ŽELEZNIČNÁ SPOLOČNOSŤ SLOVENSKO
NÁRODNÝ DOPRAVCA

FINANCIAL STATEMENTS | 2018

ŽELEZNIČNÁ SPOLOČNOSŤ SLOVENSKO, a.s.

SEPARATE FINANCIAL STATEMENTS
PREPARED IN ACCORDANCE WITH
THE INTERNATIONAL FINANCIAL REPORTING STANDARDS

As on 31 December 2018

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NÁRODNÝ DOPRAVCA

Železničná spoločnosť Slovensko, a.s.

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As on 31 December 2018

Mgr. Filip Hlubocký	**Dipl.-Ing. Patrik Horný**
Chairman of the Board of Directors of Železničná spoločnosť Slovensko, a.s.	Vice-Chairman of the Board of Directors of Železničná spoločnosť Slovensko, a.s.

Bratislava, 28 February 2019

TABLE OF CONTENTS

STATEMENT OF FINANCIAL POSITION

For the year ended on 31 December 2018

(in thousand EUR)	Note	31 December 2018	31 December 2017
ASSETS			
Long-term assets			
Long-term tangible assets	4	897,089	880,449
Investments into real estates	4	1,724	1,342
Long-term intangible assets	5	13,951	10,910
Financial assets	6	5,409	5,209
Other long-term assets	7	208,270	746
		1,126,443	**898,656**
Current assets			
Inventories	8	17,119	11,806
Trade receivables and other receivables	9	26,226	30,611
Receivables resulting from the Contract on Public Transport Rail Services	22	75,486	34,390
Financial means and financial equivalents	10	3,516	3,422
		122,347	**80,229**
Held-for-sale assets	4	1,706	5,985
TOTAL ASSETS		**1,250,496**	**984,870**
EQUITY AND LIABILITIES			
Shareholders' equity			
Share capital	11	212,441	212,441
Statutory reserve fund	11	24,118	24,118
Other funds	11	-33,622	-33,622
Re-valuation of employee benefits	14	19	-515
Unpaid loss	11	-62,696	-58,651
Loss (profit) in the reporting period	11	37,376	-4,045
Total shareholders' equity		**177,636**	**139,726**
Long-term liabilities			
Long-term financial aid	12	24,106	24,106
Interest-bearing loans and borrowings	13	286,253	254,354
Employee benefits	14	10,602	10,841
Reserves	15	4,554	4,663
Financial derivatives	17	9,403	14,090
Deferred tax	20	5,359	6,711
Other long-term liabilities	18	560,893	365,018
		901,170	**679,783**
Short-term liabilities			
Short-term financial aid	12	0	0
Interest-bearing loans and borrowings	13	69,848	71,377
Employee benefits	14	1,171	1,036
Reserves	15	17,896	18,032
Trade liabilities and other liabilities	19	82,775	74,916
		171,690	**165,361**
Total liabilities		**1,072,860**	**845,144**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**1,250,496**	**984,870**

STATEMENT OF COMPREHENSIVE INCOME
For the year ended on 31 December 2018

(in thousand EUR)	Note	31 December 2018	31 December 2017
Income			
Transport of passengers and related revenues	21	104,345	102,446
Compensation for services in the public interest	22	300,058	243,956
Income from subsidies	23	30,364	30,289
Other net operating (costs) revenues	24	6,493	3,328
		441,260	**380,019**
Costs and expenses			
Consumption and services	25	-197,784	-188,710
Personnel costs	26	-114,502	-106,220
Depreciation, amortisation and impairment of tangible assets	27	-89,548	-86,625
		-401,834	**-381,555**
Financial (costs) revenues			
Financial income	28	49	62
Financial costs	29	-3,606	-4,137
Net financial derivatives	30	4	16
		-3,553	**-4,059**
Tax costs	**20**	**1,503**	**1,550**
Loss (profit) in the reporting period		37,376	-4,045
		534	284
Other comprehensive income:			
Items not to be re-classified as income			
Re-valuation of employee benefits		534	284
Items that might subsequently be re-classified into income		0	0
Other comprehensive income in the reporting period		534	284
Total comprehensive income in the reporting period		**37,910**	**-3,761**

STATEMENT OF CHANGES IN EQUITY

For the year ended on 31 December 2018

(in thousand EUR)	Share capital	Statutory reserve fund	Other funds	Re-valuation of employee benefits	Unpaid loss	Loss (profit) in the reporting period	Total
Balance as on 1 January 2017	**212,441**	**24,118**	**-33,622**	**-799**	**-53,499**	**-5,152**	**143,487**
Recognition of loss of 2016	0	0	0	0	-5,152	5,152	0
Other comprehensive income - 2017	0	0	0	284	0	0	284
Income (costs) of past reporting periods	0	0	0	0	0	0	0
Loss (profit) for the reporting period of 2017	0	0	0	0	0	-4,045	-4,045
Balance as on 31 December 2017	**212,441**	**24,118**	**-33,622**	**-515**	**-58,651**	**-4,045**	**139,726**
Recognition of loss of 2017	0	0	0	0	-4,045	4,045	0
Other comprehensive income - 2018	0	0	0	534	0	0	534
Income (costs) of past reporting periods	0	0	0	0	0	0	0
Loss (profit) for the reporting period of 2018	0	0	0	0	0	37,376	37,376
Balance as on 31 December 2018	**212,441**	**24,118**	**-33,622**	**19**	**-62,696**	**37,376**	**177,636**

STATEMENT OF CASH FLOW

For the year ended on 31 December 2018

(in thousand EUR)	Note	31 December 2018	31 December 2017
Operating income		**413,450**	**358,812**
Income from main activity		139,249	120,804
Compensation for services in the public interest		258,948	253,929
Other income		9,774	10,847
Income from international clearing		1,152	3,509
Income from operating loans		4,327	-30,277
Operating costs		**-346,012**	**-330,952**
Costs on material		-53,517	-40,610
Costs on services		-181,952	-187,390
Of which: Track access charges		-65,779	-63,413
Wages and other labour costs		-109,355	-102,304
Insurance		-1,188	-648
Received interests		**40**	**61**
Paid interests		**-124**	**-204**
Dividends +/-		**0**	**0**
Income tax +/-		**-3**	**-3**
CASH FLOW FROM OPERATING ACTIVITY		**67,351**	**27,714**
Income from sale of long-term assets		79	118
State budget subsidies on investments		0	0
Investment subsidies from EU Structural Funds + State Budget		18,319	8,250
Returned investment subsidies from EU Structural Funds + State Budget		0	0
Purchase of long-term assets		-103,184	-64,369
CASH FLOW FROM INVESTMENT ACTIVITY		**-84,786**	**-56,001**
Financial income		**55,614**	**91,780**
Income from bank loans		55,614	91,435
Income from borrowings		0	0
Other financial income		0	345
Financial costs		**-34,718**	**-58,036**
Costs on bank loans		-29,571	-30,367
Costs on instalments of loans		0	-22,600
Costs on settlement of liabilities from leasing		0	0
Other financial costs		-5,147	-5,069
Paid interests		**-3,367**	**-2,974**
CASH FLOW FROM FINANCIAL ACTIVITY		**17,529**	**30,770**
Net increase (decrease) of financial means and financial equivalents		94	2,483
Financial means and financial equivalents as on 1 January	10	3,422	939
Financial means and financial equivalents as on 31 December	**10**	**3,516**	**3,422**

2 GENERAL INFORMATION

Information on the Company
Železničná spoločnosť Slovensko, a.s. ("ZSSK" or the "Company"), a joint-stock company registered in the Slovak Republic, was founded on 13 December 2004 as one of the two successor companies of Železničná spoločnosť, a.s. („ŽS"). On 1 January 2005 the Company was entered into the Companies´ Register of the District Court of Bratislava I, Section Sa, Entry no. 3497/B, company ID no. 35 914 939, tax registration no. 20 219 200 76.

The predecessor of the Company, ŽS, was founded on 1 January 2002 by being split from and overtaking a part of the railway company Železnice Slovenskej republiky (ŽSR) when it took over responsibility for provision of freight and passenger railway transport and transport services within Slovakia.

ŽS was dissolved without liquidation with effectiveness as of 31 December 2004. After its split-up it was replaced by two newly established successor companies: ZSSK for passenger transport and transport services, and Železničná spoločnosť Cargo Slovakia, a.s. (ZSSK CARGO) for freight transport and transport services.

The exclusive owner (a sole shareholder) of the Company is the State. The rights of the State as the shareholder are executed by the Ministry of Transport and Construction of the Slovak Republic (MTC) with the seat at Námestie slobody 6, 811 06 Bratislava. The Company does not figure as an associate partner with unlimited liability in any other company.

In terms of § 21 (4) of the Act no. 540/2001 Coll. on State Statistics as amended, in April 2016 ZSSK was included into the statistical register of organisations in the S13 sector – Public Administration.

Based on Act no. 423/2015 Coll. on Statutory Audit and on Amendments and Supplements to Act no. 431/2002 Coll. on Accounting as amended, the Company is an entity subject to oversight and is obliged to establish an audit committee since 17 June 2016. In compliance with Article 34(4) d) of the above Act, the Supervisory Board of ZSSK acts as the audit committee.

Main activities
The Company as an operator of transport by rail provides for transport services in compliance with the interests of the State transport policy and market demand. The services in passenger transport are delivered in accordance with the State transport policy of the Slovak Republic, and are based on the Contract on Passenger Rail Transport Services concluded pursuant to Regulation 1370/2007 of the European Parliament and the Council (EC) on services in public interest and Act no. 514/2009 Coll. on transport by rail as amended, between Železničná spoločnosť Slovensko, a.s. as the transport operator and the State (represented by MTC) as the contracting authority.

Registered seat of the Company

Rožňavská 1
832 72 Bratislava
Slovakia

These Financial Statements are deposited at the registered seat of the Company and in the electronic registry of financial statements.

2.1 BASIS FOR PREPARATION OF THE FINANCIAL STATEMENTS

The Separate Financial Statements of the Company ("Financial Statements") for the previous reporting period were approved by the regular General Assembly which took place on 13 July 2018.

The Financial Statements were prepared on the basis of historic prices, except for derivative financial instruments which were evaluated in their fair value as on 31 December 2018. The Financial Statements are prepared in compliance with Article 17a of Act no. 431/2002 Coll. on accounting as amended, for the reporting period starting from 1 January 2018 and ending on 31 December 2018.

These Financial Statements were prepared with the going concern assumption, which fact is supported by the signed Contract on Passenger Rail Transport Services concluded on 27 December 2010 with the Slovak Republic represented by MTC for a period of 10 years, starting as of 1 January 2011.

The figures provided in the Financial Statements are reported in thousand EUR.

Consolidation of public administration
The Company does not prepare consolidated financial statements in terms of Article 22a of Act no. 431/2002 Coll. on accounting as amended. The Company is part of the Consolidated Financial Statements of public administration under the chapter on Transport, prepared by the Ministry of Finance of the Slovak Republic (MF). The most important transactions entering the consolidation include the relationships with MTC and MF in the area of operating and capital subsidies (notes 22, 23). The consolidation subject does not include capital subsidies from the EU funds. The Company has significant business transactions within the public administration consolidation with ZSSK Cargo and ŽSR. Relationships with other public administration bodies (municipalities, health insurance companies etc.) are insignificant as to their volume.

The Company, as an entity reporting pursuant to the International Financial Reporting Standards, enters the data for public administration consolidation pursuant to the national accounting standards in compliance with the instructions of MF.

The reporting period is a calendar year.

Declaration of conformity
The Financial Statements were reported in compliance with the International Financial Reporting Standards and all effective IFRS adopted within the EU. IFRS include standards and interpretations adopted by the International Accounting Standards Board (IASB) and IFRS Interpretation Committee (IFRIC).

At the moment, given the process of IRFS adopting and in respect of the nature of the Company activities, there are no differences between IFRS accounting principles applied by the Company and IFRS adopted by the EU.

2.2 CHANGES IN ACCOUNTING PRINCIPLES AND DISCLOSURE

The applied accounting principles are consistent with the principles applied to the Separate Financial Statements reported as on 31 December 2018.

The company has accepted all new and revised standards and interpretations as issued by the International Accounting Standards Board (IASB) and the International Financial Reporting Interpretations Committee (IFRIC) at IASB and as adopted for use within the European Union (EU), and which apply to the Company activities and are effective for the reporting periods starting as of 1 January 2018. The following standards, amendments and interpretations issued by the International Accounting Standards Board and adopted by the EU are effective for the current reporting period:

- IAS 40 Investment Property – Amendments to IAS 40: Transfers of Investment Property – effective as of 1 January 2018;
- IFRS 2 Share-based Payment – Amendments to IFRS 2: Classification and Measurement of Share-based Payment Transactions – effective as of 1 January 2018;
- IFRS 9 Financial Instruments - effective as of 1 January 2018;
- IFRS 15 Revenues from Contracts with Customers - effective as of 1 January 2018;
- IFRS 15 Revenues from Contracts with Customers – Clarifications to IFRS 15 Revenues from Contracts with Customers - effective as of 1 January 2018;
- IFRIC 22 Foreign Currency Transactions and Advance Consideration – effective as of 1 January 2018;

Application of IFRS 9 had a significant impact in determining impaired receivables where the Company made use of the simplified model.

International Financial Reporting Standards that have been issued but are not effective as yet

- Amendments to IAS 1 and IAS 8: Definition of materiality – effective for the reporting periods starting on or after 1 January 2020, these amendments have not yet been adopted by the EU;
- Amendments to IAS 19: Plan Amendment, Curtailment or Settlement - effective for the reporting periods starting on or after 1 January 2019, these amendments have not yet been adopted by the EU;
- Amendments to IAS 28: Long-term Interests in Associates and Joint Ventures – effective for the reporting periods starting on or after 1 January 2019, these amendments have not yet been adopted by the EU;
- Amendments to IFRS 3: Business Combinations – effective for the reporting periods starting on or after 1 January 2020, these amendments have not yet been adopted by the EU;
- Amendments to IFRS 9: Prepayment Features with Negative Compensation - effective for the reporting periods starting on or after 1 January 2019;
- Amendments to IFRS 10 and IAS 28: Sale or Contributions of Assets between an Investor and its Associate or Joint Venture – these amendments have not yet been adopted by the EU, effectiveness of the amendments in the EU was deferred indefinitely;
- IFRS 16 Leases - effective for the reporting periods starting on or after 1 January 2019;
- IFRIC 23 – Uncertainty over Income Tax Treatments - effective for the reporting periods starting on or after 1 January 2019;
- Annual improvements to IFRS, 2015 – 2017 Cycle - effective for the reporting periods starting on or after 1 January 2019; these improvements have not yet been adopted by the EU.

ZSSK will apply IFRS 16 Leases as of 1 January 2019, making use of a modified retrospective approach with asset measurement in the carrying amount, calculated as if IFRS 16 was applied from the beginning of the lease.

Impacts of IFRS 16 application on costs will not be of a significant nature. They will involve mostly transformation of costs on rental into the form of depreciation and interest costs. Increase in lease liabilities is assumed in the amount of EUR 77,080 thousand and assets – rights from asset use in the amount of EUR 75,900.

2.3 SIGNIFICANT ACCOUNTING ASSESSMENTS, ESTIMATES AND ASSUMPTIONS

Significant accounting estimates and assumptions
Preparation of the Financial Statements in accordance with IFRS requires use of estimates and assumptions which affect the items reported in the Financial Statements and the Notes to the Financial Statements. Even if these estimates are based on the best knowledge of the current circumstances and methods, the actual results may differ from these estimates. A more detailed description of the estimates is specified in the respective notes; however, the most important estimates include the following:

Lawsuits
The Company has been a party to several lawsuits and civil litigations arisen from its ordinary activities. The Company makes use also of services provided by external legal advisors and experience from previous similar lawsuits to determine probable outcomes of lawsuits and to establish reserves.

Quantification and timing of environmental liabilities
The Company makes estimates of future cash flows related to the environmental liabilities by comparison of prices, use of analogies with similar past activities and other estimates. The amount of the reserve and assumptions for calculation of the reserve are re-evaluated on an annual basis, always as on the balance-sheet date. Even if these estimates are based on the best knowledge of the current circumstances and methods, the actual results may differ from these estimates.

Assets impairment
As on each reporting date, the Company determines whether there is an indication of assets impairment. If there is any such indication, an estimate of a recoverable amount of the asset in question is made or an estimate of the cash-generating unit, to which the asset was classified. When determining the useful value, the Company has to make an estimate of future expected cash flows and choose a suitable discount rate for calculation of the present value of cash flows. If necessary, the net selling price is determined on the basis of the market development in Slovakia and other Central European countries.

Employee benefits and severance pay
Costs on the scheme of employee benefits and severance pay are determined by actuarial calculations. These calculations contain estimates of discount rates, future growth of wages, mortality rate or fluctuation. Given the long-term nature of these schemes, such estimates are subject to uncertainty to a great degree.

Depreciation period and residual value of long-term tangible assets
An estimate of lifespan of a long-term asset results from an assessment based on the Company experience with a similar asset. Depreciation period and residual value of long-term tangible assets are determined on the basis of the current strategic goals of the Company. As on the balance-sheet date, it is examined whether the used estimates are still suitable for such determination.

Fair value measurement of assets and liabilities according to IFRS 13
IFRS 13 did not introduce new requirements stipulating when to measure at fair value, but stipulated manners of fair value measurement and specified the requirements for disclosure in case of fair value measurement. Depending on the measurement manner, three levels of measurement of assets and liabilities were determined. Individual levels were defined as follows:

Level 1– quoted prices (unadjusted) on active markets for identical assets or liabilities that the Company can access at the measurement date;
Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly;
Level 3 – inputs of assets or liabilities that are unobservable according to market data.

2.3 SIGNIFICANT ACCOUNTING ASSESSMENTS, ESTIMATES AND ASSUMPTIONS (cont.)

Measurement of non-financial items:
in thousand EUR

Assets	Level 1	Level 2	Level 3
Investment property (IAS 40)			1,724
Assets held for sale (IFRS 5)			1,706
of which: real estates			1,693
machines and other moveable assets			13
As on 31 December 2018			**3,430**

Assets	Level 1	Level 2	Level 3
Investment property (IAS 40)			1,342
Assets held for sale (IFRS 5)			5,985
of which: real estates			5,955
machines and other moveable assets			30
As on 31 December 2017			**7,327**

Measurement used to derive fair values at Level 3:
Fair value of investments into real estates at Level 3 as on 31 December 2018 amounted to EUR 1,724 thousand (as on 31 December 2017 in the amount of EUR 1,342 thousand).
Fair value of assets held for sale at Level 3 as on 31 December 2018 amounted to EUR 1,706 thousand (as on 31 December 2017 to EUR 5,985 thousand).
Fair value of investments into real estates and assets held for sale was determined by a qualified estimate.
Description of the measurement technique:

- physical characteristics of assets, their size, location, demographic development etc. are taken into account in measurement,
- legal aspects that take into account limits of the asset´s use, its distribution, change in use and impact of zone planning
- offers on internet real estate market, strength of buyers in the given region, costs on changes in the asset use are taken into consideration
- in case of machines, the fair value is derived from the carrying amount representing an expert-determined value, reduced by amortisation, due to a missing active market and specific features of some assets.

Description of the measurement process:
Measurement is carried out by the specific Company departments based on their technical knowledge, information available on internet, real estate market and experience from sale of similar assets.

Measurement of financial derivatives:
in thousand EUR

Derivative	Level 1	Level 2	Level 3
EUROFIMA IRIS (NOMURA)			-9,403
Total as on 31 December 2018			**-9,403**

Fair value of financial derivatives
The fair value of financial derivatives was determined via the method of future expected discounted cash flows.

2.3 SIGNIFICANT ACCOUNTING ASSESSMENTS, ESTIMATES AND ASSUMPTIONS (cont..)

The Monte Carlo simulation was used to calculate future cash flows of derivatives at Level 3. The simulation generated values of individual underlying assets of financial derivatives (3M Euribor, 6M Euribor, IRIS index) based on their probability distribution while respecting the volatilities, return rate compared to the long-term average, and statistical correlation of individual underlying assets.

The data from the Bloomberg system were a source of the simulation input data. The input data include the current and historic market values of the underlying tools, their volatility and statistical correlations.

The fair value of individual derivatives is affected by development of the following underlying instruments: 6M Euribor, 3M Euribor, Index IRIS, calculated by Nomura International plc. The cash flows were discounted by a rate calculated from the zero-coupon curve.

Taxes
Deferred tax liabilities are recognised in case of all deductible temporary differences and the carry-forward of unused tax losses to the extent that it is probable that future taxable profit will enable to redeem these deductible temporary differences and unused tax losses carried forward.

3 SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES

a) Presentation currency

Data in these Separate Financial Statements are expressed in the Euro currency which is the functional and presentation currency of the Company.

Transactions in a foreign currency are re-calculated into EUR by a reference exchange rate determined and published by the European Central Bank or the National Bank of Slovakia on the day preceding the day of the accounting case. Cash assets and liabilities in a foreign currency are recalculated by the exchange rate of the functional currency prevailing on the balance-sheet date. All differences are included into the Statement of Comprehensive Income. Non-monetary items evaluated in historic prices in a foreign currency are recalculated by the exchange rate prevailing on the day of the initial transaction.

b) Tangible assets

Tangible assets are reported in their acquisition prices without costs on everyday servicing, after deduction of accumulated depreciation and accumulated impairment. If a substantial part of tangible assets needs to be replaced in intervals, these components are reported as individual tangible assets with a specific lifespan and depreciation. If repairs of long-term tangible assets are done, involving replacement of significant components, costs on such repair are included in the acquisition price of the long-term tangible asset, if the reporting criteria are met.

Repairs and maintenance are reported in the Statement of Comprehensive Income as costs of the reporting period, in which the given work was carried out. Assets are depreciated evenly during their lifespan period (20-50 years in case of buildings, 3-34 years in case of machines, equipment and other assets), while lands are not depreciated.

Tangible assets are written-off when sold or if no future economic benefits are expected out of their use. Profit or loss of disposed-of assets (calculated as the difference between net revenues from sale and the carrying amount) is included in the Statement of Comprehensive Income in the year, in which the asset is disposed of.

The residual values of assets, lifespans and methods are regularly examined and, if necessary, adjusted at the end of each financial year.

c) Intangible assets

Intangible assets are reported in their acquisition prices, after deduction of adjustments and accumulated impairment.

Assets are depreciated evenly during their lifespan (2-5 years).

An intangible asset is disposed of if sold, or if no future economic benefits are expected from its use or sale. Profit or loss of disposed-of assets (calculated as the difference between net revenues from sale and the carrying amount) is included in the Statement of Comprehensive Income in the year, in which the asset is disposed of.

The residual values of intangible assets, lifespans and methods are regularly examined and, if necessary, adjusted at the end of each financial year.

3 SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (cont.)

d) Long-term assets held for sale

Long-term assets and groups to be disposed of, classified as held for sale are measured in the lower of these two amounts: carrying amount and fair value reduced by costs on sale. Long-term assets and groups to be disposed of are classified as held for sale if their carrying amount may be recovered via a sale transaction rather than continuous use. This condition is considered fulfilled only in case a sale is highly probable and the asset or a group to be disposed of are ready for an immediate sale in the current condition.

Management of the Company has to be involved in the sale, which is presumed to be completed within one year of the classification date.

Long-term assets classified as held for sale are not depreciated.

e) Inventories

Inventories are measured in the lower of the acquisition price or net realisable value, after adjustments to low-turn or useless inventories are created. Costs on purchased inventories include the acquisition price of inventories and costs related to their acquisition (transport costs, insurance, duty, commissions, excise tax). Weighted average method is used to calculate the acquisition price.

A net recoverable value is the estimated selling price at ordinary activity, reduced by estimated costs necessary for sale.

f) Impairment of non-financial assets

As at each reporting date, the Company assesses whether there is an indication of assets impairment. If there is such indication or a yearly asset impairment test is required, the Company makes an estimate of the recoverable amount of the assets. The recoverable amount of an asset is the higher of its fair value or cash-generating unit reduced by costs on sale and its value in use. It is determined in terms of IAS 36 at the level of the cash-generating unit.

If the carrying amount of assets is higher than their recoverable amount, the asset is considered impaired and is decreased down to the recoverable amount. When assessing the value in use, the assumed future cash flows are discounted down to their present value by a discount rate before taxation which reflects the present market evaluations of the time value of money and risks specific for the asset in question.

Impairment losses are reported in the Statement of Comprehensive Income as costs on depreciation, amortisation and asset impairment.

As on each reporting date, it is assessed whether there is an indication that impairment losses reported in the previous period do not exist or should be reduced. If there is any such indication, an estimate of the recoverable amount is made. Impairment loss reported in the previous period is recognised only when the estimates used to determine the recoverable amount of the asset changed since the last impairment loss was reported. In that case the carrying amount of the asset is increased up to its recoverable amount. Such increased amount may not exceed the carrying amount (after deduction of depreciation) which would be determined if no impairment loss was reported in the previous years.

The amount is reported in the Comprehensive Income. After such recognition, in the future periods depreciation is adjusted so that the adjusted carrying amount reduced by residual value would be allocated systematically during the remaining lifespan.

3 SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (cont.)

g) Financial assets

Initial recognition and measurement
Financial assets are first recognised at the moment when the Company becomes a party to the contractual provisions concerning the financial instrument. At initial recognition, financial assets are measured at their fair value which (to the exception of financial assets measured at their fair value with changes reported into profit or loss) is increased by costs directly related to acquisition of the financial asset.

The best proof of the fair value of a financial asset at its initial recognition is usually the transaction price, i.e. the fair value given for the procured asset.

Receivables without an interest rate are initially measured in the amount of the receivable, if the effect of their discounting to the present value, i.e. the effect of fair value determination, is insignificant.

Financial assets of the Company consist of financial means in cash, financial means on bank accounts, short-term and long-term receivables and ownership interests.

Subsequent measurement
Subsequent measurement of financial assets depends on their classification into categories according to IFRS 9 where the four following categories of financial assets are distinguished.

Financial assets measured at fair value with changes reported as profit or loss
The financial assets in this category are measured at fair value with changes reported through profit and loss. The category includes two groups of financial assets – financial assets held for trading and financial assets designated to be measured at fair value through profit and loss.

Financial assets held for trading are the ones procured or originated with the purpose of their short-term sale, or are part of the portfolio of jointly managed instruments, for which there is evident trading in the recent period with a short-term profit generation. Assets held for trading include also derivatives with a positive fair value which do not meet the conditions for classification as hedging instruments defined pursuant to IFRS 9. The Company does not hold financial assets other than derivatives for trading. Derivatives are presented in the Statement of Financial Position under "Financial derivatives". In case derivatives do not have a positive fair value at the book-closing date, the item is not presented.

Reporting entities may determine the financial assets which meet the set conditions for fair value measurement through profit and loss at their own will. The Company does not make use of this choice.

Loans and receivables
Loans and receivables represent non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition, loans and receivables are reported in their amortised value by effective interest rate method. Amortised value is calculated while taking into account the discount and bonus at acquisition, fees that are inseparable part of the effective interest rate, and transaction costs. The amortised value is reduced by a possible allowance taking into account a credit-risk loss. Yields of interest are recognised via the effective interest rate method and, besides the contractual interest, they take into consideration also amortisation of the above-mentioned discounts, bonuses, fees and transaction costs. Yields of interest are presented in the Statement of Comprehensive Income under "Financial Income". In case of receivables without an interest rate, the effective interest rate is not determined and the yield of interest is not recognised if the effect of discounting down to the present value is insignificant. Profit and loss from derecognised loans and receivable as well as impairment losses are reported into profit and loss.

3 SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (cont.)

As regards the Company´s financial assets, trade receivables, other receivables and financial means in banks are classified into this category. The Statement of Financial Position includes them under items of "Other long-term assets", "Trade receivables and other receivables", "Receivables from Contract on Passenger Rail Transport Services" and "Financial means and financial equivalents".

Investments held to maturity
Investments held to maturity are non-derivative financial assets with fixed or determinable payments, with fixed maturity, which the reporting entity intends and is able to hold until their maturity. After being initially recognised, investments held to maturity are measured in amortised costs. The Company does not classify any assets as investments held to maturity.

Financial assets available for sale
Available-for-sale financial assets are those non-derivative financial assets available for sale and not classified in any of the previous three categories of financial assets. After initial recognition, the financial assets available for sale are measured in their fair value, with unrealised gain or loss reported as other comprehensive income under reserve from revaluation. In case such financial asset is derecognised or its impairment is identified, cumulative profit or loss that was reported before in the last comprehensive income, is recognised in profit/loss of the accounting period. As regards assets held by the Company, this category includes ownership interests with insignificant impact presented under "Financial assets" of the Statement of Financial Position.

Impairment of financial assets
In terms of IFRS 9 the Company made use of the simplified model in determining impaired receivables. It made use of a matrix for allowances in order to determine the allowances to receivables as on 31 December 2018. The matrix is based on historic information about trade and other receivables and costs on these liabilities by bank transfer or set-off in the period of 3 years (2015, 2016, 2017). The matrix helped to calculate the historic rate of loss in individual due periods of receivables. The amount of open items of customers as on 31 December 2018 according to individual due periods was recalculated through the historic rate of loss. The historic rate of loss will be updated as on each reporting date.

Assets measured in amortised costs
If there is objective evidence of an impairment loss, the loss amount is determined as a difference between the carrying amount of the asset and the present value of estimated future cash flows discounted by the original effective interest rate for the given financial asset. In case of receivables without an interest rate where the effective interest rate is not determined due to an insignificant discounting effect, the impairment is determined without discounting the estimated cash flows.

The carrying amount of an asset is reduced through the allowance account and the reduced amount is recognised in profit/loss under "Costs and expenses" for respective items in the Statement of Comprehensive Income. Financial assets are written off in case there is no real chance of their future payment and all securing was realised or transferred to the Company.

If in the subsequent year the amount of expected impairment increases or decreases due to an event occurring after the impairment was reported, the previously reported impairment is increased or decreased through the account of allowances. If written-off loans are payable, the repayment is reported as revenue in the Statement of Comprehensive Income.

3 SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (cont.)

Financial assets available for sale
From among the Company´s financial assets, the category of financial assets available for sale includes only ownership interests. For that reason, the Company applies the provisions of IFRS 9, applying them to impairment of investments into equity instruments.

If there is objective evidence of impairment of an asset available for sale, the amount corresponding to the difference between its acquisition price and its current fair value is transferred from equity into profit/loss. This amount is reduced by impairment losses reported in the previous reporting periods. The reported impairment losses may not be subsequently derecognised through profit/loss and an increase in the fair value is reported via other comprehensive result in the Statement of Comprehensive Income.

h) Financial liabilities

Initial recognition and measurement
Financial liabilities are first recognised at the moment when the Company becomes a party to the contractual provisions concerning the financial instrument. At initial recognition, financial liabilities are measured at their fair value which - to the exception of financial liabilities measured at their fair value with changes reported into profit or loss - is reduced by costs directly related to the transaction. Specific information concerning the initial measurement of liabilities from loans and financial aid and trade liabilities is provided below under the chapter on financial liabilities measured at amortised costs.

Financial liabilities of the Company include trade liabilities, other liabilities, current accounts, loans, borrowings and financial derivatives.

Subsequent measurement
Subsequent measurement of financial liabilities depends on their classification into categories according to IFRS 9, where the two following categories relevant for the Company are distinguished.

Financial liabilities measured at fair value with changes reported as profit or loss

The financial liabilities in this category are measured at fair value with changes reported through profit and loss. The category includes two groups of financial liabilities – financial assets held for trading and financial liabilities designated to be measured at fair value through profit and loss.

Financial liabilities held for trading are the ones originated with the purpose of their short-term purchase, or are part of the portfolio of jointly managed instruments, for which there is evident trading in the recent period with a short-term profit generation. Liabilities held for trading include also derivatives with a negative fair value which do not meet the conditions of hedging instruments as defined pursuant to IFRS 9. The Company does not hold financial liabilities other than derivatives for trading. Derivatives are presented in the Statement of Financial Position under “Financial derivatives”. In case derivatives do not have a negative fair value at the book-closing date, the item is not presented.

Reporting entities may determine the financial liabilities which meet the set conditions for fair value measurement through profit and loss at their own will. The Company does not make use of this choice.

3 SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (cont.)

Financial liabilities measured at amortised costs
After their initial recognition, the Company measures the remaining liabilities at their amortised costs via the effective interest rate method. The amortised cost is calculated while taking into consideration the discount and bonus at initial recognition and transaction costs. Interest costs are recognised via the effective interest rate method and, besides the contractual interest, they take into consideration also amortisation of the above-mentioned discounts, bonuses, and transaction costs. The interest costs are presented in the Statement of Comprehensive Income under the item of "Financial costs", except for when capitalised as part of the acquisition price of qualified assets pursuant to IAS 23. The Company´s liabilities measured at amortised costs may be divided into a group of loans and financial aid and a group of trade liabilities and other liabilities.

Loans and financial aid
Loans and financial aid are initially recognised in the fair value of the received consideration after deducting the costs on obtained loan. After initial recognition they are reported in an amortised value by the effective interest rate method. They are presented in the Statement of Financial Position under the items of "Financial aids" and "Interest-bearing loans and borrowings".

Trade liabilities and other liabilities
Trade liabilities and other liabilities are reported and measured at the originally invoiced price, if the impact of their discounting on the present value is insignificant. An invoiced interest on overdue payment is reported under trade liabilities. They are presented in the Statement of Financial Position under item of "Trade liabilities and other liabilities".

i) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net value is reported in the balance sheet in case the Company has a legally enforceable right to compensate them and intends to offset them, or realise the asset and offset the liability at the same time.

j) Fair value of financial instruments

In case of investments actively tradable on organised financial markets the fair value as at balance-sheet date is determined on the basis of quoted market prices or dealer's offered price, without deducting any transaction costs.

In case of investments where quoted market price is not available, the fair value is determined by suitable measurement techniques. Such techniques include use of a recent independent market transaction, price determination on the basis of the present market value of another instrument which is the same in its nature, or the price is calculated on the basis of expected cash flows of net underlying assets of the investment or other measurement models.

k) Financial derivatives

The Company owns financial derivatives as a hedge against interest risks. Financial derivatives are initially measured at their fair value as at the day of contract conclusion and are subsequently re-measured into fair value. Derivatives are reported as assets if their fair value is positive and as liabilities if negative. Profit or loss from changes in the fair value of derivatives is reported directly into profit/loss for the accounting period as financial income or costs.

3 SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (cont.)

Deposited derivatives are separated from the fundamental contract and are treated as separate derivatives if the following conditions are met:
- their economic characteristics and risks are not closely related to the economic characteristics of the fundamental contract,
- a separate instrument under the same conditions as the deposited derivative would meet the definition of a derivative, and
- a hybrid (combined) instrument is not measured at fair value, while the changes in fair value are reported as net profit in the ordinary period.

Hedging
The Company´s portfolio does not include any hedging derivatives in compliance with the definition of IFRS 9, thus, the Company does not keep hedge accounts.

Classification of derivative instruments into short and long-term
Financial derivatives are classified as short-term and long-term or divided into a short-term and long-term part pursuant to assessment of the facts and circumstances (i.e. underlying contractual cash flow).
- In case the Company owns a derivative as economic hedge (and does not apply hedge accounting) for longer than 12 months after the balance-sheet date, derivatives are classified as long-term (or divided into a short-term and long-term part), identically to the classification of the underlying item.
- Embedded derivatives which are not closely associated with the host contract are classified identically with cash flows of the host contract.
- Financial derivatives that are primarily held for trading are classified as short-term.

l) Financial means and financial equivalents
Financial means and financial equivalents consist of cash deposited in bank and in cash registers, and short-term deposits with maturity of three months or less, with only a slight risk of any change in value.

For the purposes of an overview of cash flows, the report includes the financial means and financial equivalents as defined above, after deduction of unpaid bank overdrafts.

m) Employee benefits
The Company returns a proportion of paid gross wages to the state as contributions to health and social insurance and contributions into the unemployment fund, as stipulated by statutory rates effective during the year. Costs on such contributions are included into the Profit and Loss Statement of the same period as the associated wage costs. The Company is not obliged to return contributions above the framework of statutory rates.

The Company uses also uncovered long-term schemes with fixed benefits, which include benefits in the form of single contributions in case of employment termination, a life anniversary or invalidity. Costs on provision of these employee benefits are assessed separately for each scheme via the projected unit credit method, where costs incurred on employee benefits are reported in the Profit and Loss Statement or in the equity so as to distribute them during the period of employment in the Company. The liability from employee benefits is determined as present value of forecasted future cash decreases.

3 SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (cont.)

The actuarial profit and loss resulting from empiric adjustments and changes in actuarial forecasts is reported as revenues and costs at the time of their occurrence. Changes and adjustments of these long-term schemes with determined benefits are reported during the average remaining period of service of the respective employees in the Profit and Loss Statement, except for cases of employee benefits after employment termination. In such case, any change and adjustment of long-term schemes of employee benefits is reported within other comprehensive profit and loss and directly in the equity.

Reserve for severance pay
Pursuant to the Slovak legislation and based on the conditions of the Collective Agreement concluded between the Company and its employees, the Company employees are entitled to severance pay immediately after termination of their employment due to organisational changes. The amount of this liability is included into the reserves on liabilities and fees, if the plan of employee number reduction is defined and announced and if conditions for its implementation are met.

n) Reserves
Reserves are reported when the Company has an actual statutory or non-contractual obligation as a consequence of a past event, settlement of which is expected to result in a probable (rather yes than no) decrease of company resources representing economic benefits, when the amount of such obligation may be reliably estimated. Reserves are re-measured as at each balance-sheet date and their amount is adjusted so as to reflect the current best estimate.

The reserve amount represents the present value of expenses which take into account the existing risks and which will probably be used to settle the liability in question. These expenses are determined via estimated risk-free interest rate as a discount rate. Where discounting is used, the carrying amount of the reserve is increased in each period in order to take into consideration reduction of discount from time perspective. This increase is reported as interest costs.

Reserve on lawsuits
Financial statements include reserves on lawsuits and potential lawsuits which were calculated through available information and assumptions of achievable outcomes of individual lawsuits, and it is probable that the outcome of such lawsuits will present a reliably measurable cost for the Company.

Reserve for costs on the environment protection
The reserve on the environment protection is created when occurrence of costs on reconstruction of the environment is probable and these costs may be reliably estimated. In general, creation of such reserves is time-wise corresponding to adoption of a formal plan or a similar obligation to sell investments or discard unused property. The amount of reported reserve is the best estimate of the necessary expenses.

o) Reporting of revenues
Revenues are reported in case it is probable that they will bring economic benefits to the Company, and when the amount of revenues may be reliably determined. Revenues are reported in the fair value of received consideration, without discounts, rebates and value added tax.

3 SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (cont.)

Revenues from transport and related services, as well as from other services are reported in the accounting period when the services were delivered, adjusted by discounts and deductions.

p) Lease

When determining whether a contract represents a lease or contains a lease, the substance of the contract is important, and it is necessary to assess whether fulfilment of the contract depends on use of a particular property and whether the contract transfers a right to use a property.

Lessee

The subject of financial lease, where in essence all risks and benefits resulting from ownership of the leased item are transferred to the Company, is capitalised at the beginning of the lease in the fair value of the leased property or in the present value of minimal leasing instalments, if lower. Leasing instalments are divided between financial cost and deduction of unpaid liability so that a constant interest rate is established for the remaining value of the liability.

Financial cost is reported directly in the Profit and Loss Statement.
A capitalised leased asset is depreciated for the lower of the estimated lifespan or the lease period.

Leasing instalments from operating lease are reported as costs in the Profit and Loss Statement, evenly during the lease period.

Lessor

Lease where the Company does not transfer all risks and benefits resulting from ownership of the lease item is classified as operating lease. Leasing instalments from operating lease are reported as revenues evenly during the lease period.

q) Costs on received loans and borrowings

Capitalisation of costs on received loans and borrowings starts during preparation of qualified assets for their intended use, and expenses and costs are incurred in relation to received borrowings and loans. Costs on received borrowings and loans are capitalised until the asset is prepared for its intended use. Costs on received borrowings and loans consist of cost interests and other costs associated with foreign resources, including exchange rate differences from loans and borrowings in a foreign currency used to finance these projects in the scope, in which they are considered as adjustments of interest costs.

r) Subsidies

Subsidies are reported in their fair value if there is adequate assurance on reception of a subsidy and fulfilment of all conditions related to receiving of such subsidy. The Company reports the following subsidies:

- compensation of costs on services in the public interest based on the Contract for Passenger Rail Transport Services concluded with the Slovak Republic represented by the Ministry of Transport and Construction. The Company reports them in the current accounting period, in which the costs related to these services in public interest are reported. In case of compensation of costs on services in the public interest incurred in the previous periods, it is reported as revenues of the period, in which MTC decided to cover them.

3 SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (cont.)

- subsidies related to acquisition of long-term assets (mainly rolling stock). The Company reports State subsidies granted by the Slovak Republic separately from subsidies granted from EU funds, which are further divided by individual funds. The Company reports them in the Statement of Financial Position as deferred income and as revenues evenly during the lifespan of the acquired long-term asset.

s) Payable and deferred tax

Income tax consists of payable tax and deferred tax. Tax is reported in the comprehensive income, except for cases when it relates to items reported within other comprehensive income and loss or directly in equity. If it relates to these items, the tax is also reported within other comprehensive income and loss or directly in equity.

Payable tax

Tax receivables and liabilities for current and previous accounting periods are measured in the value, in which they are expected to be settled with the tax administrator. Payable tax is calculated pursuant to tax rates enacted as on the balance-sheet date.

Deferred tax

Deferred income tax is reported pursuant to a liability method with temporary differences discovered as on the balance-sheet date between the tax base of assets and liabilities and their carrying amount for the purposes of financial reporting.

Deferred tax liability is reported for all taxable temporary differences.

Deferred tax liabilities are recognised in case of all deductible temporary differences, the carry-forward of unused tax loans and unused tax losses to the extent that it is probable that future taxable profit will enable to redeem these deductible temporary differences and unused tax loans and unused tax losses that were carried forward.

Review of the carrying amount of deferred tax receivables is carried out as on each balance-sheet date and the value is reduced to such extent that it is no longer probable that the taxable profit will be enough to redeem the whole deferred tax receivable or its part. Unreported deferred tax receivables are again re-measured as on each balance-sheet date and reported in the extent that it is probable that the future taxable profit will enable retroactive return of the deferred tax receivable.

Deferred tax receivables and liabilities are measured by tax rates where there is an assumption that they will be applied in the period when the assets is realised or the liability is paid based on the tax rates (and tax acts) adopted as on the balance-sheet date.

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4 LONG-TERM TANGIBLE ASSETS

in thousand EUR	Acquisition price					Cumulated adjustments					Residual value as on 31 December 2018
	As on 1 January 2018	Additions	Disposals	Transfers	As on 31 December 2018	As on 1 January 2018	Additions to adjustments	Disposals	Transfers	As on 31 December 2018	
Lands and buildings	54,548	5,081	15	5,948	65,562	13,224	2,273	45	1,479	16,931	48,631
Of which: impairment loss	0				0	42	0	42	0	0	
Transport vehicles	1,324,401	58,191	24,109	2,995	1,361,478	534,272	79,795	23,053	-2,388	588,626	772,852
Of which: impairment loss	0				0	750	0	750		0	
Plants, equipment and other assets	45,338	1,436	4,965	839	42,648	27,046	3,855	4,927	-48	25,926	16,722
Of which: impairment loss	0				0	1,606	0	0	-79	1,527	
Unfinished investments	20,365	10,527	32	-4,052	26,808	0				0	26,808
Provided pre-payments	10,339	24,376	0	-2,639	32,076	0				0	32,076
Total long-term tangible assets	**1,454,991**	**99,611**	**29,121**	**3,091**	**1,528,572**	**574,542**	**85,923**	**28,025**	**-957**	**631,483**	**897,089**
IAS 40	1,492			483	1,975	150			101	251	1,724
IFRS 5	10,333		1,855	-3,574	4,904	4,348		2,006	856	3,198	1,706
Of which: impairment loss						149		149		0	

in thousand EUR	Acquisition price					Cumulated adjustments					Residual value as on 31 December 2017
	As on 1 January 2017	Additions	Disposals	Transfers	As on 31 December 2017	As on 1 January 2017	Additions to adjustments	Disposals	Transfers	As on 31 December 2017	
Lands and buildings	52,802	1,337	8	417	54,548	11,156	2,063	1	6	13,224	41,324
Of which: impairment loss	0				0	42	0	0	0	42	
Transport vehicles	1,291,523	34,565	6,800	5,113	1,324,401	465,656	76,611	6,403	-1,592	534,272	790,129
Of which: impairment loss	0				0	0	750			750	
Plants, equipment and other assets	42,385	2,724	277	506	45,338	22,591	4,709	229	-25	27,046	18,292
Of which: impairment loss	0				0	1,486	218	73	-25	1,606	
Unfinished investments	20,126	5,639		-5,400	20,365	0				0	20,365
Provided pre-payments	2,486	10,062	87	-2,122	10,339	0				0	10,339
Total long-term tangible assets	**1,409,322**	**54,327**	**7,172**	**-1,486**	**1,454,991**	**499,403**	**83,383**	**6,633**	**-1,611**	**574,542**	**880,449**
IAS 40	1,492				1,492	150				150	1,342
IFRS 5	10,299		1,452	1,486	10,333	4,163		1,426	1,611	4,348	5,985
Of which: impairment loss						149				149	

4 LONG-TERM TANGIBLE ASSETS (cont.)

The category of lands and buildings includes operation and administrative buildings, customer centres, dressing rooms for train crews, depots, warehouses and track yards, together with underground services in the amount of EUR 48,631 thousand. Rolling stock in the amount of EUR 772,852 thousand represents the most significant item. Other items include IT devices, cranes, air-conditioning and heating equipment, technological equipment of depots, inventories and tools used for repairs and maintenance of rolling stock in the amount of EUR 16,722 thousand.

The most significant item of unfinished investments is represented by costs on the project documentation for light-maintenance centres in the amount of EUR 13,774 thousand, reconstruction of the locomotive depots of EUR 2,694 thousand and reconstruction of the locomotive depot in Vrútky in the amount of EUR 4,774 thousand. In case of procurement of plants and equipment, procurement of hardware for SAP HANA in the amount of EUR 2,409 thousand, new fuelling station in Vrútky and reconstruction of a fuelling station in Lučenec in the amount of EUR 595 thousand are the most significant. Other items include modernisation of motive power units of 361, 757 and 811 series amounting to EUR 1,034 thousand and passenger coaches amounting to EUR 897 thousand.

As on 31 December 2018, pre-payments on the new multiple-unit sets for the cog-railway in the amount of EUR 5,820 thousand, delivery of diesel multiple-unit sets under EFD4 project in the amount of EUR 10,256 thousand and electric units in the amount of EUR 16,000 were made.

As on 31 December 2018, the Company carried out a comprehensive test of asset impairment in line with IAS 36 at the level of the cash-generating unit. The test included examination of the condition and use of assets, which resulted in cancelled asset impairment in the amount of EUR 942 thousand. The total amount of impairment as on 31 December 2018 is EUR 1,527 thousand in significant spare parts. The recoverable amount of the unused assets was determined as selling price reduced by costs related to sale of the given assets, when the usable value was determined as zero or close to zero.

Non-Current Assets Held for Sale

The assets held for sale are no longer depreciated. These assets are measured at their fair value, reduced by costs on sale. This applies to useless assets which the Company cannot use and assets offered for sale to lessees, which were recognised pursuant to IAS 40 till now. The rolling stock is primarily classified for sale, and is disposed-of only after failed attempts to be sold. The Company management reconsidered the intent for sale and the selected assets were transferred into use or disposed of. The asset division is presented in the following table:

Class	Title	As on 31 December 2018	As on 31 December 2017
10	Buildings	992	3,097
20	Constructions	185	838
30 and 40	Machines and equipment	10	28
60	Transport vehicles	0	0
70	Inventory	2	2
90	Real estate/lands	517	2,020
Total		**1,706**	**5,985**

Due to fair value measurement, testing of asset impairment was carried out and impairment of previous periods was cancelled.

4 LONG-TERM TANGIBLE ASSETS (cont.)

The following costs and revenues are related to the assets held for sale:

(in thousand EUR)	Amount
Water consumption and waste water	1
Other services	9
Taxes (on lands and constructions)	16
Other charges	1
Total costs	27
Lease	32
Total revenues	32
Profit from assets held for sale	**5**

Investments into real estates

There were no changes in the fair value of real estates reported pursuant to IAS 40 as on 31 December 2018. Repair workshops in Vrútky were transferred from assets held for sale into IAS 40.

(in thousand EUR) Rented assets	As on 31 December 2018	As on 31 December 2017
Building and premises of the locomotive depot in Bratislava	128	128
Building and premises in Fiľakovo	0	0
Track yard in Trnava	83	83
Track yard in Žilina	17	17
Building at Stromová, Košice	83	83
Land in Štrba	6	6
Track yard at the locomotive depot in Humenné	31	31
Kitchen at the locomotive depot in Košice	7	7
Stable washer in Zvolen	26	26
Indoor washer in Bratislava	944	944
Repair workshops in Vrútky	382	0
Total	**1,724**	**1,342**

The following costs and revenues are related to assets reported pursuant to IAS 40:

(in thousand EUR)	Amount
Taxes (on lands and constructions)	15
Other costs	0
Total costs	15
Lease	99
Total revenues	99
Income from property	**84**

The manner and value of long-term assets insurance

The Company insured the significant long-term assets with the insurance company KOOPERATIVA poisťovňa, a.s., Vienna Insurance Group, and Allianz – Slovenská poisťovňa a.s. based on the insurance contracts:
Insurance policy no. 80 8017630, including Supplement no. 1, concerning insurance of fuelling stations and insurance of inventories, has been concluded for the period from 1 January 2014 to 31 December 2018. The total insured value for the insurance period amounts to EUR 4,733 thousand.

Fleet insurance policy no. 7710042660 concerning insurance of trucks and trailers - KASKO (accident insurance of service CMV) has been concluded for the period from 1 January 2017 to 31 December 2019. The total insured value for the insurance period amounts to EUR 80 thousand.
The insurance policy no. 4600003847/VS/2018 concerning insurance of rolling stock has been concluded for the period from 1 November 2018 to 31 October 2021. The insured value for one insurance period (one technical year) amounts to EUR 2,498 thousand.

5 LONG-TERM INTANGIBLE ASSETS

in thousand EUR	Acquisition price					Cumulated adjustments					Residual value as on 31 December 2018
	As on 1 January 2018	Additions	Disposals	Transfers	As on 31 December 2018	As on 1 January 2018	Additions to adjustments	Disposals	Transfers	As on 31 December 2018	
Intangible assets	29,095	151		4,549	33,795	24,273	2,768			27,041	6,754
Unfinished investments	6,088	5,676	18	-4,549	7,197	0				0	7,197
Provided pre-payments	0				0	0				0	0
Total	**35,183**	**5,827**	**18**	**0**	**40,992**	**24,273**	**2,768**			**27,041**	**13,951**

in thousand EUR	Acquisition price					Cumulated adjustments					Residual value as on 31 December 2017
	As on 1 January 2017	Additions	Disposals	Transfers	As on 31 December 2017	As on 1 January 2017	Additions to adjustments	Disposals	Transfers	As on 31 December 2017	
Intangible assets	28,402	325		368	29,095	21,474	2,799			24,273	4,822
Unfinished investments	2,298	4,475	317	-368	6,088	0				0	6,088
Provided pre-payments	0				0	0				0	0
Total	**30,700**	**4,800**	**317**		**35,183**	**21,474**	**2,799**			**24,273**	**10,910**

The most important item in the category of intangible assets were licences for SW iKVC in the amount of EUR 2,137 thousand, Oracle support licences in the amount of EUR 1,712 thousand and MS licences in the amount of EUR 1,383 thousand.

The unfinished investments include the following most significant items: procurement of SAP 4/HANA software in the amount of EUR 4,617 thousand, SW for processing and archiving of invoices in the amount of EUR 784 thousand, and SW for operation of electronic services in the amount of EUR 904 thousand.

6 FINANCIAL ASSETS

The Company holds an ownership interest with insignificant influence in the following companies:

(in thousand EUR)	Number of shares (pieces)	Participation in the equities in %	Financial assets	
			As on 31 December 2018	As on 31 December 2017
Eurofima	1,300	0.50 %	5,408	5,208
BCC	1	0.68 %	1	1
Total	x	x	**5,409**	**5,209**

7 OTHER LONG-TERM ASSETS

(in thousand EUR)	31 December 2018	31 December 2017
Trade receivables	580	619
Other long-term receivables	306	127
Receivables from subsidies granted on investments (EU funds)	207,384	0
Total	**208,270**	**746**

8 INVENTORIES

(in thousand EUR)	Acquisition price	(The lower of) acquisition value, or net recoverable value	Acquisition price	(The lower of) acquisition value, or net recoverable value
	2018	**2018**	**2017**	**2017**
Total material	16,759	16,608	12,349	11,278
Fuel in tank	287	286	301	300
Other inventories	264	225	282	228
Total inventories	**17,310**	**17,119**	**12,932**	**11,806**

No right of lien was established regarding the procured inventories.

9 TRADE RECEIVABLES AND OTHER RECEIVABLES

(in thousand EUR)	31 December 2018	31 December 2017
Short-term trade receivables	13,485	14,316
Tax receivable (excessive VAT deduction, excise tax)	12,116	15,464
Receivables from subsidies granted on investments (EU funds)	0	0
Other receivables	1,928	2,319
	27,529	**32,099**
Allowances to trade receivables and other receivables	- 1,303	- 1,488
	26,226	**30,611**

9 TRADE RECEIVABLES AND OTHER RECEIVABLES (cont.)

Receivables after maturity date amounted to EUR 2,942 thousand as on 31 December 2018 (EUR 2,714 thousand as on 31 December 2017).

Trade receivables are interest-free and in general payable within 14 – 90 days.
Information on receivables from related parties is stated under note 33.

Analysis of receivables pursuant to maturity as on 31 December 2018 is as follows:

Year	Total	Within maturity and without an adjusting entry	After maturity and without an adjusting entry					
			0-90 days	91-120 days	121-150 days	151-180 days	181-360 days	> 361 days
2018	27,529	24,587	1,300	49	8	57	72	1,456
2017	32,099	29,385	995	37	10	121	123	1,428

10 FINANCIAL MEANS AND FINANCIAL EQUIVALENTS

For the purposes of a cash flow overview, the financial means and financial equivalents contain the following items:

(in thousand EUR)	31 December 2018	31 December 2017
Financial means in cash register and financial equivalents	217	214
Financial means in banks	3,299	3,208
Total	**3,516**	**3,422**

Financial means in banks bear interest pursuant to variable interest rates depending on daily deposit rates.

Bank overdrafts form an indivisible part of cash flow management and are reported as short-term interest-bearing loans and borrowings.

Bank overdrafts as on 31 December are as follows:

(in thousand EUR)	31 December 2018	31 December 2017
	Principal balance	Principal balance
Československá obchodná banka, a.s.	143	3,870
Tatra banka, a.s.	199	10,239
UniCredit Bank Czech Republic and Slovakia a.s.	25,660	6,421
Všeobecná úverová banka, a.s.	131	817
Slovenská sporiteľňa, a.s.	0	459
Total	**26,133**	**21,806**

11 SHAREHOLDERS' EQUITY

Share capital

Share capital is formed by a state investment in the Company administered by MTC as a deposit of certain assets and liabilities of the predecessor company, Železničná spoločnosť, containing 64 pieces of registered ordinary shares in the nominal value of one share of EUR 3,319,392. All these shares were issued and paid in full.

Statutory reserve fund

When the Company was founded, a statutory reserve fund in the amount of 10 % of the share capital of the Company was established in the form of a non-monetary investment and pursuant to the Slovak legislation. Pursuant to the Slovak legislation, the statutory reserve fund has to increase at least by 10 % of the annual net profit up to 20 % of the share capital of the Company according to the Company´s Articles of Association, Article 19 (2).

Other funds

Other funds represent the difference between the value of assets and liabilities deposited by the State when the Company was founded and by an additional investment in October 2005, and the share capital and statutory reserve fund. In 2013, retrospectively as on 1 January 2012 and due to application of an amendment to IAS 19, the other funds were adjusted by a liability of the Company from long-term schemes of employee benefits, recognised and reported into the equity. The amount of the Company´s liability from long-term schemes of employee benefits pursuant to IAS 19 as on 31 December 2018 which were reported into the equity is EUR 169 thousand (EUR 515 thousand as on 31 December 2017).

Settlement of loss from the previous accounting period

Settlement of loss in the amount of EUR 4,045 thousand for the accounting period of 2017 was adopted by the General Assembly, which decided on 13 July 2018 to settle the loss by transferring the amount to account 429 – Unpaid loss of previous years.

Detailed figures on shareholders´ equity are provided in the Statement of Changes in the Equity.

12 FINANCIAL AID

EUROFIMA was established by fourteen countries by the "EUROFIMA Treaty" in 1955 to support purchase of standardised rolling stock fleet for member railways. Each contract means a separate purchase of rolling stock. The rolling stock is also pledged as conditional securing which ceases to exist by full settlement of the financial aid. The Slovak Republic indirectly undertook to repay the financial aid to EUROFIMA in compliance with the "EUROFIMA Treaty" ratified by the Slovak Government.

As on 31 December 2018:

(in thousand EUR)	Currency	Amount	Maturity	Hedging
Eurofima VIII.B (Contract no. 2731)	EUR	13,000	29/9/2020	rolling stock
Eurofima IX. A (Contract no. 2753)	EUR	11,106	29/9/2020	rolling stock
Total		24,106		
Short-term part		0		
Long-term part		**24,106**		

12 FINANCIAL AID (cont.)

As on 31 December 2017:

(in thousand EUR)	Currency	Amount	Maturity	Hedging
Eurofima VIII.B (Contract no. 2731)	EUR	13,000	29/9/2020	rolling stock
Eurofima IX. A (Contract no. 2753)	EUR	11,106	29/9/2020	rolling stock
Total		24,106		
Short-term part		0		
Long-term part		**24,106**		

All financial aid bears interest at variable interest rate in the scope from -0.368 % p.a. to 0.161 % (from -0.368% p.a. to 0.182% p.a. in 2017)

13 INTEREST-BEARING LOANS AND BORROWINGS

As on 31 December 2018:

	Currency	Amount in foreign currency	Principal balance in thousand EUR	Maturity	Hedging
Long-term loans					
Tatra banka, a.s.	EUR		0	31/12/2018	No hedging
Tatra banka, a.s.	EUR		31,480	31/12/2023	No hedging
ČSOB, a.s.	EUR		0	31/12/2018	No hedging
ČSOB, a.s.	EUR		30,000	23/12/2024	No hedging
ČSOB, a.s.	EUR		30,000	18/3/2025	No hedging
Komerční banka, a.s.	EUR		8,000	13/07/2022	No hedging
SLSP, a.s.	EUR		45,244	17/12/2021	No hedging
SLSP, a.s.	EUR		32,600	19/9/2024	No hedging
SLSP, a.s.	EUR		13,743	30/6/2022	No hedging
VUB, a.s.	EUR		30,000	24/3/2020	No hedging
VUB, a.s.	EUR		33,287	22/12/2024	No hedging
UCB, a.s.	EUR		55,614	31/12/2025	No hedging
Total long-term loans			**309,968**		
Short-term part of loans and borrowings			**23,715**		
Long-term part of loans and borrowings			**286,253**		

	Currency	Amount in foreign currency	Principal balance in thousand EUR	Maturity	Hedging
Short-term loans					
Všeobecná úverová banka, a.s.	EUR		20,000	without final maturity date: (3-month notice period)	No hedging
Total short-term loans			20,000		
Short-term part of loans and borrowings (see above)			23,715		
Bank overdrafts (note 10)			26,133		
Total short-term loans and borrowings			**69,848**		

13 INTEREST-BEARING LOANS AND BORROWINGS (cont.)

Some loan contracts include also an obligation of the Company to fulfil certain financial and non-financial indicators. These indicators are derived from the management accounts prepared by the Company.

The fair value of interest-bearing loans and borrowings is EUR 356,101 thousand (EUR 325,731 thousand as on 31 December 2017).

All interest-bearing loans and borrowings bear interest at variable or fixed interest rates in the scope from 0.170 % p.a. to 1.850 % p.a. (from 0.300 % p.a. to 1.850 % p.a. in 2017).

As on 31 December 2017:

	Currency	Amount in foreign currency	Principal balance in thousand EUR	Maturity	Hedging
Long-term loans					
Tatra banka, a.s.	EUR		37,776	31/12/2023	No hedging
ČSOB, a.s.	EUR		5,592	31/12/2018	No hedging
ČSOB, a.s.	EUR		30,000	23/12/2024	No hedging
ČSOB, a.s.	EUR		30,000	18/3/2025	No hedging
Komerční banka, a.s.	EUR		8,000	13/07/2022	No hedging
SLSP, a.s.	EUR		45,244	17/12/2021	No hedging
SLSP, a.s.	EUR		32,600	19/9/2024	No hedging
SLSP, a.s.	EUR		18,651	30/6/2022	No hedging
VUB, a.s.	EUR		30,000	24/3/2020	No hedging
VUB, a.s.	EUR		38,835	22/12/2024	No hedging
Total long-term loans			**278,925**		
Short-term part of loans and borrowings			**24,571**		
Long-term part of loans and borrowings			**254,354**		

	Currency	Amount in foreign currency	Principal balance in thousand EUR	Maturity	Hedging
Long-term loans					
Všeobecná úverová banka, a.s.	EUR		25,000	30/11/2018	No hedging
Total short-term loans			25,000		
Short-term part of loans and borrowings (see above)			24,571		
Bank overdrafts (note 10)			21,806		
Total short-term loans and borrowings			**71,377**		

14 EMPLOYEE BENEFITS

(in thousand EUR)	Bonuses at retirement	Contributions at life anniversaries	Compensatory contribution in case of invalidity	Total
As on 1 January 2018	9,189	2,201	487	11,877
Costs on present services	302	84	0	386
Interest costs	177	42	9	228
Actuarial profit and loss	157	38	27	222
Paid benefits	-373	-221	-91	-685
Costs on past services	-318	0	63	-255
As on 31 December 2018	**9,134**	**2,144**	**495**	**11,773**
Short-term as on 31 December 2018	844	239	88	1,171
Long-term as on 31 December 2018	8,290	1,905	407	10,602
As on 31 December 2018	**9,134**	**2,144**	**495**	**11,773**

(in thousand EUR)	Bonuses at retirement	Contributions at life anniversaries	Compensatory contribution in case of invalidity	Total
As on 1 January 2017	9,464	2,321	463	12,248
Costs on present services	316	89	0	405
Interest costs	142	35	7	184
Actuarial profit and loss	-268	-36	77	-227
Paid benefits	-387	-208	-77	-672
Costs on past services	-78	0	17	-61
As on 31 December 2017	**9,189**	**2,201**	**487**	**11,877**
Short-term as on 31 December 2017	720	240	76	1,036
Long-term as on 31 December 2017	8,469	1,961	411	10,841
As on 31 December 2017	**9,189**	**2,201**	**487**	**11,877**

Re-valuation of employee benefits

in thousand EUR	As on 31 December 2018	As on 31 December 2017
Bonuses at retirement	-157	268
Severance payment	181	-928
Total	24	-660
Deferred tax	-5	145
Total	**19**	**-515**

Main actuarial assumption:

	2018	2017
Discount rate (% p.a.)	1.86%	1.93%
Increase of wages (%)	3.5%-4.00%	1.3%-6.00%
Probability of male mortality (%)	0.038% - 2.26%	0.038% - 2.26%
Probability of female mortality (%)	0.0181% -0.8784%	0.0181% - 0.8784%

Long-term reserve for employee benefits

As on 31 December 2018, the Company reports a liability in the amount of EUR 11,773 thousand (of which: short-term liability part amounting to EUR 1,171 thousand and long-term liability part amounting to EUR 10,602 thousand) to cover the estimated liabilities related to remuneration at retirement or disability pension, remuneration at life anniversaries and compensatory bonus due to reduced ability to work of an employee.

In compliance with the effective Collective Agreement for 2017-2019, Železničná spoločnosť Slovensko, a.s. grants the following types of bonuses to its employees upon fulfilment of determined conditions:

The employer grants a bonus in case of the first termination of the employment due to retirement, premature retirement or invalidity retirement if:

- **in case of retirement, premature retirement or invalidity retirement** - the employee worked for the employer for at least 10 years continuously as on the day of employment termination; the employment was not terminated due to violated working discipline; the employee is not entitled to severance pay under the Collective Agreement; in the amount depending on the years worked for the employer, EUR 83 per each worked year,
- **in case of retirement or premature retirement** - the employee worked for the employer for at least 10 years continuously as on the day of employment termination; the employment was not terminated due to violated working discipline; the employee is entitled to severance pay under the Collective Agreement; in the amount depending on the years worked for the employer, EUR 7,50 per each worked year,
- **in case of retirement** - the employee worked for the employer for at least 10 years continuously as on the day of employment termination; the employment was not terminated due to violated working discipline; the employee is entitled to severance pay; in the amount depending on the years worked for the employer, EUR 11 per each worked year.

For the purpose of calculating the bonus amount, the years worked in employment for the employer are added together. The bonus is granted as a single payment.

As acknowledgement and appraisal of many-year work, the employer grants a bonus to the employee if the condition of a continuous employment over 10 years for the employer is met on the life anniversary of 50 years of age. The bonus amount is calculated pursuant to the length of employment as follows:

- in the amount of EUR 165 (for over 10 to 15 years),
- in the amount of EUR 235 (for over 15 to 20 years),
- in the amount of EUR 330 (for over 20 to 25 years),
- in the amount of EUR 500 (for over 25 years).

At life anniversary of 60 years of age of an employee, the employer grants a single bonus in the amount of EUR 500 if the condition of a continuous employment over 25 years is met on the life anniversary date. The bonus is granted as a single payment.

In compliance with Article 76a of the Labour Code, Železničná spoločnosť Slovensko, a.s. grants a severance pay in the amount of the employee´s average monthly wage in case of the employee´s first employment termination due to retirement, premature retirement or invalidity retirement with reduced ability to work of more than 70%. The employer grants severance pay to the employee if he or she requests the retirement pension before termination of employment or within 10 days after employment termination.

As on the day of book closing, Železničná spoločnosť Slovensko, a.s. has no plan to optimise the employee number.

Wage increase

No percentage increase of the average wage against the actual average wage in 2017 has been agreed for 2018 due to preparation of a new remuneration system of ZSSK, including provision of a variable part of the wage through bonuses.

No percentage increase of the average wage against the actual average wage in 2018 has been agreed for 2019 because the contracting parties have not yet completed the collective negotiations.

The parties to the agreement shall discuss wage increase for the following years at the latest from 1 November of the respective calendar year.

14 EMPLOYEE BENEFITS (cont.)

Mortality rate: Mortality table for the Slovak Republic for 2008-2012.

The calculated liabilities include costs on health and social insurance incurred on the basis of the amendments to Acts no. 461/2003 Coll. and no. 580/2004 Coll. effective as of 1 January 2014.

Description of risks

The Company does not hold any assets that would serve to cover the liability. The Company thus avoids the risk from investing the financial means; on the other hand, however, no assets serving to cover the liabilities are valorised.

Sensitivity of the level of "POST EMPLOYMENT BENEFITS" to change in pre-conditions

1. Change of discount by +100bps for all years to come, assuming that other pre-conditions entering the calculation remain unchanged, results in decrease of the liability by 8.66 %.
2. Change of wage increase by +100bps for all years to come, assuming that other pre-conditions entering the calculation remain unchanged, results in increase of the liability by 3.45 %.
3. Fluctuation reduced by 10% for all years to come, assuming that other pre-conditions entering the calculation remain unchanged, results in increase of the liability by 1.54 %.
4. Assumed mortality rate reduced by 10% for all years to come, assuming that other pre-conditions entering the calculation remain unchanged, results in increase of the liability by 1.02 %.

The average maturity of employee benefits during employment is 6.7 years, while the average maturity of employee benefits after employment termination is 9.48 years.

The actuarial profit and loss, changes of financial assumptions are caused by changed discount from 1.93 % to 1.86 % and a change in the expected wage increase in 2019 from 1.3 % to 4 %, in 2020 from 2.7 % to 3.5 % and in the years to follow from 5 % to 3.5 %.

The costs on past services are caused by a changed retirement age (Measure no. 269/2016 Coll.).

15 RESERVES

(in thousand EUR)	Environmental burdens	Lawsuits	Redundancy payment, severance payment	Other reserves	Total
As on 1 January 2018	**370**	**17,053**	**4,572**	**700**	**22,695**
Additions	0	700	59	0	759
Interest costs	0	0	88	0	88
Recognised part of the subsidy	0	0	0	-700	-700
Actuarial profit and loss	0	0	-181	0	-181
Use	-6	-29	-176	0	-211
As on 31 December 2018	**364**	**17,724**	**4,362**	**0**	**22,450**
Short-term as on 31 December 2018	100	17,486	310	0	17,896
Long-term as on 31 December 2018	264	238	4,052	0	4,554
As on 31 December 2018	**364**	**17,724**	**4,362**	**0**	**22,450**

15 RESERVES (cont.)

(in thousand EUR)	Environmental burdens	Lawsuits	Redundancy payment, severance payment	Other reserves	Total
As on 1 January 2017	**405**	**17,112**	**3,647**	**702**	**21,866**
Additions	0	91	112	46	249
Interest costs	0	0	55	0	55
Recognised part of the subsidy	0	-98	0	0	-98
Actuarial profit and loss	0	0	928	0	928
Use	-35	-52	-170	-48	-305
As on 31 December 2017	**370**	**17,053**	**4,572**	**700**	**22,695**
Short-term as on 31 December 2017	261	16,815	256	700	18,032
Long-term as on 31 December 2017	109	238	4,316	0	4,663
As on 31 December 2017	**370**	**17,053**	**4,572**	**700**	**22,695**

Lawsuits

Reserves on lawsuits concern several legal claims. The most significant reserve as on 31 December 2018 in the amount of EUR 16.7 million concerned the unsure result of a passive commercial lawsuit against the complainant, LANCILLON LIMITED, in the matter of compensation for lost profit due to failed rolling stock reconstruction. The Company continues to report the difference in the total amount of the claimed compensation as a contingent liability.

Environmental burdens

The Company holds long-term tangible assets, for which reserves on environmental burdens were created in the past reporting periods in compliance with IAS 37. As on 31 December 2018, the reserve amount was assessed as EUR 364 thousand based on the remaining obligations of ecological nature resulting for the Company from the effective Slovak legislation.

16 CONTINGENT ASSETS AND LIABILITIES

a) Contingent assets

The District Court of Martin holds legal proceedings of the complainant ZSSK against the defendant ŽOS Vrútky a.s. The subject of the lawsuit concerns the claim of ZSSK for payment of a contractual fine in the amount of EUR 2,364 thousand with interest as a consequence of a breach of the Purchase Contract no. 18/VS-N/2008 on delivery of multiple-unit sets. Multiple-unit sets were not delivered pursuant to the time schedule, where the defendant ŽOS Vrútky a.s. was delayed with contractual performance against the agreed deadlines in case of each multiple-unit set. ZSSK thus claims the contractual fine against ŽOS Vrútky a.s. Court decision was made during the hearing on 25 January 2019, awarding ZSSK with the amount of EUR 2,359 thousand with interests. The decision is not final so far.

b) Contingent liabilities

A lawsuit was filed with the Regional Court of Bratislava against the Company concerning damages in the amount of EUR 51,752 thousand with interests. The complainant, STATELY INVESTMENTS LLC (before LANCILLON Limited, and yet before Martinská mechatronická a.s.) justifies its claim by a breach of obligations resulting from the "Contract on construction of a prototype of a 755-series locomotive" of 6 November 1995 as amended by Supplements no. 1 and 2, the "Contract for work concerning tests of the prototype of a 755-series locomotive" of November 1997, and the "Contract for work no. 1/98-755 on construction of two prototypes of a 755-series locomotive in a testing series" of August 1998. The complainant based the right to damages on the alleged frustrated prototype tests and a consequent failure to fulfil an alleged obligation to purchase 98 pieces of serially produced locomotives of 755 series from the complainant.

16 CONTINGENT ASSETS AND LIABILITIES (cont.)

Based on a legal analysis, the Company management assumes that the complaint is unjustified because the supplier (complainant) did not meet the contractual obligations resulting from individual contracts. The District Court of Bratislava III dismissed the action in its full scope by its decision of 16 April 2018. The decision is not final so far.

17 FINANCIAL DERIVATIVES – LONG-TERM LIABILITIES

As on the day of book closing, the financial derivatives were measured by an external company pursuant to the principle of determining the present value of all financial flows from the given instrument. Discount factors are calculated from the actual market data obtained from the Bloomberg information system. Expected cash flows were determined either by using calculation of forward interest rates or by stochastic simulation of market variables.

Creditor	Derivative	Measurement as on 31 December 2018		Measurement results	
		receivable	liability	receivable	liability
NOMURA	Eurofima IRIS	0	9,403	0	9,403
Total		**0**	**9,403**	**0**	**9,403**

The measurement result as on 31 December 2018 in the amount of EUR 9,403 thousand represents the long-term part of the financial derivatives.

Creditor	Derivative	Measurement as on 31 December 2017		Measurement results	
		receivable	liability	receivable	liability
NOMURA	Eurofima IRIS	0	14,090	0	14,090
Total		**0**	**14,090**	**0**	**14,090**

The measurement result as on 31 December 2017 in the amount of EUR 14,090 thousand represents the long-term part of the financial derivatives.

18 OTHER LONG-TERM LIABILITIES

(in thousand EUR)	31 December 2018	31 December 2017
Deferred income in relation to investments from EU Structural Funds	47,202	51,962
Deferred income in relation to investments from the State Budget	6,222	9,286
Deferred income in relation to investments from the EU Cohesion Fund	212,301	211,476
Deferred income in relation to investments in combination of the State Budget and EU Structural Funds	47,202	51,962
Deferred income in relation to investments in combination of the State Budget and EU Cohesion Fund	37,461	37,320
Deferred income in relation to investments from the EU grant	2,300	2,300
Deferred income in relation to investments – stipulated by the Contract on NRFC	207,384	0
Liabilities towards the social fund	150	96
Other liabilities	671	616
Total	**560,893**	**365,018**

18 OTHER LONG-TERM LIABILITIES (cont.)

Changes in the social fund are presented in the following table:

(in thousand EUR)	2018	2017
As on 1 January	**96**	**82**
Creation	744	690
Drawing	690	676
As on 31 December	**150**	**96**

19 TRADE LIABILITIES AND OTHER LIABILITIES

(in thousand EUR)	31 December 2018	31 December 2017
Trade liabilities and other liabilities	52,218	44,056
Short-term part of deferred income in relation to investments	29,719	30,090
Tax liabilities	838	770
Total	**82,775**	**74,916**

Short-term trade liabilities after maturity (account 321) amounted to EUR 133 thousand as on 31 December 2018 (EUR 58 thousand as on 31 December 2017).

The increase of trade liabilities and other liabilities by EUR 8 million was caused in particular due to the fact that purchase of long-term tangible assets was reported in the last quarter of 2018 where the partners made use of the possibility in compliance with the effective contracts to their transfer and maturity of such transferred liabilities occurred only in 2019.

More detailed information on liabilities towards related parties is stated under note 33.

20 INCOME TAX

Income tax consists of payable tax and deferred tax. In 2018 the Company´s tax base amounted to – a loss of EUR 25,181 thousand. In 2017, after an additional income tax return, the adjusted tax base amounted to a loss of EUR -18,172 thousand.

The economic result before taxation is a profit of EUR 35,873 thousand adjusted by recognised deferred and payable tax.

When calculating the deferred income tax, the amendment to Income Tax Act effective as of 1 January 2019 was taken into consideration.

(in thousand EUR)	2018	2017
Tax due (deductible and licence tax)	0	3
Deferred tax	- 1,503	- 1,553
Total	**- 1,503**	**- 1,550**

20 INCOME TAX (cont.)

(in thousand EUR)	31 December 2018	31 December 2017
Economic result before taxation pursuant to IAS/IFRS	35,873	-5,595
Theoretical tax at statutory tax rate of 21%	7,533	- 1,175
Impact of tax loss that cannot be redeemed in the future	0	0
Constant extra charges and deductible revenues	-9,036	-375
Income tax (payable and deferred tax)	**- 1,503**	**- 1,550**

Deferred tax receivables and liabilities may be divided as follows:

(in thousand EUR)	31 December 2018	31 December 2017
Deferred tax receivables		
Unamortised tax loss	-3,715	-2,826
Employee benefits reported in the comprehensive income	-2,477	-2,343
Employee benefits reported in the equity		-145
Redundancy payment, severance payment	-992	-1,038
Investment subsidies	-12,374	-9,725
Other	-2,203	-1,124
	-21,761	**-17,201**
Deferred tax liabilities		
Long-term tangible assets	27,115	23,912
Employee benefits reported in the equity	5	
	27,120	**23,912**
Net deferred tax liabilities	**5,359**	**6,711**

The Company is entitled to redeem the loss according to the amendment to Income Tax Act as of 1 January 2014 evenly during four consecutive tax periods, starting on the tax period following immediately after the tax period, in which the tax loss was reported. Tax loss of 2015 in the amount of EUR 11,609,062.25, starting in 2016 and at the latest in 2019, and tax loss of 2016 in the amount of EUR 11,403,138.33, starting in 2017 and at latest in 2020, tax loss of 2017 in the amount of EUR 18,171,982.29, starting in 2018 and at the latest in 2021.

The redemption of losses is assumed as follows:

(in thousand EUR)	31 December 2018	31 December 2017
2018	0	4,859
2019	10,296	5,753
2020	7,394	2,850
2021	4,543	0
Total tax loss carried forward	**22,233**	**13,462**

21 TRANSPORT OF PASSENGERS AND RELATED REVENUE

(in thousand EUR)	31 December 2018	31 December 2017
Passenger transport		
Passenger transport - national	63,316	60,148
Passenger transport - international	19,408	19,022
	82,724	**79,170**
Other transport-related revenues:		
Performance of passenger coaches	9,810	9,831
Traction performance abroad	7,389	8,244
Other revenues	4,422	5,201
	21,621	**23,276**
Total	**104,345**	**102,446**

When applying tariffs in national services, the Company follows the effective decrees of the Transport Authority on fare regulation in railway transport which stipulate the scope and maximum amount of selected types of fare.

If the tariffs are not regulated by a decree of the Transport Authority or any other effective regulation or a decision of the contracting authority, the Company can transport passengers also for a lower fare. In such case the Company is responsible for preparation of the amount and structure of tariffs and informs MTC about provided discounts, together with justification and expected income as these tariffs are subject to approval of the contracting authority. The Company has to discuss any discounted price with the contracting authority, usually 2 weeks before such price reduction is effective. The contracting authority can oblige the transport operator to change or maintain the amount and structure of tariffs. Reduced prices may not violate the rules of competition.

Pursuant to the Government Resolution no. 530/2014 and Government Resolution no. 590/2014, the Company offers free-of-charge transport within its national services in the 2nd class for children until their completed 15th year of age, pupils and full-time students until their completed 26th year of age, as well as free-of-charge transport of person older than 62 years of age and all pensioners pursuant to Act no. 461/2003 Coll. on social insurance as amended, as well as for people entitled to a similar right to pension payment acknowledged by a public institution of an EU Member State, and free-of-charge transport of beneficiaries of widow´s pensions for years of service, widower´s pensions for years of service, orphan´s pensions for years of service, and disability pensions pursuant to Act no. 328/2002 Coll. on social insurance of policemen and soldiers, changing and modifying certain act, as amended.

22 COMPENSATION FOR SERVICES IN THE PUBLIC INTEREST

The Company has concluded a Contract on Passenger Rail Transport Services with the Slovak Republic represented by MTC which is the basis for operation of passenger transport by rail. In 2018 compensation in the form of prepayments amounting to EUR 224,559 thousand was granted for its operation.

Based on the Protocol assessing the fulfilment of the Contract on Passenger Rail Transport Services in 2017 of 7 August 2018, the Ministry of Transport and Construction recognised a receivable of ZSSK from loss compensation of 2017, payable on 31 December 2019, which is reported in the revenues of 2018 in the amount of EUR 38,129 thousand.

The liability of MTC towards the Company incurred in relation to fulfilment of the Contract on Passenger Rail Transport Services totals EUR 38,116 thousand for 2017, having considered sanctions of MTC for 2017 in the amount of EUR 13 thousand.

Based on mutual agreement about the relationships between the Slovak Ministry of Transport and Construction and ZSSK, in 2018 the Ministry of Transport and Construction approved of an estimate of the unpaid loss for services in public interest for 2018 that is recognised in the revenues of 2018 in the amount of EUR 37,370 thousand. Final recognition of the revenues against the actual figures will be done in the first half of 2019.

(in thousand EUR)	31 December 2018	31 December 2017
Compensation for services in the public interest	224,559	209,559
Revenues from additional compensation for 2017	38,129	34,397
Revenues from the estimate – settlement of 2018	37,370	0
Total	**300,058**	**243,956**

23 INCOME FROM SUBSIDIES

(in thousand EUR)	31 December 2018	31 December 2017
Income from investment subsidies:		
- from the State Budget	3,427	3,483
- from the State Budget in combination with EU funds	4,762	4,739
- from Structural Funds	4,762	4,739
- from the State Budget in combination with the EU Cohesion Fund	2,606	2,600
- from the EU Cohesion Fund	14,751	14,728
- from CEF grant	0	0
Income from non-investment subsidies	**56**	**0**
Total	**30,364**	**30,289**

State Budget subsidies

In 2018 the Company was not granted any capital transfers for investment purposes. Revenues include subsidies of previous periods (EUR 11,618 thousand in 2010 and EUR 33,194 thousand in 2009) which were designated and used to reconstruct diesel coaches 810+010 and multiple-unit sets 813+913, modernisation of Bdt and Bdgteer coaches and motive power units of 362 and 363 series.

23 INCOME FROM SUBSIDIES (cont.)

(in thousand EUR)	Subsidy received in 2009	Subsidy received in 2010	Total
As on 1 January 2018	8,605	4,060	12,665
Recognised part of the subsidy	-2,425	-1,002	-3,427
As on 31 December 2018	**6,180**	**3,058**	**9,238**
Short-term as on 31 December 2018	2,054	962	3,016
Long-term as on 31 December 2018	4,126	2,096	6,222
As on 31 December 2018	**6,180**	**3,058**	**9,238**

(in thousand EUR)	Subsidy received in 2009	Subsidy received in 2010	Total
As on 1 January 2017	11,106	5,042	16,148
Recognised part of the subsidy	-2,501	-982	-3,483
As on 31 December 2017	**8,605**	**4,060**	**12,665**
Short-term as on 31 December 2017	2,396	983	3,379
Long-term as on 31 December 2017	6,209	3,077	9,286
As on 31 December 2017	**8,605**	**4,060**	**12,665**

Subsidy from the State Budget in combination with a subsidy from Structural Funds of the European Union

List of projects

Abbreviation	Project title
EFD1	Procurement of electric double-deck units (EDU), diesel motor units (DMU) and Push-Pull diesel units (PP)
EFD2	Procurement of electric units (ED2), diesel motor units (DMU2)
EFD2A	Procurement of ETCS (European Train Control System) for EDU
EFD2B	Procurement of project preparation for technical and hygienic maintenance of rolling stock
EFD2C	Procurement of the integrated transport information system - IDIS
EFD2D	Procurement of new passenger coaches and modernisation of passenger coaches
EFD2E	Procurement of new passenger coaches and modernisation of motive power units of 750 series up to 757 series
EFD2F	Modernisation of motive power units of 361 series and passenger coaches - refunding
EFD2G	Procurement of interoperable communication equipment to increase safety of regional railway transport
EFD2H	Modernisation of motive power units of 163 series and passenger coaches
EFD2I	Procurement of project preparation for technical and hygienic maintenance of rolling stock – phase II
EFD2J	Modernisation of motive power units of 813+913 series and multiple-unit sets 012 - refunding
GRTAP TSI	Project of implementation of technical interoperability for TAP TSI by ZSSK
EFD4	Procurement of diesel multiple units – DMU3 and EMU
GR ETCS2	Procurement of ETCS (European Train Control System) Linking Danube

23 INCOME FROM SUBSIDIES (cont.)

Project EFD1: Under the Operational Programme Transport focusing on renewal of the rolling stock fleet for suburban and inter-regional railway public passenger transport in Slovakia, the Company started to draw a non-repayable financial contribution in 2009. According to the Contract on provision of a non-repayable financial contribution the amount of eligible costs under the Operational Programme Transport was determined as EUR 186,338 thousand, and the maximum level of financing of the non-repayable financial contribution to EUR 177,021 thousand. The funding of the non-repayable financial contribution is divided evenly; 50 % from the State Budget of the Slovak Republic, and 50 % from the European Regional Development Fund.

In December 2010 the first electric double-deck unit procured under the Operational Programme Transport was put into operation. Parts of the subsidy from the non-repayable financial contributions are gradually recognised as of January 2011.

In October 2015 the Managing Authority (MTC) defined a financial adjustment - a correction of the project in question in the amount of 10%, which represents amount of EUR 7,338 thousand.

(in thousand EUR)	Subsidy from the EU Structural Funds	Subsidy from the State Budget in combination with EU	Total
As on 1 January 2018	56,677	56,677	113,354
Recognised part of the subsidy	-4,762	-4,762	-9,524
As on 31 December 2018	**51,915**	**51,915**	**103,830**
Short-term as on 31 December 2018	4,713	4,713	9,426
Long-term as on 31 December 2018	47,202	47,202	94,404
As on 31 December 2018	**51,915**	**51,915**	**103,830**

(in thousand EUR)	Subsidy from the EU Structural Funds	Subsidy from the State Budget in combination with EU	Total
As on 1 January 2017	61,416	61,416	122,832
Recognised part of the subsidy	-4,739	-4,739	-9,478
As on 31 December 2017	**56,677**	**56,677**	**113,354**
Short-term as on 31 December 2017	4,715	4,715	9,430
Long-term as on 31 December 2017	51,962	51,962	103,924
As on 31 December 2017	**56,677**	**56,677**	**113,354**

Project EFD2: During 2013 the Contract on provision of a non-repayable financial contribution under the Operational Programme Transport was concluded, focusing on procurement of rolling stock for suburban and regional public passenger services by rail within ITS. The maximum amount of eligible costs was contractually determined as EUR 179,113 thousand, while the maximum amount of financing of the non-repayable financial contribution as EUR 169,968 thousand. The funding of the non-repayable financial contribution is divided between the Cohesion Fund in 85% and the State Budget of the Slovak Republic in 15%.

(in thousand EUR)	Subsidy from the Cohesion Fund	Subsidy from the State Budget in combination with the Cohesion Fund	Total
As on 1 January 2018	110,880	19 565	130 445
Recognised part of the subsidy	-7,537	-1 332	-8 869
As on 31 December 2018	**103,343**	**18 233**	**121 576**
Short-term as on 31 December 2018	7,504	1 324	8 828
Long-term as on 31 December 2018	95,839	16 909	112 748
As on 31 December 2018	**103,343**	**18 233**	**121 576**

23 INCOME FROM SUBSIDIES (cont.)

(in thousand EUR)	Subsidy from the Cohesion Fund	Subsidy from the State Budget in combination with the Cohesion Fund	Total
As on 1 January 2017	118,405	20,893	139,298
Recognised part of the subsidy	-7,525	-1,328	-8,853
As on 31 December 2017	**110,880**	**19,565**	**130,445**
Short-term as on 31 December 2017	7,505	1,323	8,828
Long-term as on 31 December 2017	103,375	18,242	121,617
As on 31 December 2017	**110,880**	**19,565**	**130,445**

Project EFD2A: In January 2014 a Contract on provision of a non-repayable financial contribution under Operational Programme Transport was concluded focusing on procuring and installation of the ETCS system for the electric double-deck units (EDU) for suburban and regional passenger railway transport within ITS. The maximum amount of eligible costs was contractually determined as EUR 6,984 thousand, while the maximum amount of financing of the non-repayable financial contribution as EUR 6,601 thousand. The funding of the non-repayable financial contribution is divided between the Cohesion Fund in 85% and the State Budget of the Slovak Republic in 15%. ETCS was installed in the course of 2016.

(in thousand EUR)	Subsidy from the Cohesion Fund	Subsidy from the State Budget in combination with the Cohesion Fund	Total
As on 1 January 2018	5,049	891	5,940
Recognised part of the subsidy	-280	-49	-329
As on 31 December 2018	**4,769**	**842**	**5,611**
Short-term as on 31 December 2018	281	50	331
Long-term as on 31 December 2018	4,488	792	5,280
As on 31 December 2018	**4,769**	**842**	**5,611**

(in thousand EUR)	Subsidy from the Cohesion Fund	Subsidy from the State Budget in combination with the Cohesion Fund	Total
As on 1 January 2017	5,330	941	6,271
Recognised part of the subsidy	-281	-50	-331
As on 31 December 2017	**5,049**	**891**	**5,940**
Short-term as on 31 December 2017	281	50	331
Long-term as on 31 December 2017	4,768	841	5,609
As on 31 December 2017	**5,049**	**891**	**5,940**

23 INCOME FROM SUBSIDIES (cont.)

Project EFD2B: A Contract on provision of a non-repayable financial contribution under the Operational Programme Transport signed in January 2014 focuses on procurement of a project preparation concerning technical and hygienic maintenance of the rolling stock. The maximum amount of eligible costs was contractually determined as EUR 8,024 thousand, while the maximum amount of financing of the non-repayable financial contribution as EUR 7,623 thousand. The funding of the non-repayable financial contribution is divided between the Cohesion Fund in 85% and the State Budget of the Slovak Republic in 15%.

(in thousand EUR)	Subsidy from the Cohesion Fund	Subsidy from the State Budget in combination with the Cohesion Fund	Total
As on 1 January 2017	5,330	941	6,271
Recognised part of the subsidy	-281	-50	-331
As on 31 December 2017	**5,049**	**891**	**5,940**
Short-term as on 31 December 2017	281	50	331
Long-term as on 31 December 2017	4,768	841	5,609
As on 31 December 2017	**5,049**	**891**	**5,940**

(in thousand EUR)	Subsidy from the Cohesion Fund	Subsidy from the State Budget in combination with the Cohesion Fund	Total
As on 1 January 2017	6,289	1,110	7,399
Drawing	0	0	0
As on 31 December 2017	**6,289**	**1,110**	**7,399**
Short-term as on 31 December 2017	0	0	0
Long-term as on 31 December 2017	6,289	1,110	7,399
As on 31 December 2017	**6,289**	**1,110**	**7,399**

Project EFD2C: A Contract on provision of a non-repayable financial contribution under the Operational Programme Transport was concluded, focusing on procurement of the Intelligent Transport Information System (IDIS). The maximum amount of eligible costs was contractually determined as EUR 2,688 thousand, while the maximum amount of financing of the non-repayable financial contribution as EUR 2,554 thousand. The funding of the non-repayable financial contribution is divided between the Cohesion Fund in 85% and the State Budget of the Slovak Republic in 15%. In the course of 2015 IDIS was procured and launched into operation. In October 2016 the project was corrected and reduced by 5 %, which means by EUR 128 thousand.

(in thousand EUR)	Subsidy from the Cohesion Fund	Subsidy from the State Budget in combination with the Cohesion Fund	Total
As on 1 January 2018	1,112	196	1,308
Recognised part of the subsidy	-412	-73	-485
As on 31 December 2018	**700**	**123**	**823**
Short-term as on 31 December 2018	412	73	485
Long-term as on 31 December 2018	288	50	338
As on 31 December 2018	**700**	**123**	**823**

23 INCOME FROM SUBSIDIES (cont.)

(in thousand EUR)	Subsidy from the Cohesion Fund	Subsidy from the State Budget in combination with the Cohesion Fund	Total
As on 1 January 2017	1,524	269	1,793
Recognised part of the subsidy	-412	-73	-485
As on 31 December 2017	**1,112**	**196**	**1,308**
Short-term as on 31 December 201	412	73	485
Long-term as on 31 December 2017	700	123	823
As on 31 December 2017	**1,112**	**196**	**1,308**

Project EFD2D: In May 2014 the Contract on provision of a non-repayable financial contribution under the Operational Programme Transport was concluded, focusing on procurement and renewal of rolling stock for suburban and regional public passenger services by rail within ITS. The maximum amount of eligible costs was contractually determined as EUR 39,233 thousand, while the maximum amount of financing of the non-repayable financial contribution as EUR 37,228 thousand. The funding of the non-repayable financial contribution is divided between the Cohesion Fund in 85% and the State Budget of the Slovak Republic in 15%.

In November 2015 the Managing Authority (MTC) defined a financial adjustment - a correction of the project in question in the amount of 5%, which represents amount of EUR 1,096 thousand

(in thousand EUR)	Subsidy from the Cohesion Fund	Subsidy from the State Budget in combination with the Cohesion Fund	Total
As on 1 January 2018	25,332	4,471	29,803
Recognised part of the subsidy	-1,797	-317	-2,114
As on 31 December 2018	**23,535**	**4,154**	**27,689**
Short-term as on 31 December 2018	1,797	317	2,114
Long-term as on 31 December 2018	21,738	3,837	25,575
As on 31 December 2018	**23,535**	**4,154**	**27,689**

(in thousand EUR)	Subsidy from the Cohesion Fund	Subsidy from the State Budget in combination with the Cohesion Fund	Total
As on 1 January 2017	27,129	4,788	31,917
Recognised part of the subsidy	-1,797	-317	-2,114
As on 31 December 2017	**25,332**	**4,471**	**29,803**
Short-term as on 31 December 2017	1,797	317	2,114
Long-term as on 31 December 2017	23,535	4,154	27,689
As on 31 December 2017	**25,332**	**4,471**	**29,803**

23 INCOME FROM SUBSIDIES (cont.)

Project EFD2E: The Contract on provision of a non-repayable financial contribution under the Operational Programme Transport published in January 2015 focuses on procurement of new air-conditioned passenger coaches and modernisation of motive power units for suburban and regional public railway transport within ITS. The maximum amount of eligible costs was contractually determined as EUR 39,427 thousand, while the maximum amount of financing of the non-repayable financial contribution as EUR 37,192 thousand. The funding of the non-repayable financial contribution is divided between the Cohesion Fund in 85% and the State Budget of the Slovak Republic in 15%.

(in thousand EUR)	Subsidy from the Cohesion Fund	Subsidy from the State Budget in combination with the Cohesion Fund	Total
As on 1 January 2018	28,236	4,982	33,218
Recognised part of the subsidy	-1,483	-262	-1,745
As on 31 December 2018	**26,753**	**4,720**	**31,473**
Short-term as on 31 December 2018	1,471	260	1,731
Long-term as on 31 December 2018	25,282	4,460	29,742
As on 31 December 2018	**26,753**	**4,720**	**31,473**

(in thousand EUR)	Subsidy from the Cohesion Fund	Subsidy from the State Budget in combination with the Cohesion Fund	Total
As on 1 January 2017	29,708	5,242	34,950
Recognised part of the subsidy	-1,472	-260	-1,732
As on 31 December 2017	**28,236**	**4,982**	**33,218**
Short-term as on 31 December 2017	1,472	260	1,732
Long-term as on 31 December 2017	26,764	4,722	31,486
As on 31 December 2017	**28,236**	**4,982**	**33,218**

Project EFD2F: The Contract on provision of a non-repayable financial contribution under the Operational Programme Transport published in August 2015 focuses on refunding of costs related to modernisation of passenger coaches and motive power units for suburban and regional public railway transport within ITS. The maximum amount of eligible costs was contractually determined as EUR 34,939 thousand, while the maximum amount of financing of the non-repayable financial contribution as EUR 33,189 thousand. The funding of the non-repayable financial contribution is divided between the Cohesion Fund in 85% and the State Budget of the Slovak Republic in 15%.

(in thousand EUR)	Subsidy from the Cohesion Fund	Subsidy from the State Budget in combination with the Cohesion Fund	Total
As on 1 January 2018	20,147	3,556	23,703
Recognised part of the subsidy	-1,507	-266	-1,773
As on 31 December 2018	**18,640**	**3,290**	**21,930**
Short-term as on 31 December 2018	1,507	266	1,773
Long-term as on 31 December 2018	17,133	3,024	20,157
As on 31 December 2018	**18,640**	**3,290**	**21,930**

(in thousand EUR)	Subsidy from the Cohesion Fund	Subsidy from the State Budget in combination with the Cohesion Fund	Total
As on 1 January 2017	21,673	3,825	25,498
Recognised part of the subsidy	-1,526	-269	-1,795
As on 31 December 2017	**20,147**	**3,556**	**23,703**
Short-term as on 31 December 2017	1,507	266	1,773
Long-term as on 31 December 2017	18,640	3,290	21,930
As on 31 December 2017	**20,147**	**3,556**	**23,703**

23 INCOME FROM SUBSIDIES (cont.)

Project EFD2G: In May 2014 the Contract on provision of a non-repayable financial contribution under the Operational Programme Transport was concluded, focusing on Increasing safety of regional railway transport through interoperable communication devices. The maximum amount of eligible costs was contractually determined as EUR 1,921 thousand, while the maximum amount of financing of the non-repayable financial contribution as EUR 1,825 thousand. The funding of the non-repayable financial contribution is divided between the Cohesion Fund in 85% and the State Budget of the Slovak Republic in 15%.

(in thousand EUR)	Subsidy from the Cohesion Fund	Subsidy from the State Budget in combination with the Cohesion Fund	Total
As on 1 January 2018	969	172	1,141
Recognised part of the subsidy	-259	-46	-305
As on 31 December 2018	**710**	**126**	**836**
Short-term as on 31 December 2018	258	46	304
Long-term as on 31 December 2018	452	80	532
As on 31 December 2018	**710**	**126**	**836**

(in thousand EUR)	Subsidy from the Cohesion Fund	Subsidy from the State Budget in combination with the Cohesion Fund	Total
As on 1 January 2017	1,228	218	1,446
Recognised part of the subsidy	-259	-46	-305
As on 31 December 2017	**969**	**172**	**1,141**
Short-term as on 31 December 2017	259	46	305
Long-term as on 31 December 2017	710	126	836
As on 31 December 2017	**969**	**172**	**1,141**

Project EFD2H: The Contract on provision of a non-repayable financial contribution under the Operational Programme Transport published in June 2015 focuses on modernisation of passenger coaches and motive power units for suburban and regional public railway transport within ITS. The maximum amount of eligible costs was contractually determined as EUR 19,287 thousand, while the maximum amount of financing of the non-repayable financial contribution as EUR 18,302 thousand. The funding of the non-repayable financial contribution is divided between the Cohesion Fund in 85% and the State Budget of the Slovak Republic in 15%.

(in thousand EUR)	Subsidy from the Cohesion Fund	Subsidy from the State Budget in combination with the Cohesion Fund	Total
As on 1 January 2018	13,530	2,388	15,918
Recognised part of the subsidy	-979	-173	-1,152
As on 31 December 2018	**12,551**	**2,215**	**14,766**
Short-term as on 31 December 2018	957	169	1,126
Long-term as on 31 December 2018	11,594	2,046	13,640
As on 31 December 2018	**12,551**	**2,215**	**14,766**

23 INCOME FROM SUBSIDIES (cont.)

(in thousand EUR)	Subsidy from the Cohesion Fund	Subsidy from the State Budget in combination with the Cohesion Fund	Total
As on 1 January 2017	14,489	2,557	17,046
Recognised part of the subsidy	-959	-169	-1,128
As on 31 December 2017	**13,530**	**2,388**	**15,918**
Short-term as on 31 December 2017	959	169	1,128
Long-term as on 31 December 2017	12,571	2,219	14,790
As on 31 December 2017	**13,530**	**2,388**	**15,918**

Project EFD2I: The Contract on provision of a non-repayable financial contribution under the Operational Programme Transport signed in August 2015 focuses on procurement of a project preparation concerning technical and hygienic maintenance of the rolling stock, phase 2. The maximum amount of eligible costs was contractually determined as EUR 6,300 thousand, while the maximum amount of financing of the non-repayable financial contribution as EUR 5,985 thousand. The funding of the non-repayable financial contribution is divided between the Cohesion Fund in 85% and the State Budget of the Slovak Republic in 15%.

(in thousand EUR)	Subsidy from the Cohesion Fund	Subsidy from the State Budget in combination with the Cohesion Fund	Total
As on 1 January 2018	4,833	853	5,686
Drawing	0	0	0
As on 31 December 2018	**4,833**	**853**	**5,686**
Short-term as on 31 December 2018	0	0	0
Long-term as on 31 December 2018	4,833	853	5,686
As on 31 December 2018	**4,833**	**853**	**5,686**

(in thousand EUR)	Subsidy from the Cohesion Fund	Subsidy from the State Budget in combination with the Cohesion Fund	Total
As on 1 January 2017	4,833	853	5,686
Drawing	0	0	0
As on 31 December 2017	**4,833**	**853**	**5,686**
Short-term as on 31 December 2017	0	0	0
Long-term as on 31 December 2017	4,833	853	5,686
As on 31 December 2017	**4,833**	**853**	**5,686**

23 INCOME FROM SUBSIDIES (cont.)

Project EFD2J: The Contract on provision of a non-repayable financial contribution under the Operational Programme Transport published in December 2015 focuses on refunding of costs related to modernisation of multiple-unit sets and trailer coaches for suburban and regional public railway transport within ITS. The maximum amount of eligible costs was contractually determined as EUR 9,048 thousand, while the maximum amount of financing of the non-repayable financial contribution as EUR 8,595 thousand. The funding of the non-repayable financial contribution is divided between the Cohesion Fund in 85% and the State Budget of the Slovak Republic in 15%.

(in thousand EUR)	Subsidy from the Cohesion Fund	Subsidy from the State Budget in combination with the Cohesion Fund	Total
As on 1 January 2018	3,427	605	4,032
Recognised part of the subsidy	-497	-88	-585
As on 31 December 2018	**2,930**	**517**	**3,447**
Short-term as on 31 December 2018	497	88	585
Long-term as on 31 December 2018	2,433	429	2,862
As on 31 December 2018	**2,930**	**517**	**3,447**

(in thousand EUR)	Subsidy from the Cohesion Fund	Subsidy from the State Budget in combination with the Cohesion Fund	Total
As on 1 January 2017	3,924	693	4,617
Recognised part of the subsidy	-497	-88	-585
As on 31 December 2017	**3,427**	**605**	**4,032**
Short-term as on 31 December 2017	497	88	585
Long-term as on 31 December 2017	2,930	517	3,447
As on 31 December 2017	**3,427**	**605**	**4,032**

Project GRTAP TSI. On 4 November 2016 the Grant Agreement no. INEA/CEF/TRAN/M20158/1138635 on financing of the Project of implementation of technical interoperability for TAP TSI subsystem by ZSSK in the total amount of EUR 8,659 thousand. It concerns electronic communication and data exchange between transport operators, infrastructure manager and third parties involved in the transport process. The financing shares are agreed as 85 % from CEF resources: EUR 7,360 thousand and 15 % from own resources of ZSSK: EUR 1,299 thousand.

(in thousand EUR)	Subsidy from CEF	Total
As on 1 January 2018	1,535	1,535
Drawing	0	0
Recognised part of the subsidy	0	0
As on 31 December 2018	**1,535**	**1,535**
Short-term as on 31 December 2018	0	0
Long-term as on 31 December 2018	1,535	1,535
As on 31 December 2018	**1,535**	**1,535**

(in thousand EUR)	Subsidy from CEF	Total
As on 1 January 2017	1,535	1,535
Drawing	0	0
Recognised part of the subsidy	0	0
As on 31 December 2017	**1,535**	**1,535**
Short-term as on 31 December 2017	0	0
Long-term as on 31 December 2017	1,535	1,535
As on 31 December 2017	**1,535**	**1,535**

23 INCOME FROM SUBSIDIES (cont.)

Project EFD4: The Contract on provision of a non-repayable financial contribution under the Operational Programme Transport II was concluded on 11 November 2017, focusing on modernisation of the rolling stock fleet for suburban and regional public railway transport within ITS. It concerns procurement of diesel multiple units. The maximum amount of eligible costs was contractually determined as EUR 74,835 thousand, while the maximum amount of financing of the non-repayable financial contribution as EUR 74,835 thousand. The funding of the non-repayable financial contribution is divided between the Cohesion Fund in 85% and the State Budget of the Slovak Republic in 15%.

The project amount was increased by another contract on procurement of electric units for suburban and regional public railway passenger transport within ITS. The maximum amount of eligible costs was contractually determined as EUR 158,352 thousand, while the maximum amount of financing of the non-repayable financial contribution as EUR 158,352 thousand. The funding of the non-repayable financial contribution is divided between the Cohesion Fund in 85% and the State Budget of the Slovak Republic in 15%.

(in thousand EUR)	Subsidy from the Cohesion Fund	Subsidy from the State Budget in combination with the Cohesion Fund	Total
As on 1 January 2017	0	0	0
Drawing	6,361	1,123	7,484
Recognised part of the subsidy	0	0	0
As on 31 December 2017	**6,361**	**1,123**	**7,484**
Short-term as on 31 December 2017	0	0	0
Long-term as on 31 December 2017	6,361	1,123	7,484
As on 31 December 2017	**6,361**	**1,123**	**7,484**

(in thousand EUR)	Subsidy from the Cohesion Fund	Subsidy from the State Budget in combination with the Cohesion Fund	Total
As on 1 January 2018	6,361	1,123	7,484
Drawing	15,571	2,748	18,319
Receivable from NRFC	176,277	31,107	207,384
Recognised part of the subsidy	0	0	0
As on 31 December 2018	**198,209**	**34,978**	**233,187**
Short-term as on 31 December 2018	0	0	0
Long-term as on 31 December 2018	198,209	34,978	233,187
As on 31 December 2018	**198,209**	**34,978**	**233,187**

23 INCOME FROM SUBSIDIES (cont.)

Project GR ETCS Level 2. Based on the Contract on grant provision no. INEA/CEF/TRAN/M2016/I351473 signed on 12 October 2017, ETCS is to be installed into motive power units of 361 series within the cross-border project on Linking Danube for comprehensive provision of cross-border transport information within the Danube Region. The financing shares are agreed as 85 % from CEF resources: EUR 238 thousand and 15 % from own resources of ZSSK: EUR 42 thousand.

(in thousand EUR)	Subsidy from CEF	Total
As on 1 January 2018	765	765
Drawing	0	0
Recognised part of the subsidy	0	0
As on 31 December 2018	**765**	**765**
Short-term as on 31 December 2018	0	0
Long-term as on 31 December 2018	765	765
As on 31 December 2018	**765**	**765**

(in thousand EUR)	Subsidy from CEF	Total
As on 1 January 2017	0	0
Drawing	765	765
Recognised part of the subsidy	0	0
As on 31 December 2017	**765**	**765**
Short-term as on 31 December 2017	0	0
Long-term as on 31 December 2017	765	765
As on 31 December 2017	**765**	**765**

24 OTHER NET OPERATING (COSTS) REVENUES

(in thousand EUR)	31 December 2018	31 December 2017
Insurance of long-term tangible assets	-965	-522
Damage compensation	716	865
Revenues from sale of assets and material	335	476
Other net revenues	6,407	2,509
Total	**6,493**	**3,328**

25 CONSUMPTION AND SERVICES

(in thousand EUR)	31 December 2018	31 December 2017
Track access charges	-50,505	-49,090
Repairs and maintenance	-12,811	-17,052
Energy consumption	-33,080	-30,111
Material consumption	-35,979	-34,155
Performance of passenger coaches	-9,936	-9,898
Performance of motive power units	-8,059	-8,565
Shunting	-809	-1,020
Cleaning of vehicles, tidying-up, waste removal	-5,926	-5,147
Rental	-9,194	-4,741
Services of Wagon Slovakia	-3,589	-3,442
IT services	-7,241	-5,764
Travelling costs	-2,913	-2,733
Operators' performance	-1,743	-1,501
Costs on replacement bus transport during traffic closures	-1,075	-1,848
Costs related to care of employees	-1,332	-1,365
Mediating commissions	-1,747	-1,787
Services of ŽSR employees	-4,496	-4,529
Costs on audit	-35	-40
Of which: costs on audit of the current Financial Statements	-28	-27
Other assurance services	-1,830	-1,304
Annual reserve on un-billed deliveries	-11	-23
Of which: recognition of the environmental reserve	0	0
Other costs	-5,473	-4,595
	-197,784	**-188,710**

Significant items of consumed material and services in 2018 include, in particular, the costs on track access charges, traction energy consumption, increase in rental due to rental of 10 pieces of rolling stock Vectron contracted in 2018, and increase in costs on IT services related to changes in the meals allowance via electronic cards. The Company has concluded a business relationship concerning the use of ŽSR infrastructure where the price depends on kilometres and rates for individual types of transport as stipulated by the Decree of the Transport Authority. It has also concluded contracts on purchase of traction energy (see note 33 – Related parties).

Costs on repairs regard mainly rolling stock and services related to operation of rolling stock. The Company has contracts for provision of these activities with Železničná spoločnosť Cargo Slovakia, a.s., ŽOS Trnava, a.s., and ŽOS Vrútky, a.s. and ŽOS Zvolen a.s..

26 PERSONNEL COSTS

(in thousand EUR)	31 December 2018	31 December 2017
Labour costs	-80,431	-74,875
Social security costs	-34,071	-31,345
Total	**-114,502**	**-106,220**

26 PERSONNEL COSTS (cont.)

An overview of remuneration of the Supervisory Board and the Board of Directors:

(in thousand EUR)	2018	2017
Current members		
- Board of Directors	36	34
- Supervisory Board	33	22
Former members		
- Board of Directors		
- Supervisory Board	0	8
Total remunerations:	**69**	**64**

As on 31 December 2018 the number of employees was 5,877 (5,952 as on 31 December 2017), of which 221 managing employees (228 as on 31 December 2017).
The average wage in 2018 amounted to EUR 1,117.64, while in 2017 it was EUR 1,038.24.

27 DEPRECIATION, AMORTISATION AND IMPAIRMENT OF TANGIBLE ASSETS

(in thousand EUR)	31 December 2018	31 December 2017
Depreciation	-88,692	-85,216
Residual value of discarded long-term tangible and intangible assets	-1,798	-441
Impairment of significant spare parts	0	-218
Impairment of other assets	942	-750
Total	**-89,548**	**-86,625**

28 FINANCIAL INCOME

(in thousand EUR)	31 December 2018	31 December 2017
Yield interests	48	61
Other net financial income	1	1
Total	**49**	**62**

29 FINANCIAL COSTS

(in thousand EUR)	31 December 2018	31 December 2017
Cost interests	-3,315	-3,251
Bank expenses	-477	-407
Net exchange rate losses	186	-479
Total	**-3,606**	**-4,137**

30 FINANCIAL DERIVATIVES

(in thousand EUR)	31 December 2018	31 December 2017
Net change in derivative measurement	4,688	4,700
Costs on derivative operations, except for changes in derivative measurements (net)	-4,684	-4,684
Total	**4**	**16**

31 FINANCIAL RISK MANAGEMENT

The activities of the Company are exposed to various market risks. The main risks for the Company include the interest risk, liquidity risk and, a less significant credit risk. To minimize the risk resulting from changes in exchange rate differences and interest rates, in the past the Company entered into transactions with required parameters, or concluded derivative contracts to hedge individual transactions and total risks via instruments available on the market.

Transactions meeting the hedging conditions are called hedging transactions, while those carried out for hedging purposes but not meeting the conditions for hedging operations are classified as commercial transactions.

The main financial liabilities of the Company include loans and borrowings bearing interest, bank overdrafts and trade liabilities. The main purpose of these financial liabilities is to secure the funding for the Company operation. The Company has various financial assets at its disposal, including trade receivables and other receivables and short-term deposits which result directly from its activities.

The Board of Directors of the Company monitors and approves the procedures of management of the above risks as stated below.

Interest risk
The Company is exposed to the risk of changes in the market interest rates associated with long-term and short-term liabilities resulting from loans and bank overdrafts with variable interest rates. The Company has a broad portfolio of loans with various variable as well as fixed interest rates, which the Company is able to keep at a very low level. In 2018, as a reaction to developments of the money market, the Company applied fixed rates in case of all long-term loans. The Company is prepared to react to the rates development. The Company has been monitoring the market development constantly.

The following table shows a sensitivity analysis concerning changes in interest rate by 100 basis point upwards or downwards, assuming all other variables would remain without changes. It includes a forecasted impact on income before taxation for the period of 12 months after the balance-sheet date.

	31 December 2018	31 December 2017
O/N, 1M EURIBOR (+/-1%)	+/- 0.478	+/- 0.511
3M, 6M EURIBOR (+/-1%)	+/- 2.967	+/- 2.607

31 FINANCIAL RISK MANAGEMENT (cont.)

Liquidity risk

The Company policy is to hold sufficient amount of financial means and financial equivalents in compliance with its financial strategy, or to have financial means available in an adequate amount from foreign resources to cover the insufficient liquidity risk. The amount of foreign resources in the form of available loans as on 31 December 2018 and 2017 is as follows:

(in thousand EUR)	31 December 2018	31 December 2017
Long-term loan resources	310,360	278,460
Short-term loan resources	69,848	71,377
Total available loan resources	**380,208**	**349,837**

The following table shows financial liabilities based on contractual non-discounted payments by maturity dates.

(in thousand EUR)	Within 3 months	From 3 to 12 months	From 1 to 5 years	Over 5 years	Total
Long-term loans and financial aid	0	0	117,166	193,193	310,359
Trade liabilities and other liabilities	47,967	4,250	1	0	52,218
Short-term loans	25,929	43,919	0	0	69,848
Total as on 31 December 2018	**73,896**	**48,169**	**117,167**	**193,193**	**432,425**

(in thousand EUR)	Within 3 months	From 3 to 12 months	From 1 to 5 years	Over 5 years	Total
Long-term loans and financial aid	0	0	121,093	157,367	278,460
Trade liabilities and other liabilities	35,185	8,868	3	0	44,056
Short-term loans	6,364	65,013	0	0	71,377
Total as on 31 December 2017	**41,549**	**73,881**	**121,096**	**157,367**	**393,893**

The Company applies cash-flow planning to manage the liquidity risk. The actual cash-flow development is then evaluated at regular basis. In case risk events occur that would threaten the liquidity, measures and operative instruments are modelled in order to manage the liquidity. The Company has sufficient short-term operative loan possibilities to span short-term oscillations in liquidity.

Credit risk

Credit risk represents a risk of financial loss of the Company in case a customer or a counterparty to a financial instrument fails to fulfil its contractual obligations. The Company sells its services to various customers, of which none, whether individually or jointly, represents a significant risk of unpaid receivables as to their volume, solvency or nature of business. The Company management monitors continuously the credit risk exposure, where it is governed by an internal regulation for claims.

A certain risk of failed payment amounts to the carrying amount of each financial asset, including financial derivatives, reported in the balance sheet and reduced by allowance. The Company has the risk under control, as it is strictly limited by the measures applied. The Company further constantly monitors development of the risk.

Capital management

The main objective of the Company as regards capital management is to ensure high credit rating and sound financial capital indicators with the aim to support its business activity and maximize the value for shareholders.

The Company manages and adjusts its capital structure with respect to changes in economic conditions.

31 FINANCIAL RISK MANAGEMENT (cont.)

The Company monitors its indebtedness through an indebtedness indicator calculated as the ratio of debt consisting of interest-bearing loans and borrowings and financial aid from third parties, and the equity, as well as through an indebtedness indicator calculated in relation to the total assets of the Company.

(in thousand EUR)	31 December 2018	31 December 2017
Long-term financial aid	24,106	24,106
Long-term loans	286,253	254,354
Short-term financial aid	0	0
Short-term loans, including short-term part of long-term loans	69,848	71,377
Debt	**380,207**	**349,837**
Shareholders' equity	**177,636**	**139,726**
Indicators of indebtedness (%)	**214%**	**250%**

32 POSTAL SERVICES

Železničná spoločnosť Slovensko, a.s. was registered at the Postal Regulatory Office in the Postal Services Register on 15 August 2012 under number 17 as a postal entity providing interchangeable postal services and other postal services in compliance with Article 23 of Act no. 324/2011 Coll. on postal services.

In accordance with the provisions of Article 36 of the Act on Postal Services, the Company is obliged to keep separate accounts on costs and revenues from interchangeable services. Separate bookkeeping of costs and revenues is ensured by the second degree of analytical evidence.

The greatest revenues of 2018 include revenues from concluded long-term contracts on provision of postal services for Železnice Slovenskej republiky.

Operating costs and revenues

(in thousand EUR)	As on 31 December 2018	As on 31 December 2017
Consumed material	-2	-2
Energy consumption	-2	-3
Repairs and maintenance	-1	0
Personnel costs	-119	-126
Depreciation of tangible and intangible assets	-4	-4
Other costs	-21	-20
Total costs	-149	-155
Revenues from provision of interchangeable postal services	200	200
Profit (loss)	**51**	**45**

33 RELATED PARTIES

Parties related to the Company are the companies associated through property: ŽSR, ZSSK CARGO, EUROFIMA and the Board of Directors.

The following table shows the total amount of transactions concluded with related parties during the years ending on 31 December 2018 and 2017:

Related parties (in thousand EUR)	31 December 2018			
	Revenues generated with related parties	Costs on transactions with related parties	Receivables towards related parties	Liabilities towards related parties
ŽSR	486	90,740	66	3,326
ZSSK CARGO	3,380	13,991	496	1,794
EUROFIMA	0	0	0	24,106

Related parties (in thousand EUR)	31 December 2018			
	Revenues generated with related parties	Costs on transactions with related parties	Receivables towards related parties	Liabilities towards related parties
ŽSR	550	86,164	66	2,732
ZSSK CARGO	3,431	14,338	536	1,925
EUROFIMA	0	0	0	24,106

The main contracts of the Company with ŽSR and ZSSK CARGO are concluded usually for a period of one year and are renewed on a yearly basis. Costs towards ŽSR include mostly track access charges and costs on purchase of traction electric energy. Costs towards ZSSK CARGO include mostly repairs, reconstructions and modernisation of passenger coaches and motive power units, and purchase of diesel.

Statutory body: Board of Directors

Name	Position	From:	Note
Mgr. Filip Hlubocký	Chairman	18 June 2016	
Dipl.-Ing. Patrik Horný	Vice-Chairman	21 June 2016	(Member from 18 June 2016 to 20 June 2016)
Ing. Karol Martinček	Member	18 June 2016	

Supervisory body: Supervisory Board

Name	Position	From:	Note
Ing. Peter Bartalos	Chairman	20 September 2017	
Mgr. Ladislava Cengelová	Vice-Chairman	09 September 2015	(Member from 1 September 2015 to 8 September 2015)
Jozef Hlavatý	Member	20 January 2010	
Peter Dubovský	Member	23 January 2015	
Peter Cibula, Mgmt.	Member	18 June 2016	
Ing. Ivan Čern	Member	23 June 2017	

34 EVENTS WHICH OCCURRED AFTER THE BOOK CLOSING DATE

Železničná spoločnosť Slovensko, a.s. does not report any significant events after the date of the Statement of Financial Position.

ŽELEZNIČNÁ SPOLOČNOSŤ SLOVENSKO
NÁRODNÝ DOPRAVCA

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