ŽELEZNIČNÁ SPOLOČNOSŤ SLOVENSKO
NÁRODNÝ DOPRAVCA

FINANCIAL STATEMENTS | 2017

Železničná spoločnosť Slovensko, a.s.

Separate Financial Statements
prepared in accordance with
the International Financial Reporting Standards

As on 31 December 2017

ŽELEZNIČNÁ SPOLOČNOSŤ SLOVENSKO
NÁRODNÝ DOPRAVCA

Železničná spoločnosť Slovensko, a.s.

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

As on 31 December 2017

Mgr. Filip Hlubocký
Chairman of the Board of Directors
of Železničná spoločnosť Slovensko, a.s.

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Vice-Chairman of the Board of Directors
of Železničná spoločnosť Slovensko, a.s.

Bratislava, 21 February 2018

TABLE OF CONTENT

NOTES TO THE FINANCIAL STATEMENTS

STATEMENT OF FINANCIAL POSITION
As on 31 December 2017

(in thousand EUR)

	Note	31 December 2017	31 December 2016
ASSETS			
Long-term assets			
Long-term tangible assets	4	880,449	909,919
Investments into real estates	4	1,342	1,342
Long-term intangible assets	5	10,910	9,226
Financial assets	6	5,209	5,676
Other long-term assets	7	746	805
		898,656	**926,968**
Current assets			
Inventories	8	11,806	10,090
Trade receivables and other receivables	9	30,611	25,441
Receivables resulting from the Contract on Public Transport Rail Services	22	34,390	44,367
Financial means and financial equivalents	10	3,422	939
		80,229	**80,837**
Held-for-sale assets	4	5,985	6,136
TOTAL ASSETS		**984,870**	**1,013,941**
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	-515	-799
Unpaid loss	11	-58,651	-53,499
Loss (profit) in the reporting period	11	-4,045	-5,152
Total shareholders' equity		**139,726**	**143,487**
Long-term liabilities			
Long-term financial aid	12	24,106	24,106
Interest-bearing loans and borrowings	13	254,354	207,490
Employee benefits	14	10,841	11,324
Reserves	15	4,663	3,942
Financial derivatives	17	14,090	18,791
Deferred tax	20	6,711	8,226
Other long-term liabilities	18	365,018	386,905
		679,783	**660,784**
Short-term liabilities			
Short-term financial aid	12	0	22,600
Interest-bearing loans and borrowings	13	71,377	87,450
Employee benefits	14	1,036	924
Reserves	15	18,032	17,924
Trade liabilities and other liabilities	19	74,916	80,772
		165,361	**209,670**
Total liabilities		**845,144**	**870,454**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**984,870**	**1,013,941**

Accounting principles and notes are an inseparable part of the Financial Statements.

STATEMENT OF COMPREHENSIVE INCOME
For the year ended on 31 December 2017

(in thousand EUR)

	Note	31 December 2017	31 December 2016
Income			
Transport of passengers and related revenues	21	102,446	90,635
Compensation for services in the public interest	22	243,956	238,310
Income from subsidies	23	30,289	31,826
Other net operating (costs) revenues	24	3,328	3,398
		380,019	**364,169**
Costs and expenses			
Consumption and services	25	-188,710	-178,683
Personnel costs	26	-106,220	-101,835
Depreciation, amortisation and impairment of tangible assets	27	-86,625	-85,970
		-381,555	**-366,488**
Financial (costs) revenues			
Financial income	28	62	73
Financial costs	29	-4,137	-3,719
Net financial derivatives	30	16	-111
		-4,059	**-3,757**
Tax costs	20	1,550	924
Loss (profit) in the reporting period		**-4,045**	**-5,152**
Other comprehensive income			
Items not to be re-classified as income		**284**	**-526**
Re-valuation of employee benefits		284	-526
Items that might subsequently be re-classified into income		**0**	**0**
Other comprehensive income in the reporting period		**284**	**-526**
Total comprehensive income in the reporting period		**-3,761**	**-5,678**

STATEMENT OF CHANGES IN EQUITY
For the year ended on 31 December 2017

(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 2016	**212,441**	**24,118**	**-33,622**	**-273**	**-47,610**	**-5,889**	**149,165**
Recognition of loss of 2015	0	0	0	0	-5 889	5,889	0
Other comprehensive income - 2016	0	0	0	-526	0	0	-526
Income (costs) of past reporting periods	0	0	0	0	0	0	0
Loss (profit) for the reporting period of 2016	0	0	0	0	0	-5,152	-5,152
Balance as on 31 December 2016	**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**

STATEMENT OF CASH FLOW
For the year ended on 31 December 2017

(in thousand EUR)

	Note	31 December 2017	31 December 2016
Operating income		**358,812**	**344,888**
Income from main activity		120,804	114,179
Compensation for services in the public interest		253,929	209,559
Other income		10,847	11,027
Income from international clearing		3,509	1,508
Income from operating loans		-30,277	8,615
Operating costs		**-330,952**	**-315,101**
Costs on material		-40,610	-35,136
Costs on services		-187,390	-182,967
of which: Track access charges		-63,413	-62,172
Wages and other labour costs		-102,304	-96,998
Insurance		-648	0
Received interests		**61**	**70**
Paid interests		**-204**	**-173**
Dividends +/-		**0**	**0**
Income tax +/-		**-3**	**-3**
CASH FLOW FROM OPERATING ACTIVITY		27,714	29,681
Income from sale of long-term assets		118	30
State budget subsidies on investments		0	0
Investment subsidies from EU Structural Funds + State Budget		8,250	6,998
Returned investment subsidies from EU Structural Funds + State Budget		0	-128
Purchase of long-term assets		-64,369	-50,388
CASH FLOW FROM INVESTMENT ACTIVITY		-56,001	-43,488
Financial income		**91,780**	**53,638**
Income from bank loans		91,435	52,072
Income from borrowings		0	0
Other financial income		345	1,566
Financial costs		**-58,036**	**-36,827**
Costs on bank loans		-30,367	-22,833
Costs on instalments of loans		-22,600	-8,000
Costs on settlement of liabilities from leasing		0	0
Other financial costs		-5,069	-5,994
Paid interests		**-2,974**	**-2,903**
CASH FLOW FROM FINANCIAL ACTIVITY		30,770	13,908
Net increase (decrease) of financial means and financial equivalents		**2,483**	**101**
Financial means and financial equivalents as on 1 January	**10**	**939**	**838**
Financial means and financial equivalents as on 31 December	**10**	**3,422**	**939**

NOTES TO THE SEPARATE FINANCIAL STATEMENTS
For the year ended on 31 December 2017

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 18 July 2017.

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 2017. 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 2017 and ending on 31 December 2017.

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 capital subsidies from the EU funds are not subject to consolidation. 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 2016.

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 EU, and which apply to the Company activities and are effective for the reporting periods starting as of 1 January 2017. 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 12 Income taxes – Amendments to IAS 12 Recognition of deferred tax assets from unrealised losses – effective as of 1 January 2017,
- IAS 7 Statement of Cash Flows – Amendments to IAS 7 – Disclosure Initiative – effective as of 1 January 2017,
- Annual Improvements to IFRS 2014 – 2016 Cycle – effective as of 1 January 2017 – the improvements have not been adopted by the EU yet,
- IFRS 12 Disclosure of interest in other entities

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

- IFRS 9 Financial Instruments - effective for the reporting periods starting on or after 1 January 2018;
- IFRS 15 Revenues from contracts with customers - effective for the reporting periods starting on or after 1 January 2018;
- IFRS 16 Leases - effective for the reporting periods starting on or after 1 January 2019;
- Amendments to IFRS 10 and IAS 28 – Sales or contributions of assets between an investor and its associate/joint venture – amendments have not yet been adopted by the EU;
- IFRS 2 Classification and measurement of share based payment transactions – Amendment to IFRS 2 – effective for the reporting periods starting on or after 1 January 2018 – the amendments have not yet been adopted by the EU;
- IFRS 9 Leases - effective for the reporting periods starting on or after 1 January 2018;
- IAS 40: Investment property (amendments) - effective for the reporting periods starting on or after 1 January 2018 – the amendments have not yet been adopted by the EU;
- IFRS 9 Financial instruments, amending the characteristics of a prior redemption with negative compensation – effective for the reporting periods starting on or after 1 January 2019 – the amendments have not yet been adopted by the EU,
- IFRIC Interpretation 22: Foreign Currency Transactions and Advance Considerations – effective for the reporting periods starting on 1 January 2018 or with earlier application permitted - the interpretations have not yet been adopted by the EU,
- Annual improvements to IFRS 2014 – 2016 Cycle - effective for the reporting period starting on or after 1 January 2018 – the improvements have not yet been adopted by the EU:
  - o IFRS 1 First-time adoption of International Financial Reporting Standards
  - o IAS 28 Investments in associates and joint ventures
- IFRIC Interpretation 23: Uncertainty over Income Tax Treatments – effective for the reporting periods
- starting or 1 January 2019 or with an earlier application permitted – the interpretations have not yet been adopted by the EU,
- Annual improvements to IFRS, 2015 – 2017 Cycle - effective for the reporting periods starting on or after 1 January 2019 or with an earlier application permitted - the improvements have not yet been adopted by the EU:
  - o IFRS 3 Business Combinations and IFRS 11 Joint Arrangements
  - o IAS 12 Income Taxes
  - o IAS 23 Borrowing Costs

Unless stated otherwise above, the Company does not expect a significant impact of the above mentioned new standards, their amendments and interpretations.

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;

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

Level 3 – inputs of assets or liabilities that are unobservable according to market data.

Measurement of non-financial items:

(in thousand EUR)

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**

(in thousand EUR)

Assets	Level 1	Level 2	Level 3
Investment property (IAS 40)			1,342
Assets held for sale (IFRS 5)			6,136
of which: real estates			5,996
machines and other moveable assets			140
As on 31 December 2016			**7,478**

Measurement used to derive fair values at Level 3:
Fair value of investments into real estates at Level 3 as on 31 December 2017 amounted to EUR 1,342 thousand (as on 31 December 2016 in the amount of EUR 1,342 thousand).
Fair value of assets held for sale at Level 3 as on 31 December 2017 amounted to EUR 5,985 thousand (as on 31 December 2016 in the amount of EUR 6,136 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)			-14,090
Total as on 31 December 2017			**-14,090**

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

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

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 carryforward 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

3 SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (cont.)

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.

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. The Company management 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 for individual assets only if the asset in question does not generate an increase in monetary means, which are usually independent of gains from other assets or groups of assets.

If the carrying amount of assets is higher than their recoverable amount, the asset is considered

3 SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (cont.)

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.

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 IAS 39 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 IAS 39. 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.

3 SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (cont.)

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 effec–tive 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.

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
At the end of each reporting period the Company assesses whether there is any objective evidence of impairment of financial assets or a group of financial assets. Evidence of impairment may include indications about a debtor or issuer having significant financial problems, failing to pay interests or principal payments, is in a probability of a bankruptcy or financial reorganisation, or the receivable was restructured due to the debtor´s financial difficulties. If there is such objective evidence based on one or several events occurring after the asset was initially recognised, while these have negative impact on the expected future financial flows from financial assets, the financial asset is reported as impaired.

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.

3 SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (cont.)

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.

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 IAS 39, 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 are 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 IAS 39 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 IAS 39. 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.

3 SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (cont.)

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.

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 sui–table 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) Derivative financial instruments

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 remeasured 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 IAS 39, 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.

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (cont.)

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.

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (cont.)

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 MTC. 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.

- 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,

3 SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (cont.)

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.
In compliance with Article 46 of Act no. 595/2003 Coll. on income tax, effective as of 1 January 2015, the Company as a taxpayer has to pay a tax licence for each tax period, where it reports tax loss or tax liability calculated in the income tax return which is lower than the amount of the tax licence as stipulated for the Company.

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 which are assumed to be applied in the period when the asset is realised or liability settled, based on tax rates (and tax acts) enacted as at the balance-sheet date.

4 LONG-TERM TANGIBLE ASSETS

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. Rolling stock in the amount of EUR 790,129 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 18,292 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 1,158 thousand and reconstruction of the locomotive depot in Nové Zámky in the amount of EUR 171 thousand. In case of procurement of plants and equipment, procurement of hardware for SAP HANA in the amount of EUR 329 thousand, replacement of a fuelling station and reconstruction of a fuelling station in Kraľovany in the amount of EUR 414 thousand are the most significant. Other items include modernisation of motive power units of 361, 757 and 811 series amounting to EUR 1,410 thousand and passenger coaches amounting to EUR 1,797 thousand.

As at 31 December 2017 advance payments were given to modernisation of motive power units of 361

4 LONG-TERM TANGIBLE ASSETS (cont.)

(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	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	

(in thousand EUR)

	Acquisition price					Cumulated adjustments					Residual value as on 31 December 2016
	As on 1 January 2016	Additions	Disposals	Transfers	As on 31 December 2016	As on 1 January 2016	Additions	Disposals	Transfers	As on 31 December 2016	
Lands and buildings	52,499	711	10	-398	52 ,802	9,052	2,188	2	-82	11,156	41,646
of which: impairment loss	0				0	42	0	0	0	42	
Transport vehicles	1,250,841	30,518	7,044	17,208	1,291,523	397,624	75,485	6,558	-895	465,656	825,867
Plants, equipment and other assets	41,784	3,051	2,539	89	42,385	20,961	4,125	2,346	-149	22,591	19,794
of which: impairment loss	0				0	1,623	0	0	-137	1,486	
Unfinished investments	33,523	5,901	48	-19,250	20,126	0				0	20,126
Provided pre-payments	0	2,486			2,486	0				0	2,486
Total long-term tangible assets	1,378,647	42,667	9,641	-2,351	1,409,322	427,637	81,798	8,906	-1,126	499,403	909,919
IAS 40	401	4		1,087	1,492	55	1		94	150	1,342
IFRS 5	11,117	0	2,081	1,263	10,299	5,066	132	2,067	1,032	4,163	6,136
of which: impairment loss						149				149	

4 LONG-TERM TANGIBLE ASSETS (cont.)

series in the amount of EUR 332 thousand, of passenger coaches in the amount of EUR 2,835 thousand, and delivery of diesel multiple units within the EU project EFD4 in the amount of EUR 9,240 thousand. The Company carried out a comprehensive test for impairment of assets as on 31 December 2017. The test included examination of the condition and use of assets, which resulted in reporting of an increase in the asset impairment in the amount of EUR 968 thousand for unused assets. Impairment relates to burnt-down locomotive of 754 series in the amount of EUR 750 thousand and significant spare parts in the amount of EUR 218 thousand. Due to decommissioning of the bogies reported as significant spare parts, impairment in the amount of EUR 73 thousand was cancelled. The total amount of impairment as on 31 December 2017 is EUR 2,356 thousand. 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 asset division is presented in the following table:

(in thousand EUR)

Class	Title	As on 31 December 2017	As on 31 December 2016
10	Buildings	3,097	3,137
20	Constructions	838	838
30 and 40	Machines and equipment	28	28
60	Transport vehicles	0	111
70	Inventory	2	2
90	Real estate/lands	2,020	2,020
	Total	5,985	6,136

Due to fair value measurement, the assets value was reduced by EUR 149 thousand after testing the assets for impairment.

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

(in thousand EUR)

	Amount
Water consumption and waste water	2
Material consumption	4
Repairs and maintenance	12
Other services	12
Taxes (on lands and constructions)	44
Other charges	1
Total costs	**75**
Lease	107
Total revenues	107
Profit from assets held for sale	32

4 LONG-TERM TANGIBLE ASSETS (cont.)

Investments into real estates

There were no changes in the fair value of real estates reported pursuant to IAS 40 as on 31 December 2017.

(in thousand EUR)

Rented assets	As on 31 December 2017	As on 31 December 2016
Track yard in Bratislava	17	17
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
Total	**1,342**	**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)	8
Other costs	0
Total costs	**8**
Lease	108
Total revenues	**108**
Income from property	**100**

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 from 1 January 2017 to 31 December 2017 amounts to EUR 80 thousand.

5 LONG-TERM INTANGIBLE ASSETS

(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 adjust-ments	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

(in thousand EUR)

	Acquisition price					Cumulated adjustments					Residual value as on 31 December 2016
	As on 1 January 2016	Additions	Disposals	Transfers	As on 31 December 2016	As on 1 January 2016	Additions to adjust-ments	Disposals	Transfers	As on 31 December 2016	
Intangible assets	27,758	245		399	28,402	18,066	3,408			21,474	6,928
Unfinished investments	1,322	1,375		-399	2,298	0				0	2,298
Provided pre-payments	0				0	0				0	0
Total	29,080	1,620		0	30,700	18,066	3,408			21,474	9,226

The most important item in the category of intangible assets were licences for SW iKVC in the amount of EUR 1,151 thousand and Oracle support licences in the amount of EUR 993 thousand and the Control System of fuelling and diesel consumption by motive power units in the amount of EUR 588 thousand.

The most significant items under unfinished investments include acquisition of iKVC software in the amount of EUR 1,736 and Oracle and MS licences in the amount of EUR 1,937 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	Financial assets	
			As on 31 December 2017	As on 31 December 2016
Eurofima	1,300	0.50 %	5,208	5,675
BCC	1	0,68 %	1	1
Total	x	x	**5,209**	**5,676**

7 OTHER LONG-TERM ASSETS

(in thousand EUR)

	31 December 2017	31 December 2016
Trade receivables	619	576
Other long-term receivables	127	229
Total	**746**	**805**

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
	2017	**2017**	**2016**	**2016**
Total material	12,349	11,278	10,764	9,567
Fuel in tank	301	300	279	279
Other inventories	282	228	299	244
Total inventories	**12,932**	**11,806**	**11,342**	**10,090**

No right of lien was established regarding the procured inventories.

9 TRADE RECEIVABLES AND OTHER RECEIVABLES

(in thousand EUR)

	31 December 2017	31 December 2016
Short-term trade receivables	14,316	12,114
Tax receivable (excessive VAT deduction, excise tax)	15,464	10,225
Receivables from subsidies granted on investments (EU funds)	0	0
Other receivables	2,319	4,447
	32,099	26,786
Allowances to trade receivables and other receivables	**- 1,488**	**- 1,345**
	30,611	**25,441**

Receivables after maturity date amounted to EUR 2,714 thousand as on 31 December 2017 (EUR 2,254 thousand as on 31 December 2016).
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 2017 is as follows:

(in thousand EUR)

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
2017	**32,099**	29,385	995	37	10	121	123	1,428
2016	**26,786**	24,532	740	6	3	253	131	1,121

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 2017	31 December 2016
Financial means in cash register and financial equivalents	214	216
Financial means in banks	3,208	723
Total	**3,422**	**939**

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.

10 FINANCIAL MEANS AND FINANCIAL EQUIVALENTS (cont.)

Bank overdrafts as on 31 December are as follows:

(in thousand EUR)

	31 December 2017	31 December 2016
	Principal balance	Principal balance
Československá obchodná banka, a.s.	3,870	2,671
Tatra banka, a.s.	10,239	30,233
UniCredit Bank Czech Republic and Slovakia a.s.	6,421	18,650
Všeobecná úverová banka, a.s.	817	529
Slovenská sporiteľňa, a.s.	459	0
Total	**21,806**	**52,083**

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. Pursuant to the Company Statutes, it is not possible to divide the statutory reserve fund, which may be used only to cover losses or to increase the share capital.

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 2017 which were reported into the equity is EUR 515 thousand (EUR 799 thousand as on 31 December 2016).

Settlement of loss from the previous accounting period
Settlement of loss in the amount of EUR 5,152 thousand for the accounting period of 2016 was adopted by the General Assembly, which decided on 18 July 2017 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 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**		

As on 31 December 2016:

(in thousand EUR)

	Currency	Amount	Maturity	Hedging
Eurofima VII.B (Contract no. 2694)	EUR	8,600	3.4.2017	rolling stock
Eurofima VIII.A (Contract no. 2718)	EUR	14,000	3.4.2017	rolling stock
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		**46,706**		
Short-term part		**22,600**		
Long-term part		**24,106**		

All financial aid bears interest at variable interest rate in the scope from -0.368 % p.a. to 0.182 % (from 0.313 % p.a. to 0.362 % p.a. in 2016).

13 INTEREST-BEARING LOANS AND BORROWINGS

As on 31 December 2017:

	Currency	Principal balance in thousand EUR	Maturity	Hedging
LONG-TERM LOANS				
Tatra banka, a.s.	EUR	2,227	31.12.2018	No hedging
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	24.3.2020	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	Principal balance in thousand EUR	Maturity	Hedging
SHORT-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		

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 325,731 thousand (EUR 294,940 thousand as on 31 December 2016).

All interest-bearing loans and borrowings bear interest at variable interest rate in the scope from 0.300 % p.a. to 1.850 % p.a. (from 0.380% p.a. to 2.350% p. a. in 2016).

13 INTEREST-BEARING LOANS AND BORROWINGS (cont.)

As on 31 December 2016:

	Currency	Principal balance in thousand EUR	Maturity	Hedging
LONG-TERM LOANS				
Tatra banka, a.s.	EUR	4,454	31.12.2018	No hedging
Tatra banka, a.s.	EUR	44,072	31.12.2023	No hedging
ČSOB, a.s.	EUR	13,509	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
ING Bank, N.V.	EUR	0	30.6.2016	No hedging
Komerční banka, a.s.	EUR	0	30.6.2016	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	10,000	16.6.2017	No hedging
SLSP, a.s.	EUR	22,578	30.6.2022	No hedging
VUB, a.s.	EUR	30,000	24.3.2020	No hedging
Total long-term loans		237,857		
Short-term part of loans and borrowings		**30,367**		
Long-term part of loans and borrowings		**207,490**		

	Currency	Principal balance in thousand EUR	Maturity	Hedging
SHORT-TERM LOANS				
Tatra banka, a.s.	EUR	5,000	30.9.2016	No hedging
Total short-term loans		**5,000**		
Short-term part of loans and borrowings (see above)		**30,367**		
Bank overdrafts (note 10)		**52,083**		
Total short-term loans and borrowings		87,450		

14 EMPLOYEE BENEFITS

(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**

(in thousand EUR)

	Bonuses at retirement	Contributions at life anniversaries	Compensatory contribution in case of invalidity	Total
As on 1 January 2016	**8,766**	**2,280**	**473**	**11,519**
Costs on present services	300	85	0	385
Interest costs	210	54	11	275
Actuarial profit and loss	580	144	28	752
Paid benefits	-705	-236	-76	-1,017
Costs on past services	313	-6	27	334
As on 31 December 2016	**9,464**	**2,321**	**463**	**12,248**
Short-term as on 31 December 2016	629	227	68	924
Long-term as on 31 December 2016	8,835	2,094	395	11,324
As on 31 December 2016	**9,464**	**2,321**	**463**	**12,248**

Re-valuation of employee benefits

(in thousand EUR)

	As on 31 December 2017	As on 31 December 2016
Bonuses at retirement	268	-580
Severance payment	-928	-402
Total	**-660**	**-982**
Deferred tax	**145**	**183**
Total	**-515**	**-799**

Main actuarial assumption:

	2017	2016
Discount rate (% p.a.)	1,93%	1,50%
Increase of wages (%)	1,3%-6.00%	2,5%-3,22%
Probability of male mortality (%)	0,038% - 2,26%	0,038% - 2,26%
Probability of female mortality (%)	0,0181% -0,8784%	0,0181% - 0,8784%

14 EMPLOYEE BENEFITS (cont.)

Long-term reserve for employee benefits

As on 31 December 2017, the Company reports a liability in the amount of EUR 11,877 thousand (of which: short-term liability part amounting to EUR 1,036 thousand and long-term liability part amounting to EUR 10,841 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.

14 EMPLOYEE BENEFITS (cont.)

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

Wage increase

In 2017 the Company shall ensure increasing of the average wage by 3.22 % compared to the actual average wage without overtime hours in 2016.
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 the Company, including provision of a variable part of the wage through bonuses.

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

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 8.73 %.
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 3.67 %.
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 1.56 %.
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 0.97 %.

The average maturity of employee benefits during employment is 6.86 years, while the average maturity of employee benefits after employment termination is 9.55 years.

The actuarial profit and loss, changes of financial assumptions are caused by reduced discount from 1.5 % to 1.93 % and a change in the expected wage increase from 2.5 % to 1.3 % - 6 %.

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 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**

(in thousand EUR)

	Environmental burdens	Lawsuits	Redundancy payment, severance payment	Other reserves	Total
As on 1 January 2016	**568**	**17,059**	**3,314**	**612**	**21,553**
Additions	0	53	92	325	470
Interest costs	0	0	80	0	80
Recognised part of the subsidy	0	0	0	-235	-235
Actuarial profit and loss	0	0	402	0	402
Use	-163	0	-241	0	-404
As on 31 December 2016	**405**	**17,112**	**3,647**	**702**	**21,866**
Short-term as on 31 December 2016	81	16,918	223	702	17,924
Long-term as on 31 December 2016	324	194	3,424	0	3,942
As on 31 December 2016	**405**	**17,112**	**3,647**	**702**	**21,866**

Lawsuits

Reserves on lawsuits concern several legal claims. The most significant reserve as on 31 December 2017 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 2017, the reserve amount was assessed as EUR 370 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.
Another lawsuit also concerns a claim of contractual fine in the amount of EUR 171 thousand with interests, which the complainant derives as a consequence of a breach of Contract on work no. 44/VS-N/2009 on reconstruction of 15 motive power units of 162/163 series to vehicles of 361 series in terms of the time schedule and its amendments based on Supplement no. 1 and Supplement no. 2 to the Contract (hereinafter the Contract).

Based on a legal opinion, the conclusion of the lawsuits should be positive for ZSSK.

b) Contingent liabilities

A lawsuit was filed with the District Court of Bratislava III against the Company concerning damages in the amount of EUR 51,752 thousand with interests. The complainant, LANCILLON Limited (legal predecessor: 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.

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.

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.

(in thousand EUR)

		Measurement as on 31 December 2017		Measurement results	
Creditor	Derivative	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.

(in thousand EUR)

		Measurement as on 31 December 2016		Measurement results	
Creditor	Derivative	Receivable	Liability	Receivable	Liability
NOMURA	EUROFIMA IRIS	0	18,791	0	18,791
Total		0	18,791	0	18,791

The measurement result as on 31 December 2016 in the amount of EUR 18,791 thousand represents the long-term part of the financial derivatives.

18 OTHER LONG-TERM LIABILITIES

(in thousand EUR)

	31 December 2017	31 December 2016
Deferred income in relation to investments from EU Structural Funds	51,962	56,701
Deferred income in relation to investments from the State Budget	9,286	12,666
Deferred income in relation to investments from the EU Cohesion Fund	211,476	219,841
Deferred income in relation to investments in combination of the State Budget and EU Structural Funds	51,962	56,701
Deferred income in relation to investments in combination of the State Budget and EU Cohesion Fund	37,320	38,795
Deferred income in relation to investments from the EU grant	2,300	1,534
Liabilities towards the social fund	96	82
Other liabilitiesy	616	585
Total	365,018	386,905

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

(in thousand EUR)

	2017	2016
As on 1 January	**82**	**55**
Creation	690	661
Drawing	676	634
As on 31 December	**96**	**82**

19 TRADE LIABILITIES AND OTHER LIABILITIES

(in thousand EUR)

	31 December 2017	31 December 2016
Trade liabilities and other liabilities	44,056	49,842
Short-term part of deferred income in relation to investments	30,090	30,199
Tax liabilities	770	731
Total	**74,916**	**80,772**

Short-term trade liabilities after maturity (account 321) amounted to EUR 58 thousand as on 31 December 2017 (EUR 261 thousand as on 31 December 2016).
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 2017 the Company´s tax base amounted to – a loss of EUR 56,481 thousand. In 2016, after an additional income tax return, the adjusted tax base amounted to a loss of EUR -11,403 thousand.
The economic result before taxation is a loss of EUR -5,595 adjusted by recognised deferred and payable tax.
When calculating the deferred income tax, the amendment to Income Tax Act effective as of 1 January 2018 was taken into consideration.

(in thousand EUR)

	2017	2016
Tax due (deductible and licence tax)	3	3
Deferred tax	- 1,553	- 927
Total	**- 1,550**	**- 924**

(in thousand EUR)

	31 December 2017	31 December 2016
Economic result before taxation pursuant to IAS/IFRS	-5,595	-6 ,076
Theoretical tax at statutory tax rate of 21%	- 1,175	- 1,337
Impact of tax loss that cannot be redeemed in the future	0	0
Constant extra charges and deductible revenues	-375	413
Income tax (payable and deferred tax)	**- 1,550**	**- 924**

20 INCOME TAX (cont.)

Deferred tax receivables and liabilities may be divided as follows:

(in thousand EUR)

	31 December 2017	31 December 2016
Deferred tax receivables		
Unamortised tax loss	-2,826	-1,828
Employee benefits reported in the comprehensive income	-2,343	-2,437
Employee benefits reported in the equity	-145	-183
Redundancy payment, severance payment	-1,038	-780
Investment subsidies	-9,725	-7,140
Other	-1,124	-1,249
Net tax receivables	**-17,201**	**-13,617**
Deferred tax liabilities		
Long-term tangible assets	23,912	21,843
Net deferred tax liabilities	**6,711**	**8,226**

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. The redemption of losses is assumed as follows:

(in thousand EUR)

	31 December 2017	31 December 2016
2017	0	2,903
2018	4,859	2,902
2019	5,753	2,902
2020	2,850	0
Total tax loss carried forward	**13,462**	**8,707**

21 TRANSPORT OF PASSENGERS AND RELATED REVENUES

(in thousand EUR)

	31 December 2017	31 December 2016
Passenger transport		
Passenger transport - national	60,148	48,849
Passenger transport - international	19,022	18,836
	79,170	**67,685**
Other transport-related revenues:		
Performance of passenger coaches	9,831	9,782
Traction performance abroad	8,244	8,381
Other revenues	5,201	4,787
	23,276	**22,950**
Total	**102,446**	**90,635**

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.

Within its national services and in compliance with Government Resolution no. 530/2014 and Government Resolution no. 590/2014, the Company offers free-of-charge transport 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 2017 compensation in the form of prepayments amounting to EUR 209,559 thousand was granted for its operation. Based on the Protocol assessing the fulfilment of the Contract on Passenger Rail Transport Services in 2016 of 12 July 2017, MTC recognised a receivable from loss compensation of 2016, payable on 31 December 2018, which is reported in the revenues of 2017 in the amount of EUR 34,397 thousand. The liability of MTC towards the Company incurred in relation to fulfilment of the Contract on Passenger Rail Transport Services totals EUR 34,390 thousand for 2016, having considered sanctions of MTC for 2016 in the amount of EUR 5 thousand and a partial payment of the liability of MTC in the amount of EUR 2 thousand.

(in thousand EUR)

	31 December 2017	31 December 2016
Compensation for services in the public interest	209,559	209,559
Income from additional compensation	34,397	28,751
Total	243,956	238,310

23 INCOME FROM SUBSIDIES

(in thousand EUR)

	31 December 2017	31 December 2016
Income from investment subsidies:		
- from the State Budget	3,483	3,949
- from the State Budget in combination with EU funds	4,739	4,728
- from Structural Funds	4,739	4,728
- from the State Budget in combination with the EU Cohesion Fund	2,600	2,717
- from the EU Cohesion Fund	14,728	15,401
- from CEF grant	0	0
Income from non-investment subsidies	0	303
Total	30,289	31,826

23 INCOME FROM SUBSIDIES (cont.)

State Budget subsidies

In 2016 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.

(in thousand EUR)

	Subsidy received in 2009	Subsidy received in 2009	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	6,206	3,077	9,286
As on 31 December 2017	**8,605**	**4,060**	**12,665**

(in thousand EUR)

	Subsidy received in 2009	Subsidy received in 2010	Total
As on 1 January 2016	**14,073**	**6,024**	**20,097**
Recognised part of the subsidy	-2,967	-982	-3,949
As on 31 December 2016	**11,106**	**5,042**	**16,148**
Short-term as on 31 December 2016	2,499	983	3,482
Long-term as on 31 December 2016	8,607	4,059	12,666
As on 31 December 2016	**11,106**	**5,042**	**16,148**

23 INCOME FROM SUBSIDIES (cont.)

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
GR ETCS2	Procurement of ETCS (European Train Control System) Linking Danube

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 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**

(in thousand EUR)

	Subsidy from the EU Structural Funds	Subsidy from the State Budget in combination with EU	Total
As on 1 January 2016	**66,144**	**66,144**	**132,288**
Recognised part of the subsidy	-4,728	-4,728	-9,456
As on 31 December 2016	**61,416**	**61,416**	**122,832**
Short-term as on 31 December 2016	4,715	4,715	9,430
Long-term as on 31 December 2016	56,701	56,701	113,402
As on 31 December 2016	**61,416**	**61,416**	**122,832**

23 INCOME FROM SUBSIDIES (cont.)

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 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**

(in thousand EUR)

	Subsidy from the Cohesion Fund	Subsidy from the State Budget in combination with the Cohesion Fund	Total
As on 1 January 2016	**125,911**	**22,218**	**148,129**
Recognised part of the subsidy	-7,506	-1,325	-8,831
As on 31 December 2016	**118,405**	**20,893**	**139,298**
Short-term as on 31 December 2016	7,506	1,324	8,830
Long-term as on 31 December 2016	110,899	19,569	130,468
As on 31 December 2016	**118,405**	**20,893**	**139,298**

Projekt 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 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.)

(in thousand EUR)

	Subsidy from the Cohesion Fund	Subsidy from the State Budget in combination with the Cohesion Fund	Total
As on 1 January 2016	**5,611**	**991**	**6,602**
Recognised part of the subsidy	-281	-50	-331
As on 31 December 2016	**5,330**	**941**	**6,271**
Short-term as on 31 December 2016	281	50	331
Long-term as on 31 December 2016	5,049	891	5,940
As on 31 December 2016	**5,330**	**941**	**6,271**

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	**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**

(in thousand EUR)

	Subsidy from the Cohesion Fund	Subsidy from the State Budget in combination with the Cohesion Fund	Total
As on 1 January 2016	**6,089**	**1,075**	**7,164**
Drawing	200	35	235
As on 31 December 2016	**6,289**	**1,110**	**7,399**
Short-term as on 31 December 2016	0	0	0
Long-term as on 31 December 2016	6,289	1,110	7,399
As on 31 December 2016	**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.

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 2017	412	73	485
Long-term as on 31 December 2017	700	123	823
As on 31 December 2017	**1,112**	**196**	**1,308**

(in thousand EUR)

	Subsidy from the Cohesion Fund	Subsidy from the State Budget in combination with the Cohesion Fund	Total
As on 1 January 2016	**2,062**	**364**	**2,426**
Drawing	-109	-19	-128
Recognised part of the subsidy	-429	-76	-505
As on 31 December 2016	**1,524**	**269**	**1,793**
Short-term as on 31 December 2016	412	73	485
Long-term as on 31 December 2016	1,112	196	1,308
As on 31 December 2016	**1,524**	**269**	**1,793**

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 2016	**27,129**	**4,788**	**31,917**
Recognised part of the subsidy	-1,797	-317	-2,114
As on 31 December 2016	**25,332**	**4,471**	**29,803**
Short-term as on 31 December 2016	1,797	317	2,114
Long-term as on 31 December 2016	23,535	4,154	27,689
As on 31 December 2016	**25,332**	**4,471**	**29,803**

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 2016	**28,926**	**5,105**	**34,031**
Drawing	0	0	0
Recognised part of the subsidy	-1,797	-317	-2,114
As on 31 December 2016	**27,129**	**4,788**	**31,917**
Short-term as on 31 December 2016	1,797	317	2,114
Long-term as on 31 December 2016	25,332	4,471	29,803
As on 31 December 2016	**27,129**	**4,788**	**31,917**

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 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**

(in thousand EUR)

	Subsidy from the Cohesion Fund	Subsidy from the State Budget in combination with the Cohesion Fund	Total
As on 1 January 2016	**31,180**	**5,502**	**36,682**
Recognised part of the subsidy	-1,472	-260	-1,732
As on 31 December 2016	**29,708**	**5,242**	**34,950**
Short-term as on 31 December 2016	1,472	260	1,732
Long-term as on 31 December 2016	28,236	4,982	33,218
As on 31 December 2016	**29,708**	**5,242**	**34,950**

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%.

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	**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**

(in thousand EUR)

	Subsidy from the Cohesion Fund	Subsidy from the State Budget in combination with the Cohesion Fund	Total
As on 1 January 2016	**23,184**	**4,091**	**27,275**
Recognised part of the subsidy	-1,511	-266	-1,777
As on 31 December 2016	**21,673**	**3,825**	**25,498**
Short-term as on 31 December 2016	1,511	267	1,778
Long-term as on 31 December 2016	20,162	3,558	23,720
As on 31 December 2016	**21,673**	**3,825**	**25,498**

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 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**

(in thousand EUR)

	Subsidy from the Cohesion Fund	Subsidy from the State Budget in combination with the Cohesion Fund	Total
As on 1 January 2016	**1,486**	**263**	**1,749**
Recognised part of the subsidy	-258	-45	-303
As on 31 December 2016	**1,228**	**218**	**1,446**
Short-term as on 31 December 2016	258	45	303
Long-term as on 31 December 2016	970	173	1,143
As on 31 December 2016	**1,228**	**218**	**1,446**

23 INCOME FROM SUBSIDIES (cont.)

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 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**

(in thousand EUR)

	Subsidy from the Cohesion Fund	Subsidy from the State Budget in combination with the Cohesion Fund	Total
As on 1 January 2016	**13,934**	**2,459**	**16,393**
Drawing	1,514	267	1,781
Recognised part of the subsidy	-959	-169	-1,128
As on 31 December 2016	**14,489**	**2,557**	**17,046**
Short-term as on 31 December 2016	959	169	1,128
Long-term as on 31 December 2016	13,530	2,388	15,918
As on 31 December 2016	**14,489**	**2,557**	**17,046**

Project EFD2I: A 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 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.)

(in thousand EUR)

	Subsidy from the Cohesion Fund	Subsidy from the State Budget in combination with the Cohesion Fund	Total
As on 1 January 2016	**4,833**	**853**	**5,686**
Drawing	0	0	0
As on 31 December 2016	**4,833**	**853**	**5,686**
Short-term as on 31 December 2016	0	0	0
Long-term as on 31 December 2016	4,833	853	5,686
As on 31 December 2016	**4,833**	**853**	**5,686**

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 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**

(in thousand EUR)

	Subsidy from the Cohesion Fund	Subsidy from the State Budget in combination with the Cohesion Fund	Total
As on 1 January 2016	**3,377**	**596**	**3,973**
Drawing	1,735	306	2,041
Recognised part of the subsidy	-1,188	-209	-1,397
As on 31 December 2016	**3,924**	**693**	**4,617**
Short-term as on 31 December 2016	497	88	585
Long-term as on 31 December 2016	3,427	605	4,032
As on 31 December 2016	**3,924**	**693**	**4,617**

23 INCOME FROM SUBSIDIES (cont.)

Project GRTAP TSI: On 4 November 2016 a 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 was provided. 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 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**

(in thousand EUR)

	Subsidy from CEF	Total
As on 1 January 2016	**0**	**0**
Drawing	1,535	1,535
Recognised part of the subsidy	0	0
As on 31 December 2016	**1,535**	**1,535**
Short-term as on 31 December 2016	0	0
Long-term as on 31 December 2016	1,535	1,535
As on 31 December 2016	**1,535**	**1,535**

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. 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%.

(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**

23 INCOME FROM SUBSIDIES (cont.)

Projekt GR ETCS Level 2: 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 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 2017	31 December 2016
Insurance of long-term tangible assets	-522	-418
Damage compensation	865	1,074
Revenues from sale of assets and material	476	294
Other net revenues	2,509	2,448
Total	3,328	3,398

25 CONSUMPTION AND SERVICES

(in thousand EUR)

	31 December 2017	31 December 2016
Track access charges	-49,090	-47,455
Repairs and maintenance	-17,052	-14,598
Energy consumption	-30,111	-29,739
Material consumption	-34,155	-32,080
Performance of passenger coaches	-9,898	-9,955
Performance of motive power units	-8,565	-7,926
Shunting	-1,020	-1,110
Cleaning of vehicles, tidying-up, waste removal	-5,147	-5,102
Rental	-4,741	-4,234
Services of Wagon Slovakia	-3,442	-3,391
IT services	-5,764	-6,256
Travelling costs	-2,733	-2,555
Operators' performance	-1,501	-1,285
Costs on replacement bus transport during traffic closures	-1,848	-1,570
Costs related to care of employees	-1,365	-1,717
Mediating commissions	-1,787	-1,817
Services of ŽSR employees	-4,529	-4,407
Costs on audit	-40	-37
of which: costs on audit of the current Financial Statements	-27	-27
Other assurance services	-1,304	-795
Annual reserve on un-billed deliveries	-23	-11
of which: recognition of the environmental reserve	0	0
Other costs	-4,595	-2,643
Spolu	**-188,710**	**-178,683**

Significant items of consumed purchases and services in 2017 include mostly costs on track access charges, and traction energy consumption. 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 2017	31 December2016
Labour costs	-74,875	-72,099
Social security costs	-31,345	-29,736
Total	**-106,220**	**-101,835**

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

(in thousand EUR)

	2017	2016
Current members		
- Board of Directors	34	18
- Supervisory Board	22	20
Former members		
- Board of Directors		15
- Supervisory Board	8	3
Total remunerations:	**64**	**56**

As on 31 December 2017 the number of employees was 5,952 (5,924 as on 31 December 2016), of which 228 managing employees (217 as on 31 December 2016).

The average wage in 2017 amounted to EUR 1,038.24, while in 2016 it was EUR 990.50.

27 DEPRECIATION, AMORTISATION AND IMPAIRMENT OF TANGIBLE ASSETS

(in thousand EUR)

	31 December 2017	31 December 2016
Depreciation	-85,216	-85,340
Residual value of discarded long-term tangible and intangible assets	-441	-630
Impairment of significant spare parts	-218	0
Impairment of other assets	-750	0
Total	**-86,625**	**-85,970**

28 FINANCIAL INCOME

(in thousand EUR)

	31 December 2017	31 December 2016
Yield interests	61	70
Other net financial income	1	3
Total	**62**	**73**

29 FINANCIAL COSTS

(in thousand EUR)

	31 December 2017	31 December 2016
Cost interests	-3,251	-3,427
Bank expenses	-407	-333
Net exchange rate losses	-479	41
Total	**-4,137**	**-3,719**

30 FINANCIAL DERIVATIVES

(in thousand EUR)

	31 December 2017	31 December 2016
Net change in derivative measurement	4,700	5,053
Costs on derivative operations, except for changes in derivative measurements (net)	-4,684	-5,164
Total	**16**	**-111**

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 trans–actions 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 recei–vables 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 2017, 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 FINANCIAL RISK MANAGEMENT (cont.)

	31 December 2017	31 December 2016
O/N, 1M EURIBOR (+/-1%)	+/- 0,511	+/- 0,624
3M, 6M EURIBOR (+/-1%)	+/- 2,607	+/- 2,001

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 2017 and 2016 is as follows:

(in thousand EUR)

	31 December 2017	31 December 2016
Long-term loan resources	278,460	231,596
Short-term loan resources	71,377	110,050
Total available loan resources	**349,837**	**341,646**

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	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**

(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	83,063	148,533	231,596
Trade liabilities and other liabilities	35,717	14,125	0	0	49,842
Short-term loans	5,093	104,956	0	0	110,049
Total as on 31 December 2016	**40,810**	**119,081**	**83,063**	**148,533**	**391,487**

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 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.

31 FINANCIAL RISK MANAGEMENT (cont.)

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.

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 2017	31 December 2016
Long-term financial aid	24 106	24 106
Long-term loans	254 354	207 490
Short-term financial aid	0	22 600
Short-term loans, including short-term part of long-term loans	71 377	87 450
Debt	**349 837**	**341 646**
Shareholders' equity	**139 727**	**143 487**
Indicators of indebtedness (%)	**250%**	**238%**

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 2017 include revenues from concluded long-term contracts on provision of postal services for Železnice Slovenskej republiky.

32 POSTAL SERVICES (cont.)

Operating costs and revenues

(in thousand EUR)

	31 December 2017	31 December 2016
Consumed material	- 2	- 3
Energy consumption	-3	-7
Repairs and maintenance	0	-5
Personnel costs	-126	-284
Depreciation of tangible and intangible assets	-4	-12
Other costs	-20	-57
Total costs	**-155**	**-368**
Revenues from provision of interchangeable postal services	**200**	**423**
Profit (loss)	45	55

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 2017 and 2016:

(in thousand EUR)

	31 December 2017			
Related parties	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

(in thousand EUR)

	31 December 2016			
Related parties	Revenues generated with related parties	Costs on transactions with related parties	Receivables towards related parties	Liabilities towards related parties
ŽSR	469	84,446	83	2,396
ZSSK CARGO	3,584	13,333	443	1,263
EUROFIMA	0	0	0	46,706

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.

33 RELATED PARTIES (cont.)

Statutory body: Board of Directors

Name	Position	From:	Note
Mgr. Filip Hlubocký	Chairman	18/06/2016	
Dipl.-Ing. Patrik Horný	Vice-Chairman	21/06/2016	Member from 18 June 2016 to 20 June 2016
Ing. Karol Martinček	Member	18/06/2016	

Supervisory body: Supervisory Board

Name	Position	From:	Note
Ing. Jaroslav Mikla	Chairman	01/09/2015	till 15 august 2017
Ing. Peter Bartalos	Chairman	20/09/2017	
Mgr. Ladislava Cengelová	Vice-Chairman	09/09/2015	Member from 1 September 2015 to 8 September 2015
Jozef Hlavatý	Member	20/01/2010	
Peter Dubovský	Member	23/01/2015	
Ing. Martin Kapitulík	Member	18/06/2016	till 22 June 2017
Peter Cibula, Mgmt.	Member	18/06/2016	
Ing. Ivan Černega	Member	23/06/2017	

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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