



FINANCIAL STATEMENTS

2020



**ŽELEZNIČNÁ SPOLOČNOSŤ SLOVENSKO
NÁRODNÝ DOPRAVCA**

ŽELEZNIČNÁ SPOLOČNOSŤ SLOVENSKO, a.s.

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

As on 31 December 2020



Železničná spoločnosť Slovensko, a.s.

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As on 31 December 2020

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Bratislava, 5 March 2021

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LIST OF USED ABBREVIATIONS

| | |
|----------------------|--|
| BCC | Bureau Central de Clearing s.c.r.l., Brussels |
| Bdt | Non-air-conditioned passenger coach of 2 nd class |
| Bdgteer | Air-conditioned modernised coach of 2 nd class |
| Coll. | Collection of Laws |
| DMU | Diesel multiple unit |
| EC | European Communities |
| EDU | Electric double-deck unit |
| ETCS | European Train Control System |
| EU | Electric unit |
| EU | European Union |
| EUROFIMA | European Company for the Financing of Railroad Rolling Stock, Basel |
| IAS | International Accounting Standards |
| IASB | International Accounting Standards Board |
| IDIS | Intelligent Transport Information System |
| IFRIC | International Financial Reporting Interpretations Committee |
| IFRS | International Financial Reporting Standards |
| iKVC | Innovated IS for comprehensive handling of passengers |
| MF | Ministry of Finance of the Slovak Republic |
| MTC | Ministry of Transport and Construction of the Slovak Republic |
| NRFC | Non-repayable financial contribution |
| PSC | Public Service Contract |
| SAP, SAP HANA | Economic and information software |
| SW | Software |
| TAP TSI | Telematic application for passenger transport within Trans-European railway system |
| THŮ | Technical and hygienic maintenance |
| ZSSK | Železničná spoločnosť Slovensko, a. s. |
| ZSSK CARGO | Železničná spoločnosť Cargo Slovakia, a. s. |
| ŽOS | Railway coach repair workshop |
| ŽS | Železničná spoločnosť, a. s. |
| ŽSR | Železnice Slovenskej republiky, a. s. |

LIST OF BANK INSTITUTIONS

Československá obchodná banka, a.s. (ČSOB)

Tatra banka, a.s. (TB)

UniCredit Bank Czech Republic and Slovakia, a.s., a foreign bank subsidiary (UCB)

Slovenská sporiteľňa, a.s. (SLSP)

Komerční banka, a.s.

Všeobecná úverová banka, a.s. (VUB)

Poštová banka, a.s.

STATEMENT OF FINANCIAL POSITION

For the year ended on 31 December 2020

| (in thousand EUR) | Note | 31 December 2020 | 31 December 2019 |
|--|----------|---------------------|---------------------|
| ASSETS | | | |
| Long-term assets | | | |
| Long-term tangible assets | 4 | 995,576 | 915,391 |
| Investments into real estates | 4 | 2,343 | 2,600 |
| Long-term intangible assets | 5 | 24,438 | 19,582 |
| Financial lease, IFRS 16 | 6 | 67,913 | 73,388 |
| Financial assets | 7 | 5,648 | 5,616 |
| Other long-term assets | 8 | 277,102 | 331,680 |
| | | 1,373,020 | 1,348,257 |
| Current assets | | | |
| Inventories | 9 | 17,311 | 16,059 |
| Trade receivables and other receivables | 10 | 22,791 | 24,917 |
| Receivables resulting from the Contract on Transport Services in Public Interest | 23 | 128,055 | 104,088 |
| Financial means and financial equivalents | 11 | 1,983 | 3,243 |
| | | 170,140 | 148,307 |
| Held-for-sale assets | 4 | 113 | 0 |
| TOTAL ASSETS | | 1,543,273 | 1,496,564 |
| EQUITY AND LIABILITIES | | | |
| Shareholders' equity | | | |
| Share capital | 12 | 212,441 | 212,441 |
| Statutory reserve fund | 12 | 27,858 | 27,856 |
| Other funds | 12 | -33,622 | -33,622 |
| Re-valuation of employee benefits | 15 | -1,346 | -1,572 |
| Unpaid loss | 12 | -30,206 | -30,232 |
| Loss (profit) in the reporting period | 12 | 10,590 | 28 |
| Total shareholders' equity | | 185,715 | 174,899 |
| Long-term liabilities | | | |
| Long-term financial aid | 13 | 0 | 0 |
| Interest-bearing loans and borrowings | 14 | 305,649 | 286,666 |
| Employee benefits | 15 | 11,152 | 10,202 |
| Reserves | 16 | 6,374 | 6,749 |
| Financial derivatives | 18 | 0 | 0 |
| Financial lease liabilities – long-term IFRS 16 | 6 | 62,799 | 67,881 |
| Deferred tax | 21 | 9,006 | 6,903 |
| Other long-term liabilities | 19 | 642,539 | 680,400 |
| | | 1,037,519 | 1,058,801 |
| Short-term liabilities | | | |
| Short-term financial aid | 13 | 0 | 24,106 |
| Interest-bearing loans and borrowings | 14 | 173,369 | 123,893 |
| Employee benefits | 15 | 1,329 | 1,186 |
| Reserves | 16 | 655 | 18,088 |
| Financial lease liabilities – short-term IFRS 16 | 6 | 7,513 | 7,653 |
| Trade liabilities and other liabilities | 20 | 137,173 | 87,938 |
| | | 320,039 | 262,864 |
| Total liabilities | | 1,357,557 | 1,321,665 |
| TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES | | 1,543,273 | 1,496,564 |

STATEMENT OF COMPREHENSIVE INCOME

For the year ended on 31 December 2020

| (in thousand EUR) | Note | 31 December 2020 | 31 December 2019 |
|---|------|------------------|------------------|
| Income | | | |
| Transport of passengers and related revenues | 22 | 61,082 | 110,060 |
| Compensation for services in the public interest | 23 | 330,950 | 292,969 |
| Income from subsidies | 24 | 33,487 | 30,549 |
| Other net operating (costs) revenues | 25 | 22,521 | 2,961 |
| | | 448,040 | 436,539 |
| Costs and expenses | | | |
| Consumption and services | 26 | -182,986 | -197,214 |
| Personnel costs | 27 | -129,588 | -123,425 |
| Depreciation, amortisation and impairment of tangible assets | 28 | -111,759 | -101,715 |
| Depreciation and amortisation pertaining to financial lease - IFRS 16 | 6 | -7,566 | -7,525 |
| | | -431,899 | -429,879 |
| Financial (costs) revenues | | | |
| Financial income | 29 | 92 | 91 |
| Financial costs | 30 | - 3,282 | -3,855 |
| Interests on lease instalments - IFRS 16 | 30 | -849 | -910 |
| Net financial derivatives | 31 | -7 | 16 |
| | | -4,046 | -4,658 |
| Tax costs | 21 | -1,505 | -1,974 |
| Profit (loss) in the reporting period | | 10,590 | 28 |
| Other comprehensive income: | | | |
| | | 226 | -1,591 |
| Items not to be re-classified as income | | | |
| Re-valuation of employee benefits | | 226 | -1,591 |
| Items that might subsequently be re-classified into income | | 0 | 0 |
| Other comprehensive income in the reporting period | | 226 | -1,591 |
| Total comprehensive income in the reporting period | | 10,816 | -1,563 |

STATEMENT OF CHANGES IN EQUITY

For the year ended on 31 December 2020

| (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 2019 | 212,441 | 24,118 | -33,622 | 19 | -62,696 | 37,376 | 177,636 |
| Recognition of loss of 2018 | 0 | 3,738 | 0 | 0 | 33,638 | -37,376 | 0 |
| Other comprehensive income - 2019 | 0 | 0 | 0 | -1,591 | 0 | 0 | -1,591 |
| Income (costs) of past reporting periods | 0 | 0 | 0 | 0 | -1,174 | 0 | -1,174 |
| Profit (loss) in the reporting period of 2019 | 0 | 0 | 0 | 0 | 0 | 28 | 28 |
| Balance as on 31 December 2019 | 212,441 | 27,856 | -33,622 | -1,572 | -30,232 | 28 | 174,899 |
| Recognition of profit of 2019 | 0 | 2 | 0 | 0 | 26 | -28 | 0 |
| Other comprehensive income - 2020 | 0 | 0 | 0 | 226 | 0 | 0 | 226 |
| Income (costs) of past reporting periods | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Profit (loss) in the reporting period of 2020 | 0 | 0 | 0 | 0 | 0 | 10,590 | 10,590 |
| Balance as on 31 December 2020 | 212,441 | 27,858 | -33,622 | -1,346 | -30,206 | 10,590 | 185,715 |

STATEMENT OF CASH FLOW

For the year ended on 31 December 2020

| (in thousand EUR) | Note | 31 December 2020 | 31 December 2019 |
|---|------|---------------------|---------------------|
| Operating income | | 451,536 | 428,463 |
| Income from main activity | | 101,263 | 143,394 |
| Compensation for services in the public interest | | 306,946 | 264,345 |
| Other income | | 13,808 | 12,895 |
| Income from international clearing | | 2,301 | 2,805 |
| Income from operating loans | | 27,182 | 5,024 |
| Income of the daughter company | | 36 | 0 |
| Operating costs | | -355,243 | -368,308 |
| Costs on material | | -54,936 | -79,395 |
| Costs on services | | -171,608 | -163,691 |
| of which: Track access charges | | -57,304 | -63,026 |
| Wages and other labour costs | | -124,144 | -118,542 |
| Expenses on international clearing | | -4,550 | -6,680 |
| Costs on transferring the share capital to the daughter company | | -5 | 0 |
| Received interests | | 42 | 46 |
| Paid interests | | -108 | -100 |
| Dividends +/- | | 0 | 0 |
| Income tax +/- | | 0 | 0 |
| CASH FLOW FROM OPERATING ACTIVITY | | 96,227 | 60,101 |
| Income from sale of long-term assets | | 10 | 6 |
| State budget subsidies on investments | | 0 | 0 |
| Investment subsidies from EU Structural Funds + State Budget | | 55,839 | 26,794 |
| Returned investment subsidies from EU Structural Funds + State Budget | | 0 | 0 |
| Purchase of long-term assets | | -151,716 | -115,319 |
| CASH FLOW FROM INVESTMENT ACTIVITY | | -95,867 | -88,519 |
| Financial income | | 104,183 | 73,440 |
| Income from bank loans | | 104,107 | 73,150 |
| Income from borrowings | | 0 | 0 |
| Other financial income | | 76 | 290 |
| Financial costs | | -101,889 | -40,939 |
| Costs on bank loans | | -62,737 | -23,715 |
| Costs on instalments of loans | | -24,106 | 0 |
| Costs on settlement of liabilities from leasing | | -6,847 | -6,904 |
| Other financial costs | | -8,199 | -10,320 |
| Paid interests | | -3,914 | -4,356 |
| Interests on leasing under IFRS 16 | | -849 | -910 |
| Other interests | | -3,065 | -3,446 |
| CASH FLOW FROM FINANCIAL ACTIVITY | | -1,620 | 28,145 |
| Net increase (decrease) of financial means and financial equivalents | | -1,260 | -273 |
| Financial means and financial equivalents as on 1 January | 11 | 3,243 | 3,516 |
| Financial means and financial equivalents as on 31 December | 11 | 1,983 | 3,243 |

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 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 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 11 August 2020.

The Financial Statements were prepared on the basis of historic prices. The Financial Statements were prepared in compliance with Article 17a of Act 431/2002 on accounting as amended, for the reporting period starting on 1 January 2020 and ending on 31 December 2020.

These Financial Statements were prepared with the going concern assumption, which fact is supported by the signed Contract on Transport Services in Public Interest (PSC) for the period of 2021 – 2030, concluded on 27 November 2020 with the Slovak Republic represented by MTC, effective as of 1 January 2021, and by the Sub-contract for 2021 to the framework PSC. ZSSK concluded the Contract on Transport Services in Public Interest on the line of Bratislava – Dunajská Streda – Komárno with the Slovak Republic represented by MTC, effective until 31 December 2032.

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

Consolidation

The Company does not prepare consolidated financial statements in terms of Article 22 of Act no. 431/2002 Coll. on accounting as amended.

The Company founded a daughter company ZSSK_THU s.r.o. with a 100-% share owned by ZSSK, entered into the Companies' Register on 8 February 2020. In compliance with Article 22 (12) of Act no. 431/2002 Coll. on accounting, the Company shall prepare the Financial Statements only on its own behalf as the parent reporting entity. The Individual Financial Statements will not have a significant impact on the financial situation, costs, income and business results of the consolidated entity (FS of the parent ZSSK, and FS of the daughter ZSSK_THU).

The Company is part of the Consolidated Financial Statements of public administration under the chapter on Transport, prepared by the Ministry of Finance of the Slovak Republic (MF). The most important transactions entering the consolidation include the relationships with MTC and MF in the area of operating and capital subsidies (notes 22, 23). The consolidation subject does not include capital subsidies from the EU funds. The Company has significant business transactions within the public administration consolidation with ZSSK Cargo and ŽSR. Relationships with other public administration bodies (municipalities, health insurance companies etc.) are insignificant as to their volume.

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

The reporting period is a calendar year.

Declaration of conformity

The Financial Statements were reported in compliance with the International Financial Reporting Standards and all effective IFRS adopted within 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 IFRS 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 2019.

The company has accepted all new and revised standards and interpretations as issued by the International Accounting Standards Board (IASB) and the International Financial Reporting Interpretations Committee (IFRIC) at IASB and as adopted for use within the European Union (EU), and which apply to the Company activities and are effective for the reporting periods starting as of 1 January 2020. The following standards, amendments and interpretations issued by the International Accounting Standards Board and adopted by the EU were applied by the Company for the first time in 2020:

- Amendments to the Conceptual Framework for Financial Reporting (amendments issued on 29 March 2018 and effective for the reporting periods starting on or after 1 January 2020).
- Definition of a Business – amendments to IFRS 3 (issued on 22 October 2018 and effective for acquisitions with the acquisition date on or after the beginning of the annual reporting period beginning on or after 1 January 2020).
- Definition of Materiality – amendments of IAS 1 and IAS 8 (issued on 31 October 2018 and effective for the annual reporting periods starting on or after 1 January 2020).
- Interest Rate Benchmark Reform – amendments to IFRS 9, IAS 39 and IFRS 7 (issued on 26 September 2019 and effective for the annual reporting periods beginning on or after 1 January 2020).

These new standards and amendments have no significant impact on the Financial Statements of the Company.

International Financial Reporting Standards, interpretations and amendments effective after 31 December 2020 that were not prematurely applied by the Company:

- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture – amendments to IFRS 10 and IAS 28 (issued on 11 September 2014 with the effective date to be determined by IASB).
- Classification of Liabilities as Current and Non-current – amendments to IAS 1 (issued on 23 January 2020 and effective for the reporting periods beginning on or after 1 January 2023).
- Definition of a Business – amendments to IFRS 3 (issued on 22 October 2018 and effective for acquisitions with the acquisition date on or after the beginning of the annual reporting period beginning on or after 1 January 2022).
- IFRS 16 Leases – Covid-19-related rent concessions (amendment). The amendment is effective retrospectively from the beginning of the annual reporting period beginning on or after 1 June 2020.
- Interest Rate Benchmark Reform – phase 2 – IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 (amendments).

The effective dates were defined in the standards published by the International Accounting Standards Board. The actual dates when the standards are adopted by the European Union might differ from the dates defined by the standards and will be notified as soon as adopted for application within the European Union.

The Company did not decide on an earlier application of any standard, interpretation or amendment that has been published but has not yet become effective.

The Company has currently been examining the impacts of these standards on its financial statements.

2.1 SIGNIFICANT ACCOUNTING ASSESSMENTS, ESTIMATES AND ASSUMPTIONS

Significant accounting estimates and assumptions

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

Lawsuits

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

Quantification and timing of environmental liabilities

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

Assets impairment

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

Employee benefits and severance pay

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

Depreciation period and residual value of long-term tangible assets

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

Fair value measurement of assets and liabilities according to IFRS 13

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

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

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

Measurement of non-financial items:

in thousand EUR

| Assets | Level 1 | Level 2 | Level 3 |
|------------------------------------|---------|---------|--------------|
| Investment property (IAS 40) | | | 2,343 |
| Assets held for sale (IFRS 5) | | | 0 |
| of which: real estates | | | 0 |
| machines and other moveable assets | | | 113 |
| As on 31 December 2020 | | | 2,456 |

| Assets | Level 1 | Level 2 | Level 3 |
|------------------------------------|---------|---------|--------------|
| Investment property (IAS 40) | | | 2,600 |
| Assets held for sale (IFRS 5) | | | 0 |
| of which: real estates | | | 0 |
| machines and other moveable assets | | | 0 |
| As on 31 December 2019 | | | 2,600 |

Measurement used to derive fair values at Level 3:

Fair value of investments into real estates at Level 3 as on 31 December 2020 amounted to EUR 2,343 thousand (as on 31 December 2019 in the amount of EUR 2,600 thousand).

Fair value of assets held for sale at Level 3 as on 31 December 2020 amounted to EUR 113 thousand (as on 31 December 2019 in the amount of EUR 0 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.

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

Measurement of financial derivatives:
in thousand EUR

| Derivative | Level 1 | Level 2 | Level 3 |
|-------------------------------|---------|---------|----------|
| EUROFIMA IRIS (NOMURA) | | | 0 |
| As on 31 December 2020 | | | 0 |

The derivative EUROFIMA IRIS (NOMURA) was paid off on 7 December 2020 together with fees and interests.

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 carry-forward of unused tax losses to the extent that it is probable that future taxable profit will enable to redeem these deductible temporary differences and unused tax losses carried forward.

3 SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES

a) Presentation currency

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

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

b) Tangible assets

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

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

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

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

c) Intangible assets

Intangible assets are reported in their acquisition prices, after deduction of adjustments and accumulated impairment. Assets are depreciated evenly during their lifespan (2 - 5 years).

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

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

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 will be recovered sooner 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.

3 SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (cont.)

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 bought inventories include the purchase price of inventories and costs related to their acquisition (transport costs, insurance, duty, commissions, excise tax). Weighted average method is used to calculate the acquisition price.

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

f) Impairment of non-financial assets

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

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

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

The amount is reported in the Comprehensive Income. After such recognition, depreciation is adjusted in the future periods 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 IFRS 9 where the four following categories of financial assets are distinguished.

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

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

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

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

Loans and receivables

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

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 Transport Services in Public Interest" 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.

3 SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (cont.)

Impairment of financial assets

In terms of IFRS 9 the Company made use of the simplified model in determining impaired receivables. ZSSK made use of a matrix for allowances in order to determine the allowances to receivables as on 31 December 2020. The matrix is based on historic information about trade and other receivables and costs on these liabilities by bank transfer or set-off in the period of 3 years (2017, 2018, 2019). The matrix helped to calculate the historic rate of loss in individual due periods of receivables. The amount of open items of customers as on 31 December 2020 according to individual due periods was recalculated through the historic rate of loss. The historic rate of loss will be updated as on each reporting date.

Assets measured in amortised costs

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

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

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

Financial assets available for sale

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

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

h) Financial liabilities

Initial recognition and measurement

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

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

Subsequent measurement

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

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

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

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

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

Financial liabilities measured at amortised costs

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

Loans and financial aid

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

Trade liabilities and other liabilities

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

i) Offsetting of financial instruments

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

j) Fair value of financial instruments

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

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (cont.)

k) Financial derivatives

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

Deposited derivatives are separated from the fundamental contract and are treated as separate derivatives if the following conditions are met:

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

Hedging

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

Classification of derivative instruments into short and long-term

Financial derivatives are classified as short-term and long-term or divided into a short-term and long-term part pursuant to assessment of the facts and circumstances (i.e. underlying contractual cash flow).

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

l) Financial means and financial equivalents

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

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

m) Employee benefits

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

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

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

Reserve for severance pay

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

n) Reserves

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

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

Reserve on lawsuits

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

Reserve for costs on the environment protection

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

o) Reporting of revenues

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

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

A contract is considered a lease when it includes a lease, if such contract transfers the right to use the identified assets for a certain time period in exchange of a consideration. The Company takes into account the business terms and conditions of the contracts and all relevant facts and circumstances. The Company applies the assessment conditions in a consistent way to contracts with similar features and concluded under similar circumstances.

3 SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (cont.)

Lessee

In case of a contract containing a lease element and one or several other lease or other elements, the Company allocates a consideration in the contract to every lease elements on the basis of a proportionate separate price of the lease element and an overall separate price of other-than-lease elements.

As on the beginning date, the Company reports the asset with the right of use and a lease liability. As on the beginning date, the asset with the right of use is measured at its acquisition price. The acquisition price of an asset with the right of use includes:

- a) the amount of the initial measurement of the lease liability;
- b) all leasing instalments paid before or on the beginning date, reduced by all received leasing stimuli;
- c) all initial direct costs incurred by the lessee;
- d) estimated costs incurred by the Company even in case of division and removal of the underlying asset and in case of renewal of the place of its location, or in case of returning of the underlying asset into the state required by the lease terms and conditions, if such costs are not incurred with the aim of reserves.

As on the beginning date, the lease liability is measured by the present value of the leasing instalments not paid as on this date. The leasing instalments are discounted by the implicit interest rate of the lease.

If the ownership of the underlying asset is transferred to the Company at the end of the lease period, or if the acquisition price of the asset with the right of use reflects the fact that the Company will exercise its option to purchase, the Company depreciates the asset with the right of use as of the beginning date until the end of the period of use of the underlying asset. Otherwise, the Company depreciates the asset with the right of use as of the beginning date until the earliest date - the end of the period of use of the asset with the right of use or the end of the lease period. In case of assets with unlimited lease period, the depreciation period was determined as 40 years in case of operating premises, and 30 years in case of administrative premises.

Lessor

The Company classifies each lease either as an operating lease or financial lease.

Lease is classified as financial lease if, in substance, all risks and remunerations resulting from ownership of the underlying asset are transferred through the lease. Lease is classified as operating lease if, in substance, all risks and remunerations resulting from ownership of the underlying asset are not transferred through the lease. The Company assesses whether lease is financial or operating based rather on the transaction nature than on the contractual form.

The main criteria of lease classification as financial lease include:

- a) at the end of the lease period, the ownership of the underlying asset is transferred through the lease to the lessee;
- b) lessee has an option to purchase the underlying asset for the price that is expected to be substantially lower than the fair value as on the date the option becomes exercisable so that at its beginning it is sufficiently clear that the option is to be exercised;
- c) the lease period is for the substantial part of the economic lifespan of the underlying asset, even if the ownership right is not to be transferred;
- d) at the beginning date, the present value of leasing instalments equals – at least in its substance – the whole fair value of the underlying asset, and
- e) the underlying asset is of such a specific nature that only the lessee is able to use it without major modifications.

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

In case of a contract containing a lease element and one or several other lease or non-lease elements, the lessor allocates a consideration in the contract, divided into yields pursuant to IFRS 15 – Revenue.

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 on Transport Services in Public Interest 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, in which they are expected to be settled with the tax administrator. Payable tax is calculated pursuant to tax rates enacted as on the balance-sheet date.

Deferred tax

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

Deferred tax liability is reported for all taxable temporary differences.

Deferred tax liabilities are recognised in case of all deductible temporary differences, the carry-forward of unused tax losses 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 losses 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 at tax rates assumed to be applied in the period when the asset is realised or the liability is paid, based on tax rates (and tax laws) enacted as on the balance-sheet date.

4 LONG-TERM TANGIBLE ASSETS

| in thousand EUR | Acquisition price | | | | | Cumulated adjustments | | | | | Residual value as on 31 December 2020 |
|---|----------------------|-----------|-----------|-----------|------------------------|-----------------------|--------------------------|-----------|-----------|------------------------|---------------------------------------|
| | As on 1 January 2020 | Additions | Disposals | Transfers | As on 31 December 2020 | As on 1 January 2020 | Additions to adjustments | Disposals | Transfers | As on 31 December 2020 | |
| Lands and buildings | 71.841 | 1.168 | 164 | 6.518 | 79.363 | 21.927 | 3.892 | 115 | -15 | 25.689 | 53.674 |
| of which: impairment loss | 0 | | | | 0 | 0 | | | | 0 | |
| Transport vehicles | 1.440.399 | 149.155 | 17.988 | 17.255 | 1.588.821 | 667.726 | 95.845 | 13.309 | -4.685 | 745.577 | 843.244 |
| of which: impairment loss | 0 | | | | | 0 | | | | 0 | |
| Plants, equipment and other assets | 45.810 | 3.474 | 3.980 | 3.835 | 49.139 | 28.762 | 3.874 | 3.725 | -3 | 28.908 | 20.231 |
| of which: impairment loss | 0 | | | | 0 | 1.124 | | 906 | | 218 | |
| Unfinished investments | 41.200 | 15.749 | 214 | -18.347 | 38.388 | 0 | | | | 0 | 38.388 |
| Provided pre-payments | 34.556 | 19.303 | | -13.820 | 40.039 | 0 | | | | 0 | 40.039 |
| Total long-term tangible assets | 1.633.806 | 188.849 | 22.346 | -4.559 | 1.795.750 | 718.415 | 103.611 | 17.149 | -4.703 | 800.174 | 995.576 |
| IAS 40 | 2.988 | | | -239 | 2.749 | 388 | | | 18 | 406 | 2.343 |
| IFRS 5 | 0 | | | 4.798 | 4.798 | 0 | | | 4.685 | 4.685 | 113 |

| in thousand EUR | Acquisition price | | | | | Cumulated adjustments | | | | | Residual value as on 31 December 2019 |
|---|----------------------|-----------|-----------|-----------|------------------------|-----------------------|--------------------------|-----------|-----------|------------------------|---------------------------------------|
| | As on 1 January 2019 | Additions | Disposals | Transfers | As on 31 December 2019 | As on 1 January 2019 | Additions to adjustments | Disposals | Transfers | As on 31 December 2019 | |
| Lands and buildings | 66.957 | 3.260 | 79 | 1.703 | 71.841 | 17.510 | 4.444 | 27 | | 21.927 | 49.914 |
| of which: impairment loss | 0 | | | | 0 | 0 | | | | 0 | |
| Transport vehicles | 1.361.478 | 83.963 | 12.388 | 7.346 | 1.440.399 | 588.626 | 88.759 | 10.004 | 345 | 667.726 | 772.673 |
| of which: impairment loss | 0 | | | | 0 | 0 | | | | 0 | |
| Plants, equipment and other assets | 42.670 | 3.511 | 435 | 64 | 45.810 | 25.937 | 3.578 | 411 | -342 | 28.762 | 17.048 |
| of which: impairment loss | 0 | | | | 0 | 1.527 | | 58 | -345 | 1.124 | |
| Unfinished investments | 26.808 | 18.388 | 0 | -3.996 | 41.200 | 0 | | | | 0 | 41.200 |
| Provided pre-payments | 32.076 | 7.592 | 0 | -5.112 | 34.556 | 0 | | | | 0 | 34.556 |
| Total long-term tangible assets | 1.529.989 | 116.714 | 12.902 | 5 | 1.633.806 | 632.073 | 96.781 | 10.442 | 3 | 718.415 | 945.391 |
| IAS 40 | 2.996 | | 3 | -5 | 2.988 | 393 | | 2 | -3 | 388 | 2.600 |
| IFRS 5 | 2.466 | | 2.466 | | 0 | 2.466 | | 2.466 | | 0 | 0 |

4 LONG-TERM TANGIBLE ASSETS (CONT.)

The category of Lands and Buildings includes operation and administrative buildings, customer centres, dressing rooms for train crews, depots, warehouses and track yards, together with underground services in the amount of EUR 53,674 thousand. Rolling stock in the amount of EUR 843,244 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 20,231 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 13,959 thousand, the project documentation and costs on reconstruction of locomotive depots of EUR 3,689 thousand and reconstruction of the locomotive depot in Vrútky in the amount of EUR 9,810 thousand. The most significant items of machines and equipment include procurement of hardware and software for backup data centre in the amount of EUR 454 thousand, procurement of two bridge cranes in the amount of EUR 445 thousand, and procurement of ticket-selling devices in the amount of EUR 3,997 thousand. Other items include diesel multiple unit no. 10 in the amount of EUR 3,370 thousand. Another item includes costs on started internal rolling-stock capitalisation in the amount of EUR 1,506 thousand.

As on 31 December 2020, advance payments were made concerning new multiple-unit sets for the cog railway in the amount of EUR 12,593 thousand, where procurement of cog units is co-financed from the EU funds under EFD5. Furthermore, advance payments were made on delivery of diesel multiple-unit sets under EFD4 project in the amount of EUR 3,370 thousand and electric units in the amount of EUR 23,287 thousand.

As on 31 December 2020, the Company carried out a comprehensive test of asset impairment in line with IAS 36 at the level of the cash-generating unit. The test included examination of the condition and use of assets, which resulted in asset impairment in the amount of EUR 218 thousand as on 31 December 2020. 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

Based on the decision of the Board of Directors of ZSSK of 30 December 2020, the assets held for sale as on 31 December 2020 include vehicles in the amount of EUR 113 thousand that were sold in 2021. The asset division is presented in the following table:

(in thousand EUR)

| Class | Title | As on 31 December 2020 | As on 31 December 2019 |
|-----------|------------------------|------------------------|------------------------|
| 10 | Buildings | 0 | 0 |
| 20 | Constructions | 0 | 0 |
| 30 and 40 | Machines and equipment | 0 | 0 |
| 60 | Transport vehicles | 113 | 0 |
| 70 | Inventory | 0 | 0 |
| 90 | Real estate/lands | 0 | 0 |
| | Total | 113 | 0 |

4 LONG-TERM TANGIBLE ASSETS (cont.)

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

| (in thousand EUR) | Amount |
|---|----------|
| Sale | 0 |
| Total revenues | 0 |
| Profit from assets held for sale | 0 |

Investments into real estates

There were no changes in the fair value of real estates reported pursuant to IAS 40 as on 31 December 2020.
(in thousand EUR)

| Rented assets | As on 31 December 2020 | As on 31 December 2019 |
|---|------------------------|------------------------|
| Track yard in Bratislava | 17 | 17 |
| Building and premises of the locomotive depot in Bratislava | 0 | 128 |
| Building and land site in Nové Zámky | 5 | 0 |
| Track yard in Trnava | 83 | 83 |
| Track yard in Žilina | 15 | 17 |
| Building at Stromová, Košice | 81 | 83 |
| Land in Štrba | 6 | 6 |
| Track yard at the locomotive depot in Humenné | 31 | 31 |
| Humenné Staničná | 53 | 0 |
| Kitchen at the locomotive depot in Košice | 5 | 4 |
| Stable washer in Zvolen | 26 | 26 |
| Indoor washer in Bratislava | 1,073 | 944 |
| Bratislava Rožňavská | 17 | 0 |
| Repair workshops in Vrútky | 382 | 382 |
| Buildings and lands at Podkolíbská, Bratislava | 255 | 585 |
| Buildings and lands at Jesenského, Zvolen | 294 | 294 |
| Total | 2,343 | 2,600 |

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

| (in thousand EUR) | Amount |
|------------------------------------|------------|
| Taxes (on lands and constructions) | 36 |
| Other costs (repairs, maintenance) | 1 |
| Total costs | 37 |
| Lease | 213 |
| Total revenues | 213 |
| Income from property | 176 |

The manner and value of long-term assets insurance

The Company insured the significant long-term assets based on the following insurance policies:

Insurance policy with ČSOB Poistovňa, a.s. no. 8093225943 concerning insurance of fuelling stations and insurance of inventories was concluded for the period from 1 January 2019 to 31 December 2022. The total insured value for the insurance period amounts to EUR 56 thousand.

Fleet insurance policy with ALLIANZ-Slovenská poisťovňa, a.s. no. 7710049405 concerning insurance of trucks and trailers – "Moje auto KASKO" (accident insurance of service vehicles) was concluded for the period from 1 January 2020 to 31 December 2023. The total insured value for the insurance period amounts to EUR 142 thousand.

Insurance policy with PREMIUM Insurance Company Limited no. 4600003847/VS/2018 concerning insurance of rolling stock was concluded for the period from 1 November 2018 to 31 October 2021. The insured value for one insurance period (one technical year) amounts to EUR 2,473 thousand.

5 LONG-TERM INTANGIBLE ASSETS

| in thousand EUR | Acquisition price | | | | | Cumulated adjustments | | | | Residual value as on 31 December 2020 |
|------------------------|----------------------|--------------|------------|-----------|------------------------|-----------------------|--------------------------|-----------|-----------|---------------------------------------|
| | As on 1 January 2020 | Additions | Disposals | Transfers | As on 31 December 2020 | As on 1 January 2020 | Additions to adjustments | Disposals | Transfers | As on 31 December 2020 |
| Intangible assets | 35.141 | 1.412 | | 11.804 | 48.357 | 29.537 | 3.417 | | | 32.954 |
| Unfinished investments | 13.978 | 7.352 | 492 | -11.811 | 9.027 | 0 | 0 | | | 0 |
| Provided pre-payments | 0 | 1 | | 7 | 8 | 0 | 0 | | | 0 |
| Total | 49.119 | 8.765 | 492 | 0 | 57.392 | 29.537 | 3.417 | 0 | 0 | 32.954 |
| | | | | | | | | | | 15.403 |
| | | | | | | | | | | 9.027 |
| | | | | | | | | | | 8 |
| | | | | | | | | | | 24.438 |

| in thousand EUR | Acquisition price | | | | | Cumulated adjustments | | | | Residual value as on 31 December 2019 |
|------------------------|----------------------|--------------|--------------|-----------|------------------------|-----------------------|--------------------------|-----------|-----------|---------------------------------------|
| | As on 1 January 2019 | Additions | Disposals | Transfers | As on 31 December 2019 | As on 1 January 2019 | Additions to adjustments | Disposals | Transfers | As on 31 December 2019 |
| Intangible assets | 33.795 | 253 | | 1.093 | 35.141 | 27.041 | 2.496 | | | 29.537 |
| Unfinished investments | 7.197 | 8.941 | 1.067 | -1.093 | 13.978 | 0 | 0 | | | 0 |
| Provided pre-payments | 0 | | | | 0 | 0 | 0 | | | 0 |
| Total | 40.992 | 9.194 | 1.067 | 0 | 49.119 | 27.041 | 2.496 | | | 29.537 |
| | | | | | | | | | | 5.604 |
| | | | | | | | | | | 13.978 |
| | | | | | | | | | | 0 |
| | | | | | | | | | | 19.582 |

The most significant items in the category of intangible assets is represented by SAP 4/HANA software in the amount of EUR 9,585 thousand, SW licences for IKVC of EUR 1,137 thousand, SW licences to support the integration platform of EUR 1,188 thousand, SW for operation management in the amount of EUR 656 thousand, and SW for information safety of the operation and electronic services of EUR 612 thousand. SW for ASW POP ticket-selling in the amount of EUR 452 thousand.

The unfinished investments include the following most significant items: procurement of SW for TAP TSI project co-financed from a grant, software functionality extension for SAP 4/HANA in the amount of EUR 249 thousand, ORACLE licences of EUR 480 thousand, SW prototype for IAM of EUR 248 thousand and SW for TIF infrastructure of EUR 264 thousand.

6 LEASES – IFRS 16

| in thousand EUR | Acquisition price | | | | | Cumulated adjustments | | | | Residual value as on 31 December 2020 |
|---|----------------------|--------------|------------|-----------|------------------------|-----------------------|--------------------------|------------|-----------|---------------------------------------|
| | As on 1 January 2020 | Additions | Disposals | Transfers | As on 31 December 2020 | As on 1 January 2020 | Additions to adjustments | Disposals | Transfers | As on 31 December 2020 |
| The right to use the asset under IFRS16 | 80,674 | 2,091 | 285 | | | 82,480 | 7,286 | 100 | | 14,567 |
| of which: Transport vehicles | 55,833 | 1,191 | | | | 57,024 | 6,052 | 6,214 | | 12,266 |
| Lands and buildings | 24,841 | 900 | 285 | | | 25,456 | 1,234 | 100 | | 2,301 |
| Unfinished investments | 0 | | | | | 0 | 0 | | | 0 |
| Total | 80,674 | 2,091 | 285 | 0 | 82,480 | 7,286 | 7,381 | 100 | 0 | 14,567 |

| in thousand EUR | Acquisition price | | | | | Cumulated adjustments | | | | Residual value as on 31 December 2020 |
|---|----------------------|---------------|------------|-----------|------------------------|-----------------------|--------------------------|-----------|-----------|---------------------------------------|
| | As on 1 January 2019 | Additions | Disposals | Transfers | As on 31 December 2019 | As on 1 January 2019 | Additions to adjustments | Disposals | Transfers | As on 31 December 2019 |
| The right to use the asset under IFRS16 | 0 | 81,610 | 936 | | | 80,674 | 0 | 7,290 | 4 | 7,286 |
| of which: Transport vehicles | 0 | 56,524 | 691 | | | 55,833 | 0 | 6,052 | 0 | 6,052 |
| Lands and buildings | 0 | 25,086 | 245 | | | 24,841 | 0 | 1,238 | 4 | 1,234 |
| Unfinished investments | 0 | | | | | 0 | 0 | | | 0 |
| Total | 0 | 81,610 | 936 | 0 | 80,674 | 0 | 7,290 | 4 | 0 | 7,286 |

6 LEASES – IFRS 16 (cont.)

The new standard IFRS 16 Leases became effective as of 1 January 2019, replacing the original IAS 17 Leases. Based on this fact, the Company revaluated all lease contracts and recognised acquisition of the right from asset use, liabilities from leases and differences in measurement of the asset and the liability from lease in the results of past periods. The Company applied an exception from the standard in case of short-term leases and leases with a low-value assets up to EUR 5 thousand. At the same time, given the scope of lease contracts, an internal directive determined that if the calculated lease liability does not exceed EUR 15 thousand, the Company will not report it as a lease. Variable instalments related to indexation are reported as part of leases. The Company does not recognise other variable instalments that were not part of lease measurement.

When shifting to IFRS 16 Leases, the Company chose a modified retrospective approach, i.e. a lease liability is measured at present value of unpaid lease instalments, discounted by the incremental interest rate as on the date of the shift, i.e. 1 January 2019, where the asset was measured as if it was reported under IFRS 16 since the lease beginning, using the interest rate effective on 1 January 2019 and reduced by depreciation as on the shift date.

Leases are divided into two main groups according to the underlying asset, namely: rolling stock, and land and buildings. The most significant item under rolling stock is lease of 10 electric motive power units Vectron in the amount of EUR 44,590 thousand and 3 multiple-unit sets of 813/913 series in the amount of EUR 164 thousand. The lands and buildings include premises for ticket sale in the amount of EUR 228 thousand; another significant item is lease of the Company headquarters in Rožňavská 1 in Bratislava in the amount of EUR 1,322 thousand, lands and track yard for light-maintenance centre in Zvolen of EUR 1,960 thousand, the coach repair workshop premises in Bratislava in the amount of EUR 1,316 thousand, the social and operating facilities of the coach repair workshop in Zvolen in the amount of EUR 1,105 thousand and the operating building of a station for technical inspections in Bratislava-Nové Mesto of EUR 749 thousand. Other leases concern operating and administrative buildings, depots, offices, customer centres and overnight accommodation for train and locomotive crews.

Depreciation and amortisation pertaining to financial lease

| (in thousand EUR) | 31 December 2020 | 31 December 2019 |
|---|------------------|------------------|
| Depreciation | -7,381 | -7,290 |
| Residual value of discarded right to use assets | -185 | -235 |
| Total | -7,566 | -7,525 |

| (in thousand EUR) | 31/12/2020 | 31/12/2021 | 31/12/2022 | 31/12/2023 |
|---|--------------|--------------|--------------|--------------|
| IAS 17 (operating lease) | 146 | 146 | 146 | 146 |
| IFRS 16 (balance-sheet model) | | | | |
| Lease liability (short-term part) | 7,513 | 6,857 | 6,748 | 6,795 |
| Lease liability (long-term part) | 62,799 | 55,942 | 49,194 | 42,399 |
| Right to use the asset | 67,913 | 60,815 | 53,921 | 47,065 |
| Cost interests | 849 | 768 | 689 | 607 |
| Depreciation of the right to use the asset | 7,381 | 7,098 | 6,894 | 6,856 |

7 FINANCIAL ASSETS

| (in thousand EUR) | Number of shares (pieces) | Participation in the equities in % | Financial assets | |
|-------------------|---------------------------|------------------------------------|------------------------|------------------------|
| | | | as on 31 December 2020 | As on 31 December 2019 |
| Eurofima | 1,300 | 0.50 % | 5,642 | 5,615 |
| BCC | 1 | 0.68 % | 1 | 1 |
| ZSSK THU, s.r.o. | | 100 % | 5 | 0 |
| Total | x | x | 5,648 | 5,616 |

The Company holds an ownership interest with insignificant influence in Eurofima and BCC. The daughter company ZSSK THU, s.r.o. with a 100-% share of the Company as its sole founder was entered into the Companies' Register on 8 February 2020.

8 OTHER LONG-TERM ASSETS

| (in thousand EUR) | 31 December 2020 | 31 December 2019 |
|--|------------------|------------------|
| Trade receivables | 52 | 134 |
| Other long-term receivables | 126 | 126 |
| Receivables from subsidies granted on investments (EU funds) | 276,924 | 331,420 |
| Total | 277,102 | 331,680 |

9 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 |
|--------------------------|-------------------|--|-------------------|--|
| | 2020 | 2020 | 2019 | 2019 |
| Total material | 20,755 | 16,814 | 17,019 | 15,534 |
| Fuel in tank | 265 | 265 | 297 | 297 |
| Other inventories | 271 | 232 | 267 | 228 |
| Total inventories | 21,291 | 17,311 | 17,583 | 16,059 |

No right of lien was established regarding the procured inventories.

10 TRADE RECEIVABLES AND OTHER RECEIVABLES

| (in thousand EUR) | 31 December 2020 | 31 December 2019 |
|--|------------------|------------------|
| Short-term trade receivables | 7,521 | 9,396 |
| Tax receivable (excessive VAT deduction, excise tax) | 17,396 | 15,044 |
| Receivables from subsidies granted on investments (EU funds) | -2,617 | 0 |
| Other receivables | 2,385 | 2,127 |
| | 24,685 | 26,567 |
| Allowances to trade receivables and other receivables | -1,894 | -1,650 |
| | 22,791 | 24,917 |

Receivables after maturity date amounted to EUR 3,686 thousand as on 31 December 2020 (EUR 2,440 thousand as on 31 December 2019).

An inspection of EFD2F project resulted in an obligation of ZSSK to return a part of the subsidy in the amount of EUR 2,617 thousand.

Trade receivables are interest-free and in general payable within 14 – 90 days.

Information on receivables from related parties are stated under note 34.

Analysis of receivables pursuant to maturity as on 31 December 2020 is as follows:

| Year | Total | Within maturity and without an adjusting entry | After maturity and without an adjusting entry | | | | | |
|-------------|---------------|--|---|---------------|----------------|----------------|----------------|------------|
| | | | 0 - 90 days | 91 – 120 days | 121 – 150 days | 151 – 180 days | 181 – 360 days | > 361 days |
| 2020 | 24,685 | 20,999 | 1,361 | 38 | 12 | 38 | 184 | 2,053 |
| 2019 | 26,567 | 24,127 | 223 | 27 | 133 | 4 | 491 | 1,562 |

11 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 2020 | 31 December 2019 |
|--|------------------|------------------|
| Financial means in cash register and financial equivalents | 239 | 218 |
| Financial means in banks | 1,744 | 3,025 |
| Total | 1,983 | 3,243 |

Financial means in banks bear interest pursuant to variable interest rates, consisting of a margin and EURIBOR rate. EUROBOR rate is negative and, in terms of the contractual conditions it equals "zero", therefore, the bank overdrafts bear interest at the margin level.

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

Bank overdrafts as on 31 December are as follows:

| (in thousand EUR) | 31 December 2020 | 31 December 2019 |
|---|--------------------------|--------------------------|
| | Principal balance | Principal balance |
| Československá obchodná banka, a.s. | 285 | 7,498 |
| Tatra banka, a.s. | 294 | 5,799 |
| UniCredit Bank Czech Republic and Slovakia a.s. | 12,299 | 17,651 |
| Všeobecná úverová banka, a.s. | 368 | 209 |
| Total | 13,246 | 31,157 |

12 SHAREHOLDERS' EQUITY

Share capital

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

Statutory reserve fund

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

Other funds

Other funds represent the difference between the value of assets and liabilities deposited by the State when the Company was founded and by an additional investment in October 2005, and the share capital and statutory reserve fund. In 2013, retrospectively as on 1 January 2012 and due to application of an amendment to IAS 19, the other funds were adjusted by a liability of the Company from long-term schemes of employee benefits, recognised and reported into the equity.

The amount of the Company's liability from long-term schemes of employee benefits pursuant to IAS 19 as on 31 December 2020 which were reported into the equity is EUR 1,346 thousand (EUR 1,572 thousand as on 31 December 2019).

Settlement of the business result from the previous accounting period

Settlement of profit in the amount of EUR 28 thousand for the accounting period of 2019 was adopted by the General Assembly, which decided on 11 August 2020 to divide the profit by transferring a part into the statutory reserve fund in the amount of EUR 3 thousand and by reducing the loss of past years on account 429 – Unpaid loss of previous years in the amount of EUR 25 thousand.

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

13 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 2020:

| <i>(in thousand EUR)</i> | Currency | Amount | Maturity | Hedging |
|-------------------------------------|----------|----------|-----------|---------------|
| Eurofima VIII.B (Contract no. 2731) | EUR | 0 | 29/9/2020 | rolling stock |
| Eurofima IX. A (Contract no. 2753) | EUR | 0 | 29/9/2020 | rolling stock |
| Total | | 0 | | |
| Short-term part | | 0 | | |
| Long-term part | | 0 | | |

13 FINANCIAL AID (cont.)

As on 31 December 2019:

| (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 | | 24,106 | | |
| Long-term part | | 0 | | |

All financial aid bears interest at variable interest rate in the scope from -0.435 % p.a. to 0.069 % (from -0.435 % p.a. to 0.161 % p.a. in 2019).

14 INTEREST-BEARING LOANS AND BORROWINGS

As on 31 December 2020:

| Long-term loans | Currency | Amount in foreign currency | Principal balance in thousand EUR | Maturity | Hedging |
|--|----------|----------------------------|-----------------------------------|------------|------------|
| Tatra banka, a.s. | EUR | | 18,888 | 31/12/2023 | No hedging |
| Tatra banka, a.s. | EUR | | 50,000 | 31/12/2027 | 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 | | 5,890 | 30/6/2022 | No hedging |
| VUB, a.s. | EUR | | 0 | 24/3/2020 | No hedging |
| VUB, a.s. | EUR | | 22,191 | 22/12/2024 | No hedging |
| UCB, a.s. | EUR | | 39,725 | 31/12/2025 | No hedging |
| UCB, a.s. | EUR | | 54,128 | 31/12/2026 | No hedging |
| UCB, a.s. | EUR | | 30,000 | 31/03/2027 | No hedging |
| UCB, a.s. | EUR | | 24,106 | 31/10/2027 | No hedging |
| Total long-term loans | | | 390,772 | | |
| Short-term part of loans and borrowings | | | 85,123 | | |
| Long-term part of loans and borrowings | | | 305,649 | | |

| Short-term loans | Currency | Amount in foreign currency | Principal balance in thousand EUR | Maturity | Hedging |
|--|----------|----------------------------|-----------------------------------|--|------------|
| UniCredit Bank Czech Republic and Slovakia a. s., subsidiary of a foreign bank | EUR | | 30,000 | without final maturity date: (3-month notice period) | No hedging |
| Všeobecná úverová banka, a.s. | EUR | | 25,000 | without final maturity date: (3-month notice period) | No hedging |
| Tatra banka, a.s. | EUR | | 20,000 | without final maturity date: (3-month notice period) | No hedging |
| Total short-term loans | | | 75,000 | | |
| Short-term part of loans and borrowings (see above) | | | 85,123 | | |
| Bank overdrafts (note 11) | | | 13,246 | | |
| Total short-term loans and borrowings | | | 173,369 | | |

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 479,018 thousand (EUR 410,559 thousand as on 31 December 2019).

All interest-bearing loans and borrowings bear interest at variable or fixed interest rate in the scope from 0.04 % p.a. to 1.85 % p.a. (from 0.05 % p.a. to 1.85 % p.a. in 2019).

As on 31 December 2019:

| Long-term loans | Currency | Amount in foreign currency | Principal balance in thousand EUR | Maturity | Hedging |
|--|----------|----------------------------|-----------------------------------|------------|------------|
| Tatra banka, a.s. | EUR | | 25,184 | 31/12/2023 | 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 | | 9,816 | 30/6/2022 | No hedging |
| VUB, a.s. | EUR | | 30,000 | 24/3/2020 | No hedging |
| VUB, a.s. | EUR | | 27,739 | 22/12/2024 | No hedging |
| UCB, a.s. | EUR | | 47,669 | 31/12/2025 | No hedging |
| UCB, a.s. | EUR | | 63,150 | 31/12/2026 | No hedging |
| Total long-term loans | | | 349,402 | | |
| Short-term part of loans and borrowings | | | 62,736 | | |
| Long-term part of loans and borrowings | | | 286,666 | | |

14 INTEREST-BEARING LOANS AND BORROWINGS (cont.)

| Short-term loans | Currency | Amount in foreign currency | Principal balance in thousand EUR | Maturity | Hedging |
|--|----------|----------------------------|-----------------------------------|--|------------|
| UniCredit Bank Czech Republic and Slovakia a. s., subsidiary of a foreign bank | EUR | | 30,000 | without final maturity date: (3-month notice period) | No hedging |
| Total short-term loans | | | 30,000 | | |
| Short-term part of loans and borrowings (see above) | | | 62,736 | | |
| Bank overdrafts (note 11) | | | 31,157 | | |
| Total short-term loans and borrowings | | | 123,893 | | |

15 EMPLOYEE BENEFITS

| (in thousand EUR) | Bonuses at retirement | Contributions at life anniversaries | Compensatory contribution in case of invalidity | Total |
|-----------------------------------|-----------------------|-------------------------------------|---|---------------|
| As on 1 January 2020 | 8,868 | 2,146 | 374 | 11,388 |
| Costs on present services | 283 | 84 | 0 | 367 |
| Interest costs | 112 | 27 | 5 | 144 |
| Actuarial profit and loss | 1,217 | 98 | 43 | 1,358 |
| Paid benefits | -523 | -231 | -77 | -831 |
| Costs on past services | 0 | 0 | 55 | 55 |
| As on 31 December 2020 | 9,957 | 2,124 | 400 | 12,481 |
| Short-term as on 31 December 2020 | 1,027 | 237 | 65 | 1,329 |
| Long-term as on 31 December 2020 | 8,930 | 1,887 | 336 | 11,152 |
| As on 31 December 2020 | 9,957 | 2,124 | 400 | 12,481 |

| (in thousand EUR) | Bonuses at retirement | Contributions at life anniversaries | Compensatory contribution in case of invalidity | Total |
|-----------------------------------|-----------------------|-------------------------------------|---|---------------|
| As on 1 January 2019 | 9,134 | 2,144 | 495 | 11,773 |
| Costs on present services | 293 | 81 | 0 | 374 |
| Interest costs | 170 | 40 | 9 | 219 |
| Actuarial profit and loss | -187 | 95 | -97 | -189 |
| Paid benefits | -393 | -214 | -75 | -682 |
| Costs on past services | -149 | 0 | 42 | -107 |
| As on 31 December 2019 | 8,868 | 2,146 | 374 | 11,388 |
| Short-term as on 31 December 2019 | 867 | 255 | 64 | 1,186 |
| Long-term as on 31 December 2019 | 8,001 | 1,891 | 310 | 10,202 |
| As on 31 December 2019 | 8,868 | 2,146 | 374 | 11,388 |

Re-valuation of employee benefits

| in thousand EUR | As on 31 December 2020 | As on 31 December 2019 |
|-----------------------|------------------------|------------------------|
| Bonuses at retirement | -1,217 | 187 |
| Severance payment | 44 | -2,183 |
| Total | -1,173 | -1,996 |
| Deferred tax | -172 | 424 |
| Total | -1,345 | -1,572 |

Main actuarial assumptions:

| Discount rate (% p.a.) | 0.95 % | 1.26 % |
|-------------------------------------|--------------------|--------------------|
| Increase of wages (%) | 4.21 %-5% | 3.5 %-7.46 % |
| Probability of male mortality (%) | 0.038 %-2.46 % | 0.038 % - 2.26 % |
| Probability of female mortality (%) | 0.0209 %-0.10439 % | 0.0181 % -0.8784 % |

Long-term reserve for employee benefits

As on 31 December 2020, the Company reports a liability in the amount of EUR 12,481 thousand (of which: short-term liability part amounting to EUR 1,329 thousand and long-term liability part amounting to EUR 11,152 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, including Supplement no. 4 prolonging the validity and effectiveness of the Collective Agreement of ZSSK for 2017 – 2019 until 31 December 2020, 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 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 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.

15 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

An increase in tariff wage by further EUR 30 was agreed and implemented in 2020, effective as of 1 January 2020. Due to pandemic measures, no adjustments to the tariff wages have been agreed for 2021.

The parties to the agreement shall start to 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 2015 – 2019 (source: <https://slovak.statistics.sk>). 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 01 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 +100 bps for all years to come, assuming that other pre-conditions entering the calculation remain unchanged, results in decrease of the liability by 9.27 %.
2. Change of wage increase by +100 bps for all years to come, assuming that other pre-conditions entering the calculation remain unchanged, results in increase of the liability by 4.79 %.
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 1.68 %.
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 0.94 %.

The average maturity of liabilities is provided in the table below:

| Type of liability | Average maturity of the reserve | Average maturity of the benefits |
|-----------------------------------|---------------------------------|----------------------------------|
| OTHER LONG TERM EMPLOYEE BENEFITS | 6.93 | 10.62 |
| POST EMPLOYMENT BENEFITS | 10.15 | 15.32 |

The actuarial profit and loss, changes of financial assumptions are caused by a change in discount from 1.26 % to 0.95 % and a change in the expected wage increase in 2021 from 7.46 % to 5.00 % - 6 %, from 6.28 % to 5.00 % in 2022, and from 4.00 % to 5.00 % in 2023.

The costs on past services are caused by a changed retirement age (amended Act 461/2003, effective as of 1 January 2020).

The actuarial profit and loss are caused mostly by higher increase in wages in 2020 than expected. The expected growth for 2020 was 4 %. The average growth of wages of employees that were registered last year and also this year amounted to 10.4 %.

16 RESERVES

| (in thousand EUR) | Environmental burdens | Lawsuits | Redundancy payment, severance payment | Other reserves | Total |
|-----------------------------------|-----------------------|------------|---------------------------------------|----------------|--------------|
| As on 1 January 2020 | 570 | 17,705 | 6,562 | 0 | 24,837 |
| Additions | 0 | 0 | 276 | 0 | 276 |
| Interest costs | 0 | 0 | 82 | 0 | 82 |
| Recognised part of the subsidy | -370 | -16,865 | 0 | 0 | -17,235 |
| Actuarial profit and loss | 0 | 0 | -44 | 0 | -44 |
| Use | 0 | -632 | -255 | 0 | -887 |
| As on 31 December 2020 | 200 | 208 | 6,621 | 0 | 7,029 |
| Short-term as on 31 December 2020 | 200 | 14 | 441 | 0 | 655 |
| Long-term as on 31 December 2020 | 0 | 194 | 6,180 | 0 | 6,374 |
| As on 31 December 2020 | 200 | 208 | 6,621 | 0 | 7,029 |

| (in thousand EUR) | Environmental burdens | Lawsuits | Redundancy payment, severance payment | Other reserves | Total |
|-----------------------------------|-----------------------|---------------|---------------------------------------|----------------|---------------|
| As on 1 January 2019 | 364 | 17,724 | 4,362 | 0 | 22,450 |
| Additions | 206 | 40 | 145 | 0 | 391 |
| Interest costs | 0 | 0 | 83 | 0 | 83 |
| Recognised part of the subsidy | 0 | -56 | 0 | 0 | -56 |
| Actuarial profit and loss | 0 | 0 | 2,183 | 0 | 2,183 |
| Use | 0 | -3 | -211 | 0 | -214 |
| As on 31 December 2019 | 570 | 17,705 | 6,562 | 0 | 24,837 |
| Short-term as on 31 December 2019 | 150 | 17,511 | 427 | 0 | 18,088 |
| Long-term as on 31 December 2019 | 420 | 194 | 6,135 | 0 | 6,749 |
| As on 31 December 2019 | 570 | 17,705 | 6,562 | 0 | 24,837 |

Lawsuits

Reserves on lawsuits concern several legal claims. The most significant reserve as on 31 December 2019 in the amount of EUR 16.7 million concerning 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 was dissolved as on 31 December 2020. The complaint against ZSSK was dismissed in its full scope by the decision of the District Court of 16 April 2018. The Court of Appeal confirmed the decision by its ruling of 12 June 2019. The ruling became effective when delivered. Proceedings concerning an extraordinary remedy claimed by the complainant were cancelled by the decision of 29 June 2020.

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 2020 the reserve amount was assessed and amounts to EUR 200 thousand. In May 2020 ZSSK received the Decision of the Slovak Ministry of Environment cancelling the proceedings implying that the Company was not specified as the party obliged to remove the environmental burden registered in B Register – NZ ((2067)/Nové Zámky – the former coal transshipment point, similarly to other past environmental burdens on the land of ZSSK. Given the above facts, the reserve amount was re-assessed and subsequently reduced compared to the previous period.

17 CONTINGENT ASSETS AND LIABILITIES

a) Contingent assets

The Regional 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 interests as a consequence of a breach of the Purchase Contract no. 18/VS-N/2008 on delivery of multiple-unit sets. Multiple-unit sets were not delivered pursuant to the time schedule, where the defendant ŽOS Vrútky a.s. was delayed with contractual performance against the agreed deadlines in case of each multiple-unit set. ZSSK thus claims the contractual fine against ŽOS Vrútky a.s. Court decision was made by the District Court of Martin during the hearing on 25 January 2019, awarding ZSSK with the amount of EUR 2,359,475.42 with interests. The Regional Court of Žilina cancelled the decision based on the appeal of the defendant, and returned the lawsuit to the District Court due to procedural matters. The proceedings continue further at the District Court of Martin.

18 FINANCIAL DERIVATIVES – LONG-TERM LIABILITIES

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

| Creditor | Derivative | Measurement as on 31 December 2020 | | Measurement results | |
|----------|---------------|---------------------------------------|-----------|---------------------|-----------|
| | | receivable | liability | receivable | liability |
| NOMURA | EUROFIMA IRIS | 0 | 0 | 0 | 0 |
| | Total | 0 | 0 | 0 | 0 |

The financial derivatives were paid off on 7 December 2020 with fees and interests. In 2020 the financial derivatives were terminated and all business cases were settled.

| Creditor | Derivative | Measurement as on 31 December 2019 | | Measurement results | |
|----------|---------------|---------------------------------------|--------------|---------------------|--------------|
| | | receivable | liability | receivable | liability |
| NOMURA | EUROFIMA IRIS | 0 | 4,702 | 0 | 4,702 |
| | Total | 0 | 4,702 | 0 | 4,702 |

The measurement result as on 31 December 2019 in the amount of EUR 4,702 thousand of which long-term part of financial derivatives amounts to EUR 0, while the short-term part of financial derivatives amounts to EUR 4,702 thousand.

19 OTHER LONG-TERM LIABILITIES

| (in thousand EUR) | 31 December 2020 | 31 December 2019 |
|---|------------------|------------------|
| Deferred income in relation to investments from EU Structural Funds | 37,578 | 42,384 |
| Deferred income in relation to investments from the State Budget | 1,589 | 3,557 |
| Deferred income in relation to investments from the EU Cohesion Fund | 241,985 | 219,042 |
| Deferred income in relation to investments in combination of the State Budget and EU Structural Funds | 37,546 | 42,352 |
| Deferred income in relation to investments in combination of the State Budget and EU Cohesion Fund | 42,697 | 38,651 |
| Deferred income in relation to investments from the EU grant | 4,109 | 2,875 |
| Deferred income in relation to investments – stipulated by the Contract on NRFC | 276,924 | 331,420 |
| Liabilities towards the social fund | 107 | 115 |
| Other liabilities | 4 | 4 |
| Total | 642,539 | 680,400 |

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

| (in thousand EUR) | 2020 | 2019 |
|--------------------------|------------|------------|
| As on 1 January | 115 | 150 |
| Creation | 818 | 808 |
| Drawing | 826 | 843 |
| As on 31 December | 107 | 115 |

20 TRADE LIABILITIES AND OTHER LIABILITIES

| (in thousand EUR) | 31 December 2020 | 31 December 2019 |
|---|------------------|------------------|
| Trade liabilities and other liabilities | 103,245 | 57,205 |
| Short-term part of deferred income in relation to investments | 32,894 | 29,775 |
| Short-term part of deferred income in relation to operating costs | 121 | 0 |
| Tax liabilities | 913 | 958 |
| Total | 137,173 | 87,938 |

Short-term trade liabilities after maturity (account 321) amounted to EUR 36 thousand as on 31 December 2020 (EUR 139 thousand as on 31 December 2019).

More detailed information on liabilities towards related parties is stated under note 34.

21 INCOME TAX

Income tax consists of payable tax and deferred tax. In 2020 the Company's tax base amounted to a loss of EUR -17,361 thousand. Having filed the income tax return and exercised the option to redeem tax loss of past periods in compliance with Article 30 of Act no. 595/2003 Coll. on income tax as amended, the adjusted tax basis after redemption for the year of 2019 amounted to EUR 0.

The economic result before taxation is profit in the amount of EUR 12,095 thousand that is adjusted by recognised deferred and payable tax.

When calculating the deferred income tax, the tax rate effective as of 1 January 2021 was taken into consideration.

21 INCOME TAX (cont.)

| (in thousand EUR) | 31 December 2020 | 31 December 2019 |
|--|------------------|------------------|
| Economic result before taxation pursuant to IAS/IFRS | 12,095 | 2,003 |
| Theoretical tax at statutory tax rate of 21 % | 2,540 | 421 |
| Impact of tax loss that cannot be redeemed in the future | 0 | 0 |
| Constant extra charges and deductible revenues | -1,035 | 1,553 |
| Income tax (payable and deferred tax) | 1,505 | 1,974 |

Deferred tax receivables and liabilities may be divided as follows:

| (in thousand EUR) | 31 December 2020 | 31 December 2019 |
|--|------------------|------------------|
| Deferred tax receivables | | |
| Unamortised tax loss | -3,217 | -6,465 |
| Employee benefits reported in the comprehensive income | -2,621 | -2,391 |
| Employee benefits reported in the equity | 173 | -424 |
| Redundancy payment, severance payment | -1,433 | -1,498 |
| Investment subsidies | -17,577 | -17,871 |
| Other | -2,653 | -2,889 |
| | -27,328 | -31,538 |
| Deferred tax liabilities | | |
| Long-term tangible assets | 36,334 | 38,441 |
| Employee benefits reported in the equity | 0 | 0 |
| | 36,334 | 38,441 |
| Net deferred tax liabilities | 9,006 | 6,903 |

The Company is entitled to redeem **the loss reported for 2019 for the last time** according to the amendment to Income Tax Act effective 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: the tax loss of 2017 in the amount of EUR 18,166,270.29, starting in 2018 and terminating in 2021 at the latest, tax loss of 2018 in the amount of EUR 25,131,856.82, starting in 2019 and terminating in 2022 at the latest. In 2019 the Company reported tax basis of EUR 0 as it exercised the option to redeem the tax loss of past periods. The Company is entitled to redeem **the loss reported as of 2020** according to the amendment to Income Tax Act effective as of 2020 unevenly during five consecutive tax periods, starting on the tax period following immediately after the tax period, in which the tax loss was reported, however, in **the maximum amount of 50 %** of the reported **tax basis**.

The redemption of losses is assumed as follows:

| (in thousand EUR) | 31 December 2020 | 31 December 2019 |
|---------------------------------------|------------------|------------------|
| 2020 | 0 | 13,675 |
| 2021 | 10,825 | 10,825 |
| 2022 | 6,283 | 6,283 |
| 2023 | 0 | 0 |
| Total tax loss carried forward | 17,108 | 30,783 |

22 TRANSPORT OF PASSENGERS AND RELATED REVENUES

| (in thousand EUR) | 31 December 2020 | 31 December 2019 |
|-------------------------------------|------------------|------------------|
| Passenger transport | | |
| Passenger transport - national | 39,278 | 66,718 |
| Passenger transport - international | 5,978 | 21,020 |
| | 45,256 | 87,738 |
| Other transport-related revenues: | | |
| Performance of passenger coaches | 5,164 | 9,643 |
| Traction performance abroad | 7,624 | 8,179 |
| Other revenues | 3,038 | 4,500 |
| | 15,826 | 22,322 |
| Total | 61,082 | 110,060 |

When applying tariffs in national services by trains under PSC, 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 16th 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.

The Company operates selected trains outside the scope of PSC, and the fare in these trains is not subject to regulation conditions in terms of the regulation decree. The transport operator determines the tariff for trains excluded from PSC at its own discretion.

Impacts of the corona virus pandemic

The reaction to the corona crisis by ZSSK management was based on activating the Emergency Committee of ZSSK in March 2020, whose activities focused on monitoring the impacts of limitations or changes in the scope of provided passenger railway transport services initiated by the contracting authority, MTC, or by the cooperating foreign railway undertakings in the Czech Republic, Austria, Hungary, Poland, and Ukraine; and measures in the form of adjustments of the labour organisation for train crews, operation and maintenance, location and safety of train crews temporarily excluded from traffic. The Committee monitored the impacts of limited mobility of the inhabitants (overall mobility limitations, or a shift to individual car transport) and the related reduced number of paying passengers or passengers using free-of-charge train services in public interest, and impacts on the commercial activities of ZSSK, limitation of commercial trains in relation to the efficiency of the spent financial means, as well as limitation of services related to the measures of the Chief Public Health Officer.

22 TRANSPORT OF PASSENGERS AND RELATED REVENUES (cont.)

The costs of EUR 2,195,397.49 were spent on anti-Covid measures as on 31 December 2020. The most significant items of the amount were the costs on disinfection of rolling stock interiors (47 %), cleaning and disinfection of ZSSK workplaces (24 %) and purchase of disinfection, masks, and overalls (18 %).

At the same time, in 2020 ZSSK saw shortfall in revenues from passenger transport and other income from international transport in the amount of EUR 48,127,738.16.

In line with Supplement no. 17 to the Contract on Transport Services in Public Interest, and based on Budgetary Measure of the Slovak Ministry of Finance no. 57/2020, ZSSK was granted financial means in the amount of EUR 49,699,035.00 in the form of an increased advance payment from the State Budget, that were specifically determined to cover the expenses directly caused by COVID-19 pandemic in order to compensate its negative impact on the costs.

ZSSK was also granted an operating subsidy in the amount of EUR 44,745.25 from the State Budget for partial financing of costs related to anti-Covid measures.

The amounts granted to ZSSK from the State Budget are subject to final settlement of the Contract on Transport Services in Public Interest for 2020.

23 COMPENSATION FOR SERVICES IN THE PUBLIC INTEREST

The Company has concluded the Contract on Transport Services in Public Interest with the Slovak Republic represented by MTC which is the basis for operation of passenger transport by rail. In 2020 compensation in the form of prepayments amounting to EUR 268,408 thousand was granted for its operation.

Based on mutual agreement about the relationships between the Slovak Ministry of Transport and Construction and ZSSK, in 2019 the Ministry of Transport and Construction approved of an estimate of the unpaid loss for services in public interest for 2019 that is recognised in the revenues of 2019 in the amount of EUR 65,550 thousand. Based on the Protocol assessing the fulfilment of the Contract on Transport Services in Public Interest in 2019 of 21 October 2020, the Ministry of Transport and Construction recognised a receivable of ZSSK from loss compensation of 2019, payable on 31 December 2021 in the amount of EUR 64,022 thousand. The revenue difference of EUR 1,528 thousand was reported in October 2020.

The liability of MTC towards the Company incurred in relation to fulfilment of the Contract on Transport Services in Public Interests totals EUR 63,985 thousand for 2019, having considered sanctions of MTC for 2019 in the amount of EUR 37 thousand.

Based on mutual agreement about the relationships between the Slovak Ministry of Transport and Construction and ZSSK, the Ministry of Transport and Construction approved of an estimate of the unpaid loss for services in public interest for 2020 that is recognised in the revenues of 2020 in the amount of EUR 64,070 thousand.

| (in thousand EUR) | 31 December 2020 | 31 December 2019 |
|--|------------------|------------------|
| Compensation for services in public interest | 268,408 | 226,229 |
| Revenues – additional payment for 2019 | -1,528 | 1,190 |
| Revenues from the estimate for 2020 | 64,070 | 65,550 |
| Total | 330,950 | 292,969 |

24 INCOME FROM SUBSIDIES

| (in thousand EUR) | 31 December 2020 | 31 December 2019 |
|--|------------------|------------------|
| Income from investment subsidies: | | |
| - from the State Budget | 2,671 | 3,036 |
| - from the State Budget in combination with EU funds | 4,810 | 4,857 |
| - from Structural Funds | 4,810 | 4,857 |
| - from the State Budget in combination with the EU Cohesion Fund | 3,160 | 2,669 |
| - from the EU Cohesion Fund | 17,902 | 15,122 |
| - from CEF grant | 0 | 0 |
| Income from non-investment subsidies | 134 | 8 |
| Total | 33,487 | 30,549 |

State Budget subsidies

In 2019 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 2010 | Total |
|-----------------------------------|--------------------------|--------------------------|--------------|
| As on 1 January 2020 | 4,120 | 2,082 | 6,202 |
| Recognised part of the subsidy | -1,758 | -913 | -2,671 |
| As on 31 December 2020 | 2,362 | 1,169 | 3,531 |
| Short-term as on 31 December 2020 | 1,134 | 808 | 1,942 |
| Long-term as on 31 December 2020 | 1,228 | 361 | 1,589 |
| As on 31 December 2020 | 2,362 | 1,169 | 3,531 |

| (in thousand EUR) | Subsidy received in 2009 | Subsidy received in 2010 | Total |
|-----------------------------------|--------------------------|--------------------------|--------------|
| As on 1 January 2019 | 6,180 | 3,058 | 9,238 |
| Recognised part of the subsidy | -2,060 | -976 | -3,036 |
| As on 31 December 2019 | 4,120 | 2,082 | 6,202 |
| Short-term as on 31 December 2019 | 1,732 | 913 | 2,645 |
| Long-term as on 31 December 2019 | 2,388 | 1,169 | 3,557 |
| As on 31 December 2019 | 4,120 | 2,082 | 6,202 |

24 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 and EMU |
| EFD5 | Procurement of units for Tatra Railway |
| GR ETCS2 | Procurement of ETCS (European Train Control System) Level 2 – CEF Grant |
| EFD4A | Procurement of ETCS (European Train Control System) Level 2 for EUs from EFD4 |
| Linking Danube | Linking Danube for the Danube Region |
| EFBIKE | Bike-sharing in the Region of Košice |
| EFD3A LM | Construction of light maintenance centres - Zvolen, Nové Zámky and Humenné |

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 2020 | 47,058 | 47,058 | 94,116 |
| Recognised part of the subsidy | -4,810 | -4,810 | -9,620 |
| As on 31 December 2020 | 42,248 | 42,248 | 84,496 |
| Short-term as on 31 December 2020 | 4,702 | 4,702 | 9,404 |
| Long-term as on 31 December 2020 | 37,546 | 37,546 | 75,092 |
| As on 31 December 2020 | 42,248 | 42,248 | 84,496 |

| (in thousand EUR) | Subsidy from the EU Structural Funds | Subsidy from the State Budget in combination with EU | Total |
|-----------------------------------|--------------------------------------|--|---------------|
| As on 1 January 2019 | 51,915 | 51,915 | 103,830 |
| Recognised part of the subsidy | -4,857 | -4,857 | -9,714 |
| As on 31 December 2019 | 47,058 | 47,058 | 94,116 |
| Short-term as on 31 December 2019 | 4,707 | 4,707 | 9,414 |
| Long-term as on 31 December 2019 | 42,351 | 42,351 | 84,702 |
| As on 31 December 2019 | 47,058 | 47,058 | 94,116 |

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 2020 | 95,760 | 16,896 | 112,656 |
| Recognised part of the subsidy | -9,019 | -1,591 | -10,610 |
| As on 31 December 2020 | 86,741 | 15,305 | 102,046 |
| Short-term as on 31 December 2020 | 7,426 | 1,310 | 8,736 |
| Long-term as on 31 December 2020 | 79,315 | 13,995 | 93,310 |
| As on 31 December 2020 | 86,741 | 15,305 | 102,046 |

| (in thousand EUR) | Subsidy from the Cohesion Fund | Subsidy from the State Budget in combination with the Cohesion Fund | Total |
|-----------------------------------|--------------------------------|---|----------------|
| As on 1 January 2019 | 103,343 | 18,233 | 121,576 |
| Recognised part of the subsidy | -7,583 | -1,337 | -8,920 |
| As on 31 December 2019 | 95,760 | 16,896 | 112,656 |
| Short-term as on 31 December 2019 | 7,500 | 1,324 | 8,824 |
| Long-term as on 31 December 2019 | 88,260 | 15,572 | 103,832 |
| As on 31 December 2019 | 95,760 | 16,896 | 112,656 |

Project EFD2A: In January 2014 the 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 2020 | 4,489 | 792 | 5,281 |
| Recognised part of the subsidy | -281 | -50 | -331 |
| As on 31 December 2020 | 4,208 | 742 | 4,950 |
| Short-term as on 31 December 2020 | 281 | 49 | 330 |
| Long-term as on 31 December 2020 | 3,927 | 693 | 4,620 |
| As on 31 December 2020 | 4,208 | 742 | 4,950 |

24 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 2019 | 4,769 | 842 | 5,611 |
| Recognised part of the subsidy | -280 | -50 | -330 |
| As on 31 December 2019 | 4,489 | 792 | 5,281 |
| Short-term as on 31 December 2019 | 281 | 49 | 330 |
| Long-term as on 31 December 2019 | 4,208 | 743 | 4,951 |
| As on 31 December 2019 | 4,489 | 792 | 5,281 |

Project EFD2B: The 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 2020 | 6,289 | 1,110 | 7,399 |
| Drawing | 0 | 0 | 0 |
| As on 31 December 2020 | 6,289 | 1,110 | 7,399 |
| Short-term as on 31 December 2020 | 0 | 0 | 0 |
| Long-term as on 31 December 2020 | 6,289 | 1,110 | 7,399 |
| As on 31 December 2020 | 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 2019 | 6,289 | 1,110 | 7,399 |
| Drawing | 0 | 0 | 0 |
| As on 31 December 2019 | 6,289 | 1,110 | 7,399 |
| Short-term as on 31 December 2019 | 0 | 0 | 0 |
| Long-term as on 31 December 2019 | 6,289 | 1,110 | 7,399 |
| As on 31 December 2019 | 6,289 | 1,110 | 7,399 |

Project EFD2C: The 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.

The recognition of income was terminated in the course of 2020. The proportional part of amortisation unrecognised as income due to 2016 correction amounts to EUR 26 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 2020 | 287 | 50 | 337 |
| Recognised part of the subsidy | -287 | -50 | -337 |
| As on 31 December 2020 | 0 | 0 | 0 |
| Short-term as on 31 December 2020 | 0 | 0 | 0 |
| Long-term as on 31 December 2020 | 0 | 0 | 0 |
| As on 31 December 2020 | 0 | 0 | 0 |

| (in thousand EUR) | Subsidy from the Cohesion Fund | Subsidy from the State Budget in combination with the Cohesion Fund | Total |
|-----------------------------------|--------------------------------|---|------------|
| As on 1 January 2019 | 700 | 123 | 823 |
| Recognised part of the subsidy | -413 | -73 | -486 |
| As on 31 December 2019 | 287 | 50 | 337 |
| Short-term as on 31 December 2019 | 287 | 50 | 337 |
| Long-term as on 31 December 2019 | 0 | 0 | 0 |
| As on 31 December 2019 | 287 | 50 | 337 |

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 2020 | 21,738 | 3,836 | 25,574 |
| Recognised part of the subsidy | -2,175 | -385 | -2,560 |
| As on 31 December 2020 | 19,563 | 3,451 | 23,014 |
| Short-term as on 31 December 2020 | 1,783 | 315 | 2,098 |
| Long-term as on 31 December 2020 | 17,780 | 3,136 | 20,916 |
| As on 31 December 2020 | 19,563 | 3,451 | 23,014 |

| (in thousand EUR) | Subsidy from the Cohesion Fund | Subsidy from the State Budget in combination with the Cohesion Fund | Total |
|-----------------------------------|--------------------------------|---|---------------|
| As on 1 January 2019 | 23,535 | 4,154 | 27,689 |
| Recognised part of the subsidy | -1,797 | -318 | -2,115 |
| As on 31 December 2019 | 21,738 | 3,836 | 25,574 |
| Short-term as on 31 December 2019 | 1,797 | 317 | 2,114 |
| Long-term as on 31 December 2019 | 19,941 | 3,519 | 23,460 |
| As on 31 December 2019 | 21,738 | 3,836 | 25,574 |

24 INCOME FROM SUBSIDIES (cont.)

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

| (in thousand EUR) | Subsidy from the Cohesion Fund | Subsidy from the State Budget in combination with the Cohesion Fund | Total |
|-----------------------------------|--------------------------------|---|---------------|
| As on 1 January 2020 | 25,282 | 4,461 | 29,743 |
| Recognised part of the subsidy | -1,553 | -274 | -1,827 |
| As on 31 December 2020 | 23,729 | 4,187 | 27,916 |
| Short-term as on 31 December 2020 | 1,466 | 258 | 1,724 |
| Long-term as on 31 December 2020 | 22,263 | 3,929 | 26,192 |
| As on 31 December 2020 | 23,729 | 4,187 | 27,916 |

| (in thousand EUR) | Subsidy from the Cohesion Fund | Subsidy from the State Budget in combination with the Cohesion Fund | Total |
|-----------------------------------|--------------------------------|---|---------------|
| As on 1 January 2019 | 26,753 | 4,720 | 31,473 |
| Recognised part of the subsidy | -1,471 | -259 | -1,730 |
| As on 31 December 2019 | 25,282 | 4,461 | 29,743 |
| Short-term as on 31 December 2019 | 1,471 | 260 | 1,731 |
| Long-term as on 31 December 2019 | 23,811 | 4,201 | 28,012 |
| As on 31 December 2019 | 25,282 | 4,461 | 29,743 |

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

In December 2020 the project was corrected and reduced to 90 % of the amount of all subsidised work related to the shift from the maximum speed of 140 km/h to 160 km/h, which amounts to EUR 2,617 thousand, where the correction of 10 % was applied by the Supervising Authority to the granted financial means. Only the correction instructions were recognised, as the Company received the audit report and the application for payment only in January 2021 when it was paid within the due date. The assets will be adjusted in 2021.

| (in thousand EUR) | Subsidy from the Cohesion Fund | Subsidy from the State Budget in combination with the Cohesion Fund | Total |
|-----------------------------------|--------------------------------|---|---------------|
| As on 1 January 2020 | 17,133 | 3,024 | 20,157 |
| Imposed correction | -2,222 | -396 | -2,618 |
| Recognised part of the subsidy | -1,184 | -209 | -1,393 |
| As on 31 December 2020 | 13,727 | 2,419 | 16,146 |
| Short-term as on 31 December 2020 | 1,088 | 192 | 1,280 |
| Long-term as on 31 December 2020 | 12,639 | 2,227 | 14,866 |
| As on 31 December 2020 | 13,727 | 2,419 | 16,146 |

| (in thousand EUR) | Subsidy from the Cohesion Fund | Subsidy from the State Budget in combination with the Cohesion Fund | Total |
|-----------------------------------|--------------------------------|---|---------------|
| As on 1 January 2019 | 18,640 | 3,290 | 21,930 |
| Recognised part of the subsidy | -1,507 | -266 | -1,773 |
| As on 31 December 2019 | 17,133 | 3,024 | 20,157 |
| Short-term as on 31 December 2019 | 1,184 | 209 | 1,393 |
| Long-term as on 31 December 2019 | 15,949 | 2,815 | 18,764 |
| As on 31 December 2019 | 17,133 | 3,024 | 20,157 |

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 2020 | 452 | 80 | 532 |
| Recognised part of the subsidy | -258 | -46 | -304 |
| As on 31 December 2020 | 194 | 34 | 228 |
| Short-term as on 31 December 2020 | 194 | 34 | 228 |
| Long-term as on 31 December 2020 | 0 | 0 | 0 |
| As on 31 December 2020 | 194 | 34 | 228 |

| (in thousand EUR) | Subsidy from the Cohesion Fund | Subsidy from the State Budget in combination with the Cohesion Fund | Total |
|-----------------------------------|--------------------------------|---|------------|
| As on 1 January 2019 | 710 | 126 | 836 |
| Recognised part of the subsidy | -258 | -46 | -304 |
| As on 31 December 2019 | 452 | 80 | 532 |
| Short-term as on 31 December 2019 | 258 | 46 | 304 |
| Long-term as on 31 December 2019 | 194 | 34 | 228 |
| As on 31 December 2019 | 452 | 80 | 532 |

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 2020 | 11,594 | 2,046 | 13,640 |
| Recognised part of the subsidy | -957 | -169 | -1,126 |
| As on 31 December 2020 | 10,637 | 1,877 | 12,514 |
| Short-term as on 31 December 2020 | 957 | 169 | 1,126 |
| Long-term as on 31 December 2020 | 9,679 | 1,708 | 11,387 |
| As on 31 December 2020 | 10,636 | 1,877 | 12,513 |

24 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 2019 | 12,551 | 2,215 | 14,766 |
| Recognised part of the subsidy | -957 | -169 | -1,126 |
| As on 31 December 2019 | 11,594 | 2,046 | 13,640 |
| Short-term as on 31 December 2019 | 957 | 169 | 1,126 |
| Long-term as on 31 December 2019 | 10,637 | 1,877 | 12,514 |
| As on 31 December 2019 | 11,594 | 2,046 | 13,640 |

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

| (in thousand EUR) | Subsidy from the Cohesion Fund | Subsidy from the State Budget in combination with the Cohesion Fund | Total |
|-----------------------------------|--------------------------------|---|--------------|
| As on 1 January 2020 | 4,833 | 853 | 5,686 |
| Drawing | 0 | 0 | 0 |
| As on 31 December 2020 | 4,833 | 853 | 5,686 |
| Short-term as on 31 December 2020 | 0 | 0 | 0 |
| Long-term as on 31 December 2020 | 4,833 | 853 | 5,686 |
| As on 31 December 2020 | 4,833 | 853 | 5,686 |

| (in thousand EUR) | Subsidy from the Cohesion Fund | Subsidy from the State Budget in combination with the Cohesion Fund | Total |
|-----------------------------------|--------------------------------|---|--------------|
| As on 1 January 2019 | 4,833 | 853 | 5,686 |
| Drawing | 0 | 0 | 0 |
| As on 31 December 2019 | 4,833 | 853 | 5,686 |
| Short-term as on 31 December 2019 | 0 | 0 | 0 |
| Long-term as on 31 December 2019 | 4,833 | 853 | 5,686 |
| As on 31 December 2019 | 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 2020 | 2,393 | 422 | 2,815 |
| Recognised part of the subsidy | -490 | -86 | -576 |
| As on 31 December 2020 | 1,903 | 336 | 2,239 |
| Short-term as on 31 December 2020 | 490 | 86 | 576 |
| Long-term as on 31 December 2020 | 1,413 | 250 | 1,663 |
| As on 31 December 2020 | 1,903 | 336 | 2,239 |

| (in thousand EUR) | Subsidy from the Cohesion Fund | Subsidy from the State Budget in combination with the Cohesion Fund | Total |
|-----------------------------------|--------------------------------|---|--------------|
| As on 1 January 2019 | 2,930 | 517 | 3,447 |
| Recognised part of the subsidy | -537 | -95 | -632 |
| As on 31 December 2019 | 2,393 | 422 | 2,815 |
| Short-term as on 31 December 2019 | 490 | 86 | 576 |
| Long-term as on 31 December 2019 | 1,903 | 336 | 2,239 |
| As on 31 December 2019 | 2,393 | 422 | 2,815 |

Project GRTAP TSI. On 4 November 2016, 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 signed. 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 2020 | 1,918 | 1,918 |
| Drawing | 1,235 | 1,235 |
| Recognised part of the subsidy | 0 | 0 |
| As on 31 December 2020 | 3,153 | 3,153 |
| Short-term as on 31 December 2020 | 0 | 0 |
| Long-term as on 31 December 2020 | 3,153 | 3,153 |
| As on 31 December 2020 | 3,153 | 3,153 |

| (in thousand EUR) | Subsidy from CEF | Total |
|-----------------------------------|------------------|--------------|
| As on 1 January 2019 | 1,535 | 1,535 |
| Drawing | 383 | 383 |
| Recognised part of the subsidy | 0 | 0 |
| As on 31 December 2019 | 1,918 | 1,918 |
| Short-term as on 31 December 2019 | 0 | 0 |
| Long-term as on 31 December 2019 | 1,918 | 1,918 |
| As on 31 December 2019 | 1,918 | 1,918 |

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

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

In December 2018 the receivable resulting from the contract on NRFC was recognised in the amount of EUR 64,868 thousand for DMU and EUR 142,516 thousand for EMU as ZSSK meets the conditions for the subsidy and there is a reasonable certainty that the subsidy will be accepted. The first diesel multiple units were commissioned into operation as of 2019.

The electric units were also commissioned as of December 2020.

24 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 2020 | 197,890 | 34,922 | 232,812 |
| Drawing | 42,343 | 7,472 | 49,815 |
| Contractual amount | -42,343 | -7,472 | -49,815 |
| Recognised part of the subsidy | -1,698 | -300 | -1,998 |
| As on 31 December 2020 | 196,192 | 34,622 | 230,814 |
| Short-term as on 31 December 2020 | 4,632 | 818 | 5,450 |
| Contractual change as on 31 December 2020 | 117,379 | 20,714 | 138,093 |
| Long-term as on 31 December 2020 | 74,179 | 13,090 | 87,269 |
| As on 31 December 2020 | 196,190 | 34,622 | 230,812 |

| (in thousand EUR) | Subsidy from the Cohesion Fund | Subsidy from the State Budget in combination with the Cohesion Fund | Total |
|---|--------------------------------|---|----------------|
| As on 1 January 2019 | 198,209 | 34,978 | 233,187 |
| Drawing | 16,555 | 2,921 | 19,476 |
| Contractual amount | -16,555 | -2,921 | -19,476 |
| Recognised part of the subsidy | -319 | -56 | -375 |
| As on 31 December 2019 | 197,890 | 34,922 | 232,812 |
| Short-term as on 31 December 2019 | 834 | 147 | 981 |
| Contractual change as on 31 December 2019 | 159,722 | 28,187 | 187,909 |
| Long-term as on 31 December 2019 | 37,334 | 6,588 | 43,922 |
| As on 31 December 2019 | 197,890 | 34,922 | 232,812 |

Project GR ETCS Level 2. Based on Contract on grant provision no. INEA/CEF/TRAN/M2016/I351473 signed on 12 October 2017, ETCS is to be installed into motive power units of 361 series. The financing shares are agreed as 85 % from CEF resources: EUR 1,913 thousand and 15 % from own resources of ZSSK: EUR 337 thousand.

| (in thousand EUR) | Subsidy from CEF | Total |
|-----------------------------------|------------------|------------|
| As on 1 January 2020 | 956 | 956 |
| Drawing | 0 | 0 |
| Recognised part of the subsidy | 0 | 0 |
| As on 31 December 2020 | 956 | 956 |
| Short-term as on 31 December 2020 | 0 | 0 |
| Long-term as on 31 December 2020 | 956 | 956 |
| As on 31 December 2020 | 956 | 956 |

| (in thousand EUR) | Subsidy from CEF (EU) | Total |
|-----------------------------------|-----------------------|------------|
| As on 1 January 2019 | 765 | 765 |
| Drawing | 191 | 191 |
| Recognised part of the subsidy | 0 | 0 |
| As on 31 December 2019 | 956 | 956 |
| Short-term as on 31 December 2019 | 0 | 0 |
| Long-term as on 31 December 2019 | 956 | 956 |
| As on 31 December 2019 | 956 | 956 |

Project 4A ETCS on EUs under EFD4: In May 2019 the 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 units (EUs) for suburban and regional passenger railway transport within ITS. The maximum amount of eligible costs was contractually determined as EUR 17,421 thousand, while the maximum amount of financing of the non-repayable financial contribution as EUR 17,421 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 December 2019 the receivable resulting from the contract on NRFC was recognised in the amount of EUR 17,405 thousand as ZSSK meets the conditions for the subsidy and there is a reasonable certainty that the subsidy will be accepted.

| (in thousand EUR) | Subsidy from the Cohesion Fund | Subsidy from the State Budget in combination with the Cohesion Fund | Total |
|---|--------------------------------|---|---------------|
| As on 1 January 2020 | 14,794 | 2,611 | 17,405 |
| Drawing | 0 | 0 | 0 |
| Contractual amount | 0 | 0 | 0 |
| Recognised part of the subsidy | 0 | 0 | 0 |
| As on 31 December 2020 | 14,794 | 2,611 | 17,405 |
| Short-term as on 31 December 2020 | 0 | 0 | 0 |
| Long-terms as on 31 December 2020 – contractual amount | 14,794 | 2,611 | 17,405 |
| As on 31 December 2020 | 14,794 | 2,611 | 17,405 |

| (in thousand EUR) | Subsidy from the Cohesion Fund | Subsidy from the State Budget in combination with the Cohesion Fund | Total |
|-----------------------------------|--------------------------------|---|---------------|
| As on 1 January 2019 | 0 | 0 | 0 |
| Drawing | 0 | 0 | 0 |
| Contractual amount | 14,794 | 2,611 | 17,405 |
| Recognised part of the subsidy | 0 | 0 | 0 |
| As on 31 December 2019 | 14,794 | 2,611 | 17,405 |
| Short-term as on 31 December 2019 | 0 | 0 | 0 |
| Long-term as on 31 December 2019 | 14,794 | 2,611 | 17,405 |
| As on 31 December 2019 | 14,794 | 2,611 | 17,405 |

Project 5 OZŽ TŽ: In October 2019 the Contract on provision of a non-repayable financial contribution under Operational Programme Integrated Structure was concluded, focusing on procurement of electric units for cog railway and Tatra electric railway. The maximum amount of eligible costs was contractually determined as EUR 33,600 thousand, while the maximum amount of financing of the non-repayable financial contribution as EUR 33,439 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 December 2019 the receivable resulting from the contract on NRFC was recognised in the amount of EUR 26,912 thousand as ZSSK meets the conditions for the subsidy and there is a reasonable certainty that the subsidy will be accepted.

| (in thousand EUR) | Subsidy from the Cohesion Fund | Subsidy from the State Budget in combination with the Cohesion Fund | Total |
|---|--------------------------------|---|---------------|
| As on 1 January 2020 | 28,560 | 5,040 | 33,600 |
| Drawing | 3,979 | 702 | 4,681 |
| Contractual amount | -3,979 | -702 | -4,681 |
| Recognised part of the subsidy | 0 | 0 | 0 |
| As on 31 December 2020 | 28,560 | 5,040 | 33,600 |
| Short-term as on 31 December 2020 | 0 | 0 | 0 |
| Contractual change as on 31 December 2020 | 18,896 | 3,335 | 22,231 |
| Long-term as on 31 December 2020 | 9,664 | 1,705 | 11,369 |
| As on 31 December 2020 | 28,560 | 5,040 | 33,600 |

24 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 2019 | 0 | 0 | 0 |
| Drawing | 5,685 | 1,003 | 6,688 |
| Contractual amount | 22,875 | 4,037 | 26,912 |
| Recognised part of the subsidy | 0 | 0 | 0 |
| As on 31 December 2019 | 28,560 | 5,040 | 33,600 |
| Short-term as on 31 December 2019 | 0 | 0 | 0 |
| Long-term as on 31 December 2019 | 28,560 | 5,040 | 33,600 |
| As on 31 December 2019 | 28,560 | 5,040 | 33,600 |

Project 3ATHU HE: The Contract on provision of a non-repayable financial contribution under the Operational Programme Transport signed in June 2019 focuses on construction of a technical and hygienic maintenance centre for the rolling stock in Humenné. The maximum amount of eligible costs was contractually determined as EUR 27,716 thousand, while the maximum amount of financing of the non-repayable financial contribution as EUR 26,920 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 December 2019 the receivable resulting from the contract on NRFC was recognised in the amount of EUR 26,920 thousand as ZSSK meets the conditions for the subsidy and there is a reasonable certainty that the subsidy will be accepted.

| (in thousand EUR) | Subsidy from the EU Structural Funds | Subsidy from the State Budget in combination with EU | Total |
|---|--------------------------------------|--|---------------|
| As on 1 January 2020 | 22,882 | 4,038 | 26,920 |
| Drawing | 0 | 0 | 0 |
| Contractual amount | | | |
| Recognised part of the subsidy | 0 | 0 | 0 |
| As on 31 December 2020 | 22,882 | 4,038 | 26,920 |
| Short-term as on 31 December 2020 | 0 | 0 | 0 |
| Long-terms as on 31 December 2020 – contractual amount | 22,882 | 4,038 | 26,920 |
| As on 31 December 2020 | 22,882 | 4,038 | 26,920 |

| (in thousand EUR) | Subsidy from the EU Structural Funds | Subsidy from the State Budget in combination with EU | Total |
|-----------------------------------|--------------------------------------|--|---------------|
| As on 1 January 2019 | 0 | 0 | 0 |
| Drawing | 0 | 0 | 0 |
| Contractual amount | 22,882 | 4,038 | 26,920 |
| Recognised part of the subsidy | 0 | 0 | 0 |
| As on 31 December 2019 | 22,882 | 4,038 | 26,920 |
| Short-term as on 31 December 2019 | 0 | 0 | 0 |
| Long-term as on 31 December 2019 | 22,882 | 4,038 | 26,920 |
| As on 31 December 2019 | 22,882 | 4,038 | 26,920 |

Project 3A THU NZ: The Contract on provision of a non-repayable financial contribution under the Operational Programme Transport signed in June 2019 focuses on construction of a technical and hygienic maintenance centre (LM) for the rolling stock in Nové Zámky. The maximum amount of eligible costs was contractually determined as EUR 40,699 thousand, while the maximum amount of financing of the non-repayable financial contribution as EUR 39,531 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 December 2019 the receivable resulting from the contract on NRFC was recognised in the amount of EUR 39,531 thousand as ZSSK meets the conditions for the subsidy and there is a reasonable certainty that the subsidy will be accepted.

| (in thousand EUR) | Subsidy from the EU Structural Funds | Subsidy from the State Budget in combination with EU | Total |
|---|--------------------------------------|--|---------------|
| As on 1 January 2020 | 33,601 | 5,930 | 39,531 |
| Drawing | 0 | 0 | 0 |
| Contractual amount | 0 | 0 | 0 |
| Recognised part of the subsidy | 0 | 0 | 0 |
| As on 31 December 2020 | 33,601 | 5,930 | 39,531 |
| Short-term as on 31 December 2020 | 0 | 0 | 0 |
| Long-terms as on 31 December 2020 – contractual amount | 33,601 | 5,930 | 39,531 |
| As on 31 December 2020 | 33,601 | 5,930 | 39,531 |

| (in thousand EUR) | Subsidy from the EU Structural Funds | Subsidy from the State Budget in combination with EU | Total |
|-----------------------------------|--------------------------------------|--|---------------|
| As on 1 January 2019 | 0 | 0 | 0 |
| Drawing | 0 | 0 | 0 |
| Contractual amount | 33,601 | 5,930 | 39,531 |
| Recognised part of the subsidy | 0 | 0 | 0 |
| As on 31 December 2019 | 33,601 | 5,930 | 39,531 |
| Short-term as on 31 December 2019 | 0 | 0 | 0 |
| Long-term as on 31 December 2019 | 33,601 | 5,930 | 39,531 |
| As on 31 December 2019 | 33,601 | 5,930 | 39,531 |

Project 3A THU ZV: The Contract on provision of a non-repayable financial contribution under the Operational Programme Transport signed in June 2019 focuses on construction of a technical and hygienic maintenance centre (light maintenance) for the rolling stock in Zvolen. The maximum amount of eligible costs was contractually determined as EUR 33,113 thousand, while the maximum amount of financing of the non-repayable financial contribution as EUR 32,162 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 December 2019 the receivable resulting from the contract on NRFC was recognised in the amount of EUR 32,162 thousand as ZSSK meets the conditions for the subsidy and there is a reasonable certainty that the subsidy will be accepted.

| (in thousand EUR) | Subsidy from the EU Structural Funds | Subsidy from the State Budget in combination with EU | Total |
|---|--------------------------------------|--|---------------|
| As on 1 January 2020 | 27,338 | 4,824 | 32,162 |
| Drawing | 0 | 0 | 0 |
| Contractual amount | 0 | 0 | 0 |
| Recognised part of the subsidy | 0 | 0 | 0 |
| As on 31 December 2020 | 27,338 | 4,824 | 32,162 |
| Short-term as on 31 December 2020 | 0 | 0 | 0 |
| Long-terms as on 31 December 2020 – contractual amount | 27,338 | 4,824 | 32,162 |
| As on 31 December 2020 | 27,338 | 4,824 | 32,162 |

24 INCOME FROM SUBSIDIES (cont.)

| (in thousand EUR) | Subsidy from the EU Structural Funds | Subsidy from the State Budget in combination with EU | Total |
|-----------------------------------|--------------------------------------|--|---------------|
| As on 1 January 2019 | 0 | 0 | 0 |
| Drawing | 0 | 0 | 0 |
| Contractual amount | 27,338 | 4,824 | 32,162 |
| Recognised part of the subsidy | 0 | 0 | 0 |
| As on 31 December 2019 | 27,338 | 4,824 | 32,162 |
| Short-term as on 31 December 2019 | 0 | 0 | 0 |
| Long-term as on 31 December 2019 | 27,338 | 4,824 | 32,162 |
| As on 31 December 2019 | 27,338 | 4,824 | 32,162 |

Project EFBike: The Contract on provision of a non-repayable financial contribution under the Integrated Regional Operational Programme was concluded in August 2018, focusing on procurement of an automatic rental system for urban bicycles within the Region of Košice. The maximum amount of eligible costs was contractually determined as EUR 580 thousand, while the maximum amount of financing of the non-repayable financial contribution as EUR 580 thousand. The funding of the non-repayable financial contribution is divided in 85 % from the European Regional Development Fund and in 15 % from the Budget of the Slovak Republic. In December 2019 the receivable resulting from the contract on NRFC was recognised in the amount of EUR 580 thousand as ZSSK meets the conditions for the subsidy and there is a reasonable certainty that the subsidy will be accepted.

| (in thousand EUR) | Subsidy from the EU Structural Funds | Subsidy from the State Budget in combination with EU | Total |
|---|--------------------------------------|--|------------|
| As on 1 January 2020 | 493 | 87 | 580 |
| Drawing | 0 | 0 | 0 |
| Contractual amount | 0 | 0 | 0 |
| Recognised part of the subsidy | 0 | 0 | 0 |
| As on 31 December 2020 | 493 | 87 | 580 |
| Short-term as on 31 December 2020 | 0 | 0 | 0 |
| Long-terms as on 31 December 2020 – contractual amount | 493 | 87 | 580 |
| As on 31 December 2020 | 493 | 87 | 580 |

| (in thousand EUR) | Subsidy from the EU Structural Funds | Subsidy from the State Budget in combination with EU | Total |
|-----------------------------------|--------------------------------------|--|------------|
| As on 1 January 2019 | 0 | 0 | 0 |
| Drawing | 0 | 0 | 0 |
| Contractual amount | 493 | 87 | 580 |
| Recognised part of the subsidy | 0 | 0 | 0 |
| As on 31 December 2019 | 493 | 87 | 580 |
| Short-term as on 31 December 2019 | 0 | 0 | 0 |
| Long-term as on 31 December 2019 | 493 | 87 | 580 |
| As on 31 December 2019 | 493 | 87 | 580 |

Project EF Linking DNB: The project deals with insufficient provision of cross-border travelling information in public transport, in particular as regards passengers in the cross-border area who commute on a daily basis, and mobility in rural areas. The main objective of the project is to promote mobility that is environmentally friendly and promote accessibility of the Danube Region via international, interoperable and multimodal journey planners. One of the main outcomes is the concept of an international, multimodal travelling planner LinkingDanube that shall use ecological transport modes within the Danube Region. The financing shares are agreed as 85 % from CEF resources: EUR 238 thousand and 15 % from own resources of ZSSK: EUR 42 thousand.

| (in thousand EUR) | Subsidy from the EU Structural Funds | Subsidy from the State Budget in combination with EU | Total |
|-----------------------------------|--------------------------------------|--|-----------|
| As on 1 January 2020 | 32 | 0 | 32 |
| Drawing | 0 | 0 | 0 |
| Recognised part of the subsidy | 0 | 0 | 0 |
| As on 31 December 2020 | 32 | 0 | 32 |
| Short-term as on 31 December 2020 | 0 | 0 | 0 |
| Long-term as on 31 December 2020 | 32 | 0 | 32 |
| As on 31 December 2020 | 32 | 0 | 32 |

| (in thousand EUR) | Subsidy from the EU Structural Funds | Subsidy from the State Budget in combination with EU | Total |
|-----------------------------------|--------------------------------------|--|-----------|
| As on 1 January 2019 | 0 | 0 | 0 |
| Drawing | 32 | 0 | 32 |
| Recognised part of the subsidy | 0 | 0 | 0 |
| As on 31 December 2019 | 32 | 0 | 32 |
| Short-term as on 31 December 2019 | 0 | 0 | 0 |
| Long-term as on 31 December 2019 | 32 | 0 | 32 |
| As on 31 December 2019 | 32 | 0 | 32 |

25 OTHER NET OPERATING (COSTS) REVENUES

| (in thousand EUR) | 31 December 2020 | 31 December 2019 |
|--|------------------|------------------|
| Insurance of long-term tangible assets | -3,189 | -3,179 |
| Right to eliminable damages | 1,914 | 2,244 |
| Net revenues from sale of assets and material | 197 | 306 |
| Other net income from business activity and extraordinary income | 23,599 | 3,590 |
| Total | 22,521 | 2,961 |

26 CONSUMPTION AND SERVICES

| (in thousand EUR) | 31 December 2020 | 31 December 2019 |
|--|------------------|------------------|
| Track access charges | -48,048 | -50,710 |
| Material consumption | -33,575 | -37,666 |
| Energy consumption | -32,322 | -37,135 |
| Repairs and maintenance | -18,649 | -13,054 |
| IT services | -7,865 | -7,381 |
| Operation of the rolling stock | -7,654 | -7,062 |
| Performance of passenger coaches | -5,754 | -9,851 |
| Performance of motive power units | -5,532 | -7,859 |
| Travelling costs | -2,806 | -3,232 |
| Services of Wagon Slovakia | -2,464 | -3,909 |
| Rental | -2,391 | -2,813 |
| Operators' performance | -1,948 | -1,934 |
| Cleaning costs, waste removal | -1,466 | -797 |
| Costs on replacement bus transport during traffic closures | -1,362 | -1,419 |
| Costs related to care of employees | -1,354 | -1,558 |
| Costs on property security | -1,049 | -992 |
| Other assurance services | -992 | -1,593 |
| Shunting | -803 | -822 |
| Mediating commissions | -666 | -1,846 |
| Annual reserve on un-billed deliveries | -395 | -362 |
| of which: recognition of the environmental reserve | 370 | 0 |
| Costs on audit | -38 | -31 |
| of which: costs on audit of the current Financial Statements | -22 | -22 |
| Other costs | -5,853 | -5,188 |
| | -182,986 | -197,214 |

Significant items of consumed purchases and services in 2020 include mostly costs on track access charges, traction energy consumption, and traction diesel consumption. 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 Zvolen, a.s., ŽOS Trnava, a.s., and ŽOS Vrútky a.s.. 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.

27 PERSONNEL COSTS

| (in thousand EUR) | 31 December 2020 | 31 December 2019 |
|-----------------------|------------------|------------------|
| Labour costs | -91,367 | -87,012 |
| Social security costs | -38,221 | -36,413 |
| Total | -129,588 | -123,425 |

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

| (in thousand EUR) | 2020 | 2019 |
|-----------------------------|------------|-----------|
| Current members | | |
| - Board of Directors | 53 | 46 |
| - Supervisory Board | 54 | 41 |
| Former members | | |
| - Board of Directors | | |
| - Supervisory Board | 0 | 0 |
| Total remunerations: | 107 | 87 |

As on 31 December 2020 the number of employees was 5,910 (5,832 as on 31 December 2019), of which 215 managing employees (221 as on 31 December 2019).

The average wage in 2020 amounted to EUR 1,281.63, while in 2019 it was EUR 1232.74

28 DEPRECIATION, AMORTISATION AND IMPAIRMENT OF TANGIBLE ASSETS

| (in thousand EUR) | 31 December 2020 | 31 December 2019 |
|--|------------------|------------------|
| Depreciation | -107,027 | -99,277 |
| Residual value of discarded long-term tangible and intangible assets | -4,732 | -2,438 |
| Impairment of significant spare parts | 0 | 0 |
| Impairment of other assets | 0 | 0 |
| Total | -111,759 | -101,715 |

29 FINANCIAL INCOME

| (in thousand EUR) | 31 December 2020 | 31 December 2019 |
|--|------------------|------------------|
| Yield interests | 43 | 46 |
| Income from long-term financial assets | 49 | 45 |
| Other net financial income | 0 | 0 |
| Total | 92 | 91 |

30 FINANCIAL COSTS

| (in thousand EUR) | 31 December 2020 | 31 December 2019 |
|--------------------------|------------------|------------------|
| Cost interests | -3,101 | -3,532 |
| Bank expenses | -197 | -518 |
| Net exchange rate losses | 16 | 195 |
| Total | -3,282 | -3,855 |

| (in thousand EUR) | 31 December 2020 | 31 December 2019 |
|-----------------------------------|------------------|------------------|
| Interest from leasing instalments | -849 | -910 |
| Total | -849 | -910 |

31 FINANCIAL DERIVATIVES

| (in thousand EUR) | 31 December 2020 | 31 December 2019 |
|---|------------------|------------------|
| Net change in derivative measurement | 4,702 | 4,700 |
| Yields (costs) from derivative operations, except for yields from derivative measurements | -4,709 | -4,684 |
| Total | -7 | 16 |

32 FINANCIAL RISK MANAGEMENT

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

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

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

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

Interest risk

The Company is exposed to the risk of changes in the market interest rates associated with long-term and short-term liabilities resulting from loans and bank overdrafts with variable interest rates. The Company has a broad portfolio of loans with various variable as well as fixed interest rates, which the Company is able to keep at a very low level. In 2020, as a reaction to developments of the money market, the Company applied fixed rates in case of all long-term loans. The Company is prepared to react to the rates development. The Company has been monitoring the market development constantly.

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

| | 31 December 2020 | 31 December 2019 |
|---------------------------|------------------|------------------|
| O/N, 1M EURIBOR (+/- 1 %) | +/- 0.666 | +/- 0.555 |
| 3M, 6M EURIBOR (+/- 1 %) | +/- 3.266 | +/- 3.320 |

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 2020 and 2019 is as follows:

| (in thousand EUR) | 31 December 2020 | 31 December 2019 |
|--------------------------------|------------------|------------------|
| Long-term loan resources | 305,649 | 286,666 |
| Short-term loan resources | 173,369 | 148,000 |
| Total available loan resources | 479,018 | 434,666 |

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 | 163,579 | 142,070 | 305,649 |
| Trade liabilities and other liabilities | 103,177 | 60 | 8 | 0 | 103,245 |
| Short-term loans | 84,970 | 88,399 | 0 | 0 | 173,369 |
| Total as on 31 December 2020 | 188,147 | 88,459 | 163,587 | 142,070 | 582,263 |

| (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 | 162,813 | 123,853 | 286,666 |
| Trade liabilities and other liabilities | 54,887 | 2,318 | 1 | 0 | 57,205 |
| Short-term loans | 38,184 | 109,816 | 0 | 0 | 148,000 |
| Total as on 31 December 2019 | 93,071 | 112,134 | 162,813 | 123,853 | 491,871 |

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

Credit risk

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

A certain risk of failed payment is represented by 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.

32 FINANCIAL RISK MANAGEMENT (cont.)

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.

Capital management (cont.)

| (in thousand EUR) | 31 December 2020 | 31 December 2019 |
|--|------------------|------------------|
| Long-term financial aid | 0 | 0 |
| Long-term loans | 305,649 | 286,666 |
| Short-term financial aid | 0 | 24,106 |
| Short-term loans, including short-term part of long-term loans | 173,369 | 123,893 |
| Debt | 479,018 | 434,665 |
| Shareholders' equity | 185,715 | 174,899 |
| Indicators of indebtedness (%) | 258 % | 249 % |

33 POSTAL SERVICES

ZSSK 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 2020 include revenues from concluded long-term contracts on provision of postal services for Železnice Slovenskej republiky.

Operating costs and revenues

| (in thousand EUR) | As on 31 December 2020 | As on 31 December 2019 |
|---|------------------------|------------------------|
| Consumed material | -4 | -3 |
| Energy consumption | -1 | -1 |
| Repairs and maintenance | -3 | -2 |
| Personnel costs | -105 | -138 |
| Depreciation of tangible and intangible assets | -28 | -10 |
| Other costs | -35 | -25 |
| Total costs | -176 | -179 |
| Revenues from provision of interchangeable postal services | 190 | 200 |
| Profit (loss) | 14 | 21 |

34 RELATED PARTIES

Parties related to the Company are the companies associated through property: ŽSR, ZSSK CARGO, EUROFIMA, the daughter company ZSSK THU, s.r.o., 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 2020 and 2019:

| Related parties (in thousand EUR) | 31 December 2020 | | | |
|--------------------------------------|---|--|---|--|
| | Revenues generated with related parties | Costs on transactions with related parties | Receivables towards related parties | Liabilities towards related parties |
| ŽSR | 604 | 83,460 | 64 | 2,300 |
| ZSSK CARGO | 2,238 | 11,599 | 367 | 1,011 |
| EUROFIMA | 0 | 0 | 0 | 0 |

| Related parties (in thousand EUR) | 31 December 2019 | | | |
|--------------------------------------|---|--|---|--|
| | Revenues generated with related parties | Costs on transactions with related parties | Receivables towards related parties | Liabilities towards related parties |
| ŽSR | 929 | 90,312 | 83 | 779 |
| ZSSK CARGO | 3,052 | 13,891 | 431 | 961 |
| EUROFIMA | 0 | 0 | 0 | 24,106 |

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

Daughter company, ZSSK THU, s.r.o.

An overview of the assets, liabilities, income and costs of the daughter company ZSSK THU, s.r.o.

| ZSSK THU, s.r.o. | As on 31 December 2020 | As on 31 December 2019 |
|---|------------------------|------------------------|
| Income | 100 | 0 |
| Costs | -92 | 0 |
| Business result after taxation in the reporting period (profit) | 8 | 0 |
| ASSETS | | |
| Financial means | 92 | 0 |
| Trade receivables and other receivables | 22 | 0 |
| Total assets | 114 | 0 |
| LIABILITIES | | |
| Share capital | 5 | 0 |
| Business result to be approved | 8 | 0 |
| Trade liabilities and other liabilities | 101 | 0 |
| Total liabilities | 114 | 0 |

As on 31 December 2020 ZSSK THU, s.r.o. had 4 employees, of which 1 executive officer with remuneration for the position.

34 RELATED PARTIES (cont.)

Statutory body: Board of Directors

| Name | Position | From: | Note |
|------------------------|---------------|------------|------|
| Mgr. Filip Hlubocký | Chairman | 18/06/2016 | |
| Ing. Karol Martinček | Vice-Chairman | 26/03/2019 | |
| Ing. Radoslav Štefánek | Member | 27/03/2019 | |

Supervisory body: Supervisory Board

| Name | Position | From: | Note |
|---------------------|---------------|------------|---|
| Ing. Peter Bartalos | Chairman | 20/09/2017 | |
| Ing. Tomáš Vašuta | Vice-Chairman | 25/05/2020 | |
| Jozef Hlavatý | Member | 20/01/2010 | SB member position ceased to exist on 23 January 2020 |
| Peter Dubovský | Member | 23/01/2015 | |
| Ján Viglaš | Member | 24/01/2020 | |
| Peter Cibula, Mgmt. | Member | 18/06/2016 | |
| Ing. Ivan Černega | Member | 23/06/2017 | |

35 EVENTS WHICH OCCURRED AFTER THE BOOK CLOSING DATE

COVID-19 pandemic affected the economic results of ZSSK also in 2021. In January and February 2021, 7.9 passengers less were transported compared to 2020 (January and February of 2020 were not yet affected by the pandemic) (- 65.24 %), which is reflected in shortfall of revenues from passenger transport in the amount of EUR 9.2 million (-71.24 %).

In the period of the first two months, ZSSK provided 130 train kilometres less (-2.35 %) compared to the originally contractually agreed volume of services ordered by the State.

The Company has been closely communicating with the contracting authority, MTC, concerning the volume of transport services in the following period of 2021.

According to the current predictions, the financial impact of the pandemic in 2021 is expected on a comparable level to 2020. We assume that the shortfall of revenues from transport will reach 50 % of the original plans, while the costs on measures adopted in order to eliminate the impact of Corona virus on health of our employees as well as passengers will be spent in an amount comparable to 2020.



ŽELEZNIČNÁ SPOLOČNOSŤ SLOVENSKO
NÁRODNÝ DOPRAVCA

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