, considering all reasonable and supportable information, including also forward-looking inputs. If at the reporting date, the credit risk on financial assets has not increased significantly since initial recognition, the Group measures the loss allowance at an amount equal to 12-month expected credit losses. Lifetime expected credit losses represent the expected credit losses that result from all possible default events over the expected life of a financial instrument.

As at 31 December 2020 and 2019, the Group recognised allowance for doubtful debts only in respect of trade and lease receivables. There has been no significant increase in credit risk identified for other financial assets recognised in the balance sheet, nor have any historical credit losses been experienced for other financial assets, except for the trade receivables.

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

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

Derecognition

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

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

Financial liabilities

Initial recognition and measurement

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

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

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

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

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

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

Subsequent measurement

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

- Financial liabilities at fair value through profit or loss statement

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

- Financial liabilities measured at amortised cost

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

Derecognition

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

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

Offsetting of financial instruments

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

Fair value of financial instruments

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

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

Derivative financial instruments and hedging activities

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

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

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

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

Hedging

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

- Fair value hedge,
- Cash flow hedge

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

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

Fair value hedge

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

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

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

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

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

Cash flow hedge

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

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

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

As at 31 December 2020 and 2019, no financial liabilities have been designated as derivative financial instruments.

Cash and cash equivalents

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

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

Employee benefits

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

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

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

Termination payments

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

Provisions

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

Environmental matters

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

Legal claims

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

Leases

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

This applies when the Group has both of the following:

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

Group as a lessee

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

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

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

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

Group as a lessor

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

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

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

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

Revenue recognition

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

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

Borrowing costs

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

Income tax

Current income tax

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

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

Deferred income tax

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

Deferred tax liabilities are recognised for all taxable temporary differences.

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

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

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

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

3. TRANSPORTATION AND RELATED REVENUES

In thousands of EUR	31 December 2020	31 December 2019
Inland transport:		
Transport of goods	26,155	28,555
Wagon deposition	7,408	10,761
Haulage fees	943	1,047
	34,506	**40,363**
International transport:		
Import	84,437	102,285
Export	80,704	88,471
Transit	7,957	12,561
	173,098	**203,317**
Other transport related revenues:		
Usage of wagons under RIV, PGV and AVV regimes	8,294	9,796
Wagon rentals	5,864	7,288
Cross-border services	2,727	2,966
Other	2,590	3,220
	19,475	**23,270**
	227,079	**266,950**

4. OTHER REVENUES

In thousands of EUR	31 December 2020	31 December 2019
Repairs and maintenance	6,437	6,802
Operational performance	1,296	1,807
Property rentals	5,305	5,121
Other	5,153	2,433
	18,191	**16,163**

5. CONSUMABLES AND SERVICES

In thousands of EUR	31 December 2020	31 December 2019
Traction electricity	(22,257)	(26,449)
Foreign segments	(16,920)	(20,512)
Network fees	(11,614)	(13,157)
Third party transhipment services	(8,554)	(9,122)
Traction crude oil	(7,433)	(9,823)
Materials	(7,424)	(7,544)
IT services and telecommunication charges	(6,240)	(6,095)
Cross-border services	(3,899)	(4,357)
Advisory and consultancy fees	(3,856)	(683)
Repair and maintenance	(3,824)	(4,774)
Other energy costs	(3,484)	(3,125)
Rentals	(1,422)	(2,117)
Security services	(1,160)	(1,352)
Travelling and entertainment	(970)	(1,290)
Cleaning of cars, property, waste disposal	(766)	(836)
Wagon rentals	(411)	(1,257)
Medical care	(221)	(307)
Training	(150)	(371)
Other	(1,029)	(2,152)
	(101,634)	**(115,323)**

Consumables and services include amounts charged by ŽSR of EUR 38,744 thousand (2019: EUR 45,006 thousand), primarily relating to the usage of ŽSR's network (the Group has a one-year contract with ŽSR which specifies planned kilometres and charge rates for different types of transport) and to the purchase of traction energy (refer to Note 25).

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

The year-on-year decrease in reported costs is primarily due to a decrease in transport performance and related purchased services.

6. STAFF COSTS

In thousands of EUR	31 December 2020	31 December 2019
Wages and salaries	(65,370)	(66,534)
Social security costs	(28,695)	(27,723)
Employee benefits (Note 21)	410	(681)
Termination payments (Note 22)	(3,116)	(1,558)
	(96,771)	**(96,496)**

Number of employees at 31 December 2020 was 4,753 (2019: 5,371), thereof five were members of management (as members of the Board of Directors or directors of individual departments). Average number of employees as at 31 December 2020 were 5,081 (2019: 5,445).

The average salary in 2020 amounted to EUR 1,069 (2019: EUR 1,066).

7. OTHER OPERATING REVENUES (EXPENSES), NET

In thousands of EUR	31 December 2020	31 December 2019
Provision for environmental matters (Note 22)	1,971	1,665
Profit on sale of property, plant, equipment and inventories	1,437	1,268
Release (creation) of allowance for doubtful debts	(137)	(593)
Provision for future obligations (Note 22)	(757)	-
Insurance of assets	(966)	(931)
Provision for legal cases and other provisions (Note 22)	(1,170)	998
Other	(634)	791
	(256)	**3,198**

8. INTEREST EXPENSE

In thousands of EUR	31 December 2020	31 December 2019
Interest on loans and borrowings	(1,147)	(914)
Interest charges on lease liabilities	(16)	(47)
Unwinding of discount on provisions and employee benefits	(182)	(386)
Interest expense on the right to use the asset	(2,716)	(3,418)
Other	(54)	(11)
	(4,115)	**(4,776)**

9. OTHER FINANCE REVENUES (COSTS), NET

In thousands of EUR	31 December 2020	31 December 2019
Foreign exchange gains (losses), net	6	(22)
Other revenues (costs), net	564	2,964
	570	**2,942**

10. OTHER NON-CURRENT ASSETS

In thousands of EUR	31 December 2020	31 December 2019
Advanced payments	-	480
Accrued expenses	51	69
	51	**549**

11. INCOME TAX

The reported income tax represents a withholding tax paid abroad in the amount of EUR 112 thousand (2019: EUR 106 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 2020	31 December 2019
Profit (Loss) before tax	(29,672)	1,666
Tax charge at statutory tax rate of 21% (2019: 21%)	(6,231)	350
Tax paid abroad and tax license	(112)	(106)
Forfeit tax loss carry forwards	317	-
Unrecognized deferred tax asset (incl. impact of change in tax rate)	10,973	(4,067)
Non-deductible expenses	(5,059)	3,717
Total income tax	**(112)**	**(106)**

Deferred tax assets and liabilities are related to the following (for the year ended 31 December 2020 an income tax rate of 21% applicable in future accounting period was used, for the year ended 31 December 2019: 21%):

In thousands of EUR	31 December 2020	31 December 2019
Deferred tax assets		
Tax loss carried forward	3,755	1,270
Provision for environmental matters	3,700	4,149
Provision for employee benefits	2,796	2,854
Allowance for trade and other receivables	820	862
Allowance for inventories	105	105
Provision for legal cases	3,781	3,542
Termination payments	637	455
Customer bonuses	494	336
Other overdue liabilities (over 3 years)	8	568
Property, plant and equipment and intangible assets	9,943	2,188
Other	4,092	2,295
	30,130	**18,624**
Deferred tax liabilities		
Deferred tax on revaluation of joint venture	-	(1,994)
Other	(30)	(32)
	(30)	**(2,026)**
Valuation allowance	**(30,100)**	**(16,598)**
Net deferred tax assets (liabilities)	**-**	**-**

A valuation allowance of EUR 30,100 thousand (2019: EUR 16,598 thousand) has been recognised for temporary deductible differences due to uncertainty as to the realization of tax benefits in future years. The Group will continue to assess the valuation allowance and, to the extent it is determined that such allowance is no longer required, the tax benefits of the remaining deferred tax assets will be recognised at that time.

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

The Group reported a tax loss in the amount of EUR 13,345 thousand in 2020.

12. INTANGIBLE ASSETS

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

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

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

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

Land and buildings consist of halls used in repair of locomotives and wagons, depots, stores, workshops and administrative buildings, 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 2020.

The impairment test required by IAS 36 was performed by management of the Group as at 31 December 2020. 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 2021 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 7.02% used in the calculation was determined based on interest rates for incremental financing of fixed assets purchases by the Group as at the day of preparation of financial statements and was adjusted for factors of time, risk and liquidity.

As a result of the procedures described above, the Group has decreased an impairment loss by EUR 766 thousand (2019: deccrease in impairment loss by EUR 1,794 thousand) due to a higher usage of assets and a increase of cash inflows mainly from a transport revenues’ increase in 2020 and expected utilization of assets and expected transported volumes (mainly in diesel traction) in the next period.

Property, plant and equipment in the ownership of the Group with a total acquisition value of EUR 653 thousand (EUR 612 thousand at 31 December 2019) and with a net book value of EUR 392 thousand (EUR 383 thousand at 31 December 2019) is registered by the State as protected for cultural purposes.

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

The gross carrying amount of any fully depreciated property, plant and equipment that is still in use, is EUR 17,701 thousand.

14. RIGHT-OF-USE ASSETS

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

The following table shows the amount of the right to use the leased assets in the years ended 31 December 2020 and 2019:

In thousands of EUR	Land and buildings	Wagons	Locomotives	Others	Total
Acquisition cost					
At 1 January 2020	**6,754**	**190,686**	**52,636**	**1,271**	**251,347**
Additions	1,865	23,087	4,073	375	29,400
Disposals	(148)	(17,460)	(6,426)	(333)	(24,367)
Other transfers	-	(12,689)	-	(73)	(12,762)
At 31 December 2020	**8,471**	**183,623**	**50,283**	**1,240**	**243,617**
Accumulated depreciation					
At 1 January 2020	**(1,033)**	**(41,889)**	**(4,997)**	**(499)**	**(48,418)**
Additions	(1,802)	(39,040)	(5,543)	(441)	(46,826)
Disposals	33	4,354	3,382	333	8,103
Impairment loss (net)	-	1,023	-	-	1,023
At 31 December 2020	**(2,802)**	**(75,551)**	**(7,158)**	**(607)**	**(86,118)**
Net book value at 31 December 2020	**5,669**	**108,072**	**43,125**	**633**	**157,499**

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

One of the contracts contain an extension option, which grants additional 4 years of lease term, with specified conditions. Lessor does not have such option. Since the Group cannot estimate future use of the option, the extended lease term beyond July 2023 is not included in Right-of-use asset. The option maturity date is 2 years prior to the end of lease period, i.e. July 2021. The Group has estimated that the full usage of option would result in additional liability from lease of EUR 88.85 million.

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

15. INVESTMENT IN JOINT VENTURE, ASSOCIATE AND SUBSIDIARY

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

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

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

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

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

In January 2020 the Group received the dividends of EUR 800 thousand from the associate BULK TRANSSHIPMENT SLOVAKIA, a.s.

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

Corporate name	Registration country	Ownership 2019	Carrying amount of investment 2019	Equity 2019	Profit/Loss 2019
Investment in joint venture and associate					
BULK TRANSSHIPMENT SLOVAKIA, a. s.	Slovak Republic	40%	6,660	35,436	2,034
Cargo Wagon, a. s.	Slovak Republic	34%	3,403	37,930	7,571
Total investments			**10,063**		
Investments in subsidiaries					
ZSSK CARGO Intermodal, a. s.	Slovak Republic	100%	27.5	21	(1)

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

On 5 march 2015 the Group sold 66% share in Cargo Wagon, a.s. to the winner of the international tender, while the sale of shares was completed after the approval of related authorities in May 2015.

The subsidiary ZSSK CARGO Intermodal, a. s. as of 31 December 2020 did not make any activity.

The Group's share of assets and liabilities as at 31 December 2020 and 2019 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 2020	31 December 2019
Current assets	2,612	2,352
Non-current assets	15,829	17,055
Total assets	**18,441**	**19,407**
Current liabilities	1,212	1,391
Non-current liabilities	3,103	3,842
Total liabilities	**4,315**	**5,233**
Net assets	**14,127**	**14,174**

In thousands of EUR	31 December 2020	31 December 2019
Revenues	5,336	5,840
Costs	(4,433)	(4,798)
Profit before income tax	**903**	**1,042**
Income tax expense	(143)	(228)
Net profit (loss)	**760**	**814**

The Group's share of the assets and liabilities as at 31 December 2020 and 2019 and income and expenses for the years then ended of the Cargo Wagon, a. s. are as follows:

In thousands of EUR	31 December 2020	31 December 2019
Current assets	3,595	4,300
Non-current assets	43,824	47,738
Total assets	**47,419**	**52,038**
Current liabilities	8,342	8,911
Non-current liabilities	23,513	30,231
Total liabilities	**31,855**	**39,142**
Net assets	**15,564**	**12,896**

In thousands of EUR	31 December 2020	31 December 2019
Revenues	12,849	12,645
Costs	(9,712)	(9,002)
Profit before income tax	**3,137**	**3,643**
Income tax expense	(690)	(1,069)
Net profit (loss)	**2,447**	**2,574**

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

As of 31 December 2020, the Company is dormant with no operation.

16. INVENTORIES

In thousands of EUR	At cost 2020	At lower of cost or net realizable value 2020	At cost 2019	At lower of cost or net realizable value 2019
Machine and metal-working materials	4,302	4,091	3,589	3,397
Electrical materials	2,024	1,755	2,173	1,873
Chemicals and rubber	1,521	1,514	1,389	1,387
Diesel fuel	548	548	729	729
Protective tools	232	231	237	236
Other	285	275	252	247
Total	**8,912**	**8,413**	**8,369**	**7,869**

The Group expects to use up stocks amounted to EUR 16,109 thousand (2019: EUR 19,309 thousand) in a period of more than twelve months after the date of creation these financial statements.

17. TRADE AND OTHER RECEIVABLES

In thousands of EUR	31 December 2020	31 December 2019
Domestic trade receivables	39,134	35,333
Foreign trade receivables	12,165	12,367
VAT receivables	1,486	2,326
Other receivables	3,857	3,681
Allowance for impaired trade and other receivables	(3,906)	(4,106)
	52,736	**49,601**

At 31 December 2020 overdue receivables amounted to EUR 8,238 thousand (EUR 5,629 thousand at 31 December 2019).

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

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

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

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

		Neither past due	Past due but not impaired				
Year	Total	nor impaired	< 90 days	90 – 180 days	180 – 270 days	270 – 365 days	> 365 days
2020	**52,736**	49,703	3,033	-	-	-	-
2019	**49,601**	48,049	1,552	-	-	-	-

18. CASH AND CASH EQUIVALENTS

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

In thousands of EUR	31 December 2020	31 December 2019
Cash at banks and on hand and cash equivalents	60	387
Bank overdrafts	(38,109)	(33,322)
	(38,049)	**(32,935)**

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 2020		31 December 2019	
	Overdraft limit	Drawn down	Overdraft limit	Drawn down
ING Bank N.V., pob. zahr. banky	20,000	**18,603**	20,000	14,147
Slovenská sporiteľňa, a. s.	15,000	**11,063**	10,000	6,270
Citibank Europe plc, pob. zahr. banky	15,000	**5,483**	15,000	10,876
Československá obchodná banka, a. s.	10,000	**1,096**	10,000	-
Tatra banka, a. s.	25,000	**1,031**	20,000	1,304
Všeobecná úverová banka, a. s.	25,000	**832**	25,000	725
	110,000	**38,109**	**100,000**	**33,322**

19. SHAREHOLDER'S EQUITY

Share capital

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

Legal reserve fund

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

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

Other funds

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

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

Settlement of loss from previous accounting period

The settlement of the 2019 statutory result was approved by the Group's General Meeting on 5 August 2020 and was booked to accumulated losses.

20. INTEREST-BEARING LOANS AND BORROWINGS

In thousands of EUR	Maturity date	31 December 2020	31 December 2019
Long-term loans			
Secured			
Slovenská sporiteľňa, a. s.	31 December 2024	22,500	22,500
Unsecured			
Československá obchodná banka, a. s.	31 March 2027	3,125	3,625
UniCredit Bank Czech Republic and Slovakia, a.s., pob. zahr. banky	31 March 2021	299	896
Total		**25,924**	**27,021**
Short-term portion of loans		**6,799**	**7,097**
Long-term portion of loans		**19,125**	**19,924**
Short-term loans			
Secured			
Všeobecná úverová banka, a. s.	30 April 2021	22,500	14,500
Československá obchodná banka, a. s.	30 June 2021	8,000	6,500
Citibank Europe plc., pob. zahr. banky	31 March 2021	5,000	-
Unsecured			
Tatra banka, a. s.	31 March 2022	22,500	14,500
Short-term loans		**58,000**	**35,500**
Short-term portion of loans (see above)		**6,799**	**7,097**
Overdrafts (Note 18)		**38,109**	**33,322**
Short-term portion of loans		**102,908**	**75,919**
Total		**122,033**	**95,843**

All loans presented in the table above are secured by promissory notes with a value of EUR 95,078 thousand (EUR 75,518 thousand at 31 December 2019), and with a nominal value of EUR 116,000 thousand (EUR 105,000 thousand as of 31 December 2019) except for long-term loan from Československá obchodná banka, a. s. and long-term loan from UniCredit Bank Czech Republic and Slovakia, a. s., pob. zahr. banky and short-term loan from Tatra banka, a. s.

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

At 31 December 2020, the Group has no obligation to comply with any financial covenants.

The fair value of interest-bearing loans and borrowings amounts to EUR 122,033 thousand (EUR 95,843 thousand at 31 December 2019).

All interest-bearing loans and borrowings bear floating interest which range from 0.750% p.a. to 1.500% p.a. (0.750% p.a. to 1.300% p.a. in 2019) except for the fixed interest loan from UniCredit Bank Czech Republic and Slovakia, a. s., pob. zahr. banky.

21. EMPLOYEE BENEFITS

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

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

The principal actuarial assumptions used were as follows:

	2020	2019
Discount rate (% p.a.)	0.78	1.09
Future salary increases (%)	2.50	2.50
Mortality probability (male) (%)	0.04 – 2.46	0.04 – 2.26
Mortality probability (female) (%)	0.02 – 1.00	0.02 – 0.88

Sensitivity analysis

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

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

In thousands of EUR	31 December 2019	Discount rate (1.00%)	Average income (1.00%)	Mortality (-10.00%)
Net liability from employee benefits	14,570	(1,174)	415	159

22. PROVISIONS

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

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

Environmental matters

In 2020, the Group updated its analysis of potential breaches of environmental regulations at its various sites, with the support of an environment specialist, Centrum environmentálnych služieb, s.r.o. As a result of this analysis, and based on the findings of Centrum environmentálnych služieb, s.r.o., the Group has estimated that costs of EUR 17,618 thousand (EUR 19,759 thousand at 31 December 2019) 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. A discount rate of 1.50 % p.a. was used in the calculation.

Legal claims

Provisions for legal claims relate to a number of claims, the most significant one is REFIN B.A., s.r.o., REFIN Development, s.r.o. a REFIN S.P., s.r.o. in the amount of EUR 13,309 thousand (EUR 12,508 thousand at 31 December 2019).

Other

The reserve relates to future obligations for violent damage to freight wagons in the amount of EUR 757 thousand.

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

In thousands of EUR	31 December 2020	31 December 2019
Domestic trade payables	24,229	30,696
Foreign trade payables	4,474	5,093
Payables due to employees	9,417	6,733
Payables due to social institutions	4,850	3,911
Other payables	5,275	5,482
	48,245	**51,915**

At 31 December 2020 overdue trade payables amounted to EUR 918 thousand (EUR 5,102 thousand at 31 December 2019). For details of related party payables, refer to Note 25.

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

In thousands of EUR	2020	2019
At 1 January	**68**	**71**
Additions	559	636
Utilization	509	639
At 31 December	**118**	**68**

24. COMMITMENTS AND CONTINGENCIES

Finance lease commitments

At 31 December 2020 the Group has finance lease commitments relating to the acquisition of 4 wagons and 4 freight road vehicles (200 wagons, 4 powered vehicles and 4 freight road vehicles at 31 December 2019), which were previously reported as finance leases. As at 31 December 2020, the Group has concluded fixed-term contracts that were previously reported as operating leases, mainly relating to the lease of wagons, road motor vehicles and other equipment. Both groups of leases are reported under lease liabilities.

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

In thousands of EUR	31 December 2020	31 December 2019
Within one year	46,564	47,920
From one to five years	90,710	125,518
Over five years	21,546	19,649
Present value of lease payments	**158,820**	**193,087**

In valuing lease liabilities that were previously classified as operating leases, the Group used an incremental interest rate to discount. The weighted interest rate used was 1.68% as at 31 December 2020.

Note 26 summarizes the lease liabilities based on contractual undiscounted payments (according to repayment schedules) when summarizing the maturity of financial liabilities as at 31 December 2020.

Investing commitments

The Group's investment expenditure for the period from 1 January 2021 to 31 December 2021 (1 January 2020 to 31 December 2020) is as follows:

In thousands of EUR	31 December 2020	31 December 2019
Land and buildings	38	1,440
Machines, equipment and other assets	126	2,484
Intangible assets	-	768
	164	**4,692**

Expenditures of EUR 164 thousand (EUR 4,692 thousand at 31 December 2019) are committed under contractual arrangements.

Contingent liabilities

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

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

25. RELATED PARTY DISCLOSURES

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

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

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

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

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 2020 and 2019 are as follows:

Board of Directors:
- Ing. Roman Gono, chairman of the board (since 24 April 2020)
- Ing. Jaroslav Daniška, vice-chairman (since 9 October 2020)
- Ing. Ľubomír Kuťka, member (since 28 July 2016)
- Ing. Miroslav Hopta, vice-chairman (since 30 May 2016 till 8 October 2020)
- Ing. Róbert Nemčík, PhD., member (since 8 July 2016 till 15 July 2020)
- Ing. Martin Vozár, MBA, chairman of the board and general director (since 7 July 2016 till 23 April 2020)

Supervisory Board:
- Ing. Ján Lupták, chairman of the board (since 12 October 2017)
- Ing. Ivan Gránsky, member (since 13 July 2016)
- Peter Pikna, member (since 1 January 2020)
- Jozef Róbert Šmigalla, member (since 1 January 2020)
- Mgr- Lukáš Parízek, member (since 4 February 2021)
- Ing. Bartolomej Kun, member (since 1 January 2015 till 31 December 2019)
- Mgr. Zita Verčíková, member (since 1 January 2015 till 31 December 2019)

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

The Board of Directors' total remuneration approximated EUR 44 thousand (EUR 46 thousand in 2019). The total remuneration of members of the Supervisory Board amounted to EUR 21 thousand (EUR 20 thousand in 2019).

Loans granted

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

26. FINANCIAL RISK MANAGEMENT

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

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

Interest rate risk

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

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

In thousands of EUR	31 December 2020	31 December 2019
EURIBOR (+0.5%)	-	(418)
EURIBOR (-0.5%)	-	-

Liquidity risk

The Group's policy is to maintain sufficient cash and cash equivalents or have available funding through an adequate number of credit facilities to cover the liquidity risk in accordance with its financing strategy. The amounts available in the form of credit facilities as at 31 December 2020 and 2019 consist of the following:

In thousands of EUR	31 December 2020	31 December 2019
Long-term loan facilities available	-	1,500
Short-term loan facilities available	11,932	24,225
Total loan facilities available	**11,932**	**25,725**

As at 31 December 2020 and at 31 December 2019 the Group did not have any banks guarantee.

The table below summarises the maturity profile of the Group's financial liabilities at 31 December 2020 based on contractual undiscounted payments:

In thousands of EUR	On demand	Less than 3 months	From 3 to 12 months	From 1 to 5 years	Over 5 years	Total
Long-term loans	-	-	-	18,500	625	19,125
Trade and other payables	918	45,907	1,420	-	-	48,245
Obligations under leases	-	12,080	36,786	94,444	22,243	165,553
Short-term loans	-	12,408	90,500	-	-	102,908
	918	**70,395**	**128,706**	**112,944**	**22,868**	**335,831**

The table below summarises the maturity profile of the Group's financial liabilities at 31 December 2019 based on contractual undiscounted payments:

In thousands of EUR	On demand	Less than 3 months	From 3 to 12 months	From 1 to 5 years	Over 5 years	Total
Long-term loans	-	-	-	18,799	1,125	19,924
Trade and other payables	5,102	46,813	-	-	-	51,915
Obligations under leases	-	12,955	34,965	125,518	19,649	193,087
Short-term loans	-	1,924	73,995	-	-	75,919
	5,102	**61,692**	**108,960**	**144,317**	**20,774**	**340,845**

Credit risk

The Group provides a variety of customers with products and services, none of whom, based on volume and creditworthiness, present a significant credit risk, individually or in aggregate. The Group has three major customers, U. S. Steel Košice s. r. o., BUDAMAR LOGISTICS, a. s. and Railtrans International, a.s. (BUDAMAR LOGISTICS, a. s., U. S. Steel Košice, s. r. o. and ŠPED-TRANS Levice, a. s. in 2019), sales to which represent 54 % of transport and related revenues (53 % in 2019), 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 2020 and 31 December 2019.

The Group monitors indebtedness using a debt to equity ratio, by which debt consists of external interest-bearing loans and borrowings and excludes financial lease obligations, divided by total equity.

In thousands of EUR	31 December 2020	31 December 2019
Long-term debt, net of current portion (excluding subordinated debt and lease obligations)	19,125	19,924
Short-term debt, including current portion of long-term debt (excluding finance lease obligations)	102,908	75,919
Debt	**122,033**	**95,843**
Equity	**100,214**	**129,819**
Debt to equity ratio (%)	**122%**	**74%**

27. EVENTS AFTER THE BALANCE SHEET DATE

No events occurred subsequent to 31 December 2020 that might have a material effect on the fair presentation of the matters disclosed in these financial statements except for the following:

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

Approved by Ing. Roman Gono and Ing. Ľubomír Kuťka on behalf of the Board of Directors on 27 April 2021.

Photo credits:

Dana Schwartzová, Martin Malučký, Dávid Galuš, Kristián Kardos, Miloš Chomjak and archive of ZSSK CARGO.

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