



Separate Financial

Statements 2022



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 2022



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Ing. Roman Koreň

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

Ing. Ján Lukáč

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

Bratislava, 24 March 2023

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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
CF	Cohesion Fund of the EU
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
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
MT	Ministry of Transport of the Slovak Republic
NRFC	Non-repayable financial contribution
PSC	Public Service Contract
RS	Rolling stock
SAP, SAP HANA	Economic and information software
SB	State Budget
SW	Software
TAP TSI	Telematic application for passenger transport within Trans-European railway system
THÚ	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 Všeobecná úverová banka, a. s. (UCB)

Slovenská sporiteľňa, a. s. (SLSP)

Komerční banka, a. s.

Všeobecná úverová banka, a. s. (VUB)

365.bank, a. s.

STATEMENT OF FINANCIAL POSITION

For the year ended on 31 December 2022

(in thousand EUR)	Note	31 december 2022	31 december 2021
ASSETS			
Long-term assets			
Long-term tangible assets	4	1,072,106	1,060,096
Investments into real estates	4	1,904	2,161
Long-term intangible assets	5	22,432	21,454
Financial lease, IFRS 16	6	63,993	68,677
Financial assets	7	6,196	5,905
Other long-term assets	8	307,385	349,437
		1,474,016	1,507,730
Current assets			
Inventories	9	84,928	20,322
of which: incomplete production		62,290	0
assets held for sale		901	0
Trade receivables and other receivables	10	35,008	27,627
Receivables resulting from the Contract on Transport Services in Public Interest	21	0	0
Financial means and financial equivalents	11	14,624	66,778
		134,560	114,727
Held-for-sale assets	4	5	137
TOTAL ASSETS		1,608,581	1,622,594
EQUITY AND LIABILITIES			
Shareholders' equity			
Share capital	12	212,441	212,441
Statutory reserve fund	12	29,217	28,917
Other funds	12	-33,622	-33,622
Re-valuation of employee benefits	14	2,909	-355
Unpaid loss	12	-18,136	-20,675
Profit (loss) in the reporting period	12	6,823	2,998
Total shareholders' equity		199,632	189,704
Long-term liabilities			
Interest-bearing loans and borrowings	13	284,816	330,413
Employee benefits	14	9,531	12,369
Reserves	15	5,170	6,801
Financial lease liabilities – long-term IFRS 16	6	57,588	62,749
Deferred tax	19	24,939	11,367
Other long-term liabilities	17	882,539	854,519
		1,264,583	1,278,218
Short-term liabilities			
Interest-bearing loans and borrowings	13	45,242	50,340
Employee benefits	14	1,731	1,563
Reserves	15	638	1,333
Financial lease liabilities – short-term IFRS 16	6	8,662	8,129
Trade liabilities and other liabilities	18	88,093	93,307
		144,366	154,672
Total liabilities		1,408,949	1,432,890
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		1,608,581	1,622,594

STATEMENT OF COMPREHENSIVE INCOME

For the year ended on 31 December 2022

(in thousand EUR)	Note	31 december 2022	31 december 2021
Income			
Transport of passengers and related revenues	20	100,622	65,362
Compensation for services in the public interest	21	378,347	365,268
Income from subsidies	22	31,809	37,531
Other net operating (costs) revenues	23	7,709	8,785
		518,487	476,946
Costs and expenses			
Consumption and services	24	-238,687	-198,186
Personnel costs	25	-147,551	-138,345
Depreciation, amortisation and impairment of tangible assets	26	-102,104	-121,720
Depreciation and amortisation pertaining to financial lease - IFRS 16	6	-8,651	-8,749
		-496,993	-467,000
Financial (costs) revenues			
Financial income	27	37	30
Financial costs	28	-995	- 3,881
Interests on lease instalments - IFRS 16	28	-736	-780
		-1,694	-4,631
Tax costs	19	-12,977	-2,317
Profit (loss) in the reporting period		6,823	2,998
Other comprehensive income:			
Items not to be re-classified as income		3,265	991
Re-valuation of employee benefits		3,265	991
Items that might subsequently be re-classified into income		0	0
Other comprehensive income in the reporting period		3,265	991
Total comprehensive income in the reporting period		10,088	3,989

STATEMENT OF CHANGES IN EQUITY

For the year ended on 31 December 2022

(in thousand EUR)	Share capital	Statutory reserve fund	Other funds	Re-valuation of employee benefits	Unpaid loss	Profit (loss) in the reporting period	Total
Balance as on 1 January 2021	212,441	27,856	-33,622	-1,346	-30,206	10,590	185,715
Recognition of profit of 2020	0	1,059	0	0	9,531	-10,590	0
Other comprehensive income - 2021	0	0	0	991	0	0	991
Income (costs) of past reporting periods	0	0	0	0	0	0	0
Profit (loss) in the reporting period of 2021	0	0	0	0	0	2,998	2,998
Balance as on 31 December 2021	212,441	28,917	-33,622	-355	-20,675	2,998	189,704
Recognition of profit of 2021	0	300	0	0	2,698	-2,998	0
Other comprehensive income - 2022	0	0	0	3,264	0	0	3,264
Income (costs) of past reporting periods	0	0	0	0	-159	0	-159
Profit (loss) in the reporting period of 2022	0	0	0	0	0	6,823	6,823
Balance as on 31 December 2022	212,441	29,217	-33,622	2,909	-18,136	6,823	199,632

STATEMENT OF CASH FLOW

For the year ended on 31 December 2022

(in thousand EUR)	Note	31 december 2022	31 december 2021
Operating income		531,363	528,534
Income from main activity		135,289	100,577
Compensation for services in the public interest		379,216	502,663
Other income		14,616	10,502
Income from international clearing		2,196	2,897
Income from operating loans		-3	-88,268
Income of the daughter company		49	163
Operating costs		-447,945	-380,671
Costs on material		-82,760	-61,483
Costs on services		-211,994	-180,102
of which: Track access charges		-63,720	-61,758
Wages and other labour costs		-143,543	-130,150
Expenses on international clearing		-9,648	-8,936
Costs on transferring the share capital to the daughter company		0	0
Received interests		5	0
Paid interests		0	-56
Dividends +/-		0	0
Income tax +/-		0	0
CASH FLOW FROM OPERATING ACTIVITY		83,423	147,807
Income from sale of long-term assets		224	1,249
State budget subsidies on investments		0	0
Investment subsidies from EU Structural Funds + State Budget		91,735	174,209
Returned investment subsidies from EU Structural Funds + State Budget		0	0
Purchase of long-term assets		-152,813	-236,079
CASH FLOW FROM INVESTMENT ACTIVITY		-60,854	-60,621
Financial income		40,873	75,136
Income from bank loans		40,838	75,106
Income from borrowings		0	0
Other financial income		35	30
Financial costs		-113,337	-93,900
Costs on bank loans		-92,406	-85,123
Costs on instalments of loans		0	0
Costs on settlement of liabilities from leasing		-7,852	-7,280
Other financial costs		-13,079	-1,497
Paid interests		-2,259	-3,627
Interests on leasing under IFRS 16		-736	-780
Other interests		-1,523	-2,847
CASH FLOW FROM FINANCIAL ACTIVITY		-74,723	-22,391
Net increase (decrease) of financial means and financial equivalents		-52,154	64,795
Financial means and financial equivalents as on 1 January	11	66,778	1,983
Financial means and financial equivalents as on 31 December	11	14,624	66,778

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 of the Slovak Republic (MT) 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 MT) as the contracting authority.

Registered seat of the Company

Rožňavská 1
832 72 Bratislava
Slovensko

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 27 July 2022.

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 2022 and ending on 31 December 2022.

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 MT, effective as of 1 January 2021, and by the Partial Contract for 2021 to the framework PSC. The Contract on Transport Services in Public Interest for 2021 – 2030 includes also transport services on the line of Bratislava – Dunajská Streda – Komárno. The Partial Contracts for individual years serve for MT to specify the terms of and the criteria for the ordered transport services.

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 MT and MF in the area of operating and capital subsidies (notes 21, 22). 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 2021.

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 2022.

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 2022:

- 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).
- Proceeds before Intended Use – amendments to IAS 16, with retrospective application allowed. The amendment is effective as of 1 June 2022.
- Onerous Contracts – Cost of Fulfilling a Contract – amendment to IAS 37 – effective for the reporting periods starting on 1 January 2022.
- Annual improvements to IFRS, 2018 – 2020 Cycle – amendments. The annual improvements include amendments to IAS 16, IAS 37, IAS 41, IFRS 1, IFRS 3 and IFRS 9. They are effective for the reporting periods starting on 1 January 2022.

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 2022 and which the Company did not apply prematurely:

- IAS 1 – amendments – Classification of Liabilities as Current or Non-current (issued on 23 January 2020) and Long-term Debts with Covenants (issued on 31 October 2022), both amendments effective for the annual reporting periods beginning on or after 1 January 2024. The amendment has not yet been adopted by the EU.
- IFRS 16 – Lease Liability in a Sale and Leaseback (issued on 22 September 2022), with effective date set by IASB for the annual reporting period beginning on or after 1 January 2024. The amendment has not yet been adopted by the EU.
- IAS 8 – new definition of accounting estimates (issued on 12 February 2021). The standard is effective for the reporting periods beginning on 1 January 2023.
- IAS 1 and IFRS Practice Statement 2 – new amendments on disclosure of accounting policies and instruction on how to decide material nature of policies in specific cases – effective as of the reporting period beginning on 1 January 2023.
- IAS 12 – amendments on Deferred Tax related to Assets and Liabilities arising from a Single Transaction (issued on 7 May 2022) – the changes include an additional condition for not applying an exemption from the initial recognition. The amendment is effective for the reporting period beginning on 1 January 2023.
- IFRS 17 Insurance Contracts – amendments on Initial Application of IFRS 17 and IFRS 9 at the same time – effective for the reporting period beginning on 1 January 2023.

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.

2.3 SIGNIFICANT ACCOUNTING ASSESSMENTS, ESTIMATES AND ASSUMPTIONS

Significant accounting estimates and assumptions

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

Lawsuits

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

Quantification and timing of environmental liabilities

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

Assets impairment

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

Employee benefits and severance pay

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

Depreciation period and residual value of long-term tangible assets

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

Fair value measurement of assets and liabilities according to IFRS 13

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

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

- 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.

Measurement of non-financial items:

Assets	in thousand EUR	Level 1	Level 2	Level 3
Investment property (IAS 40)				1,904
Assets held for sale (IFRS 5)				5
of which: real estates				5
machines and other moveable assets				0
Total as on 31 December 2022				1,909

Assets	in thousand EUR	Level 1	Level 2	Level 3
Investment property (IAS 40)				2,161
Assets held for sale (IFRS 5)				137
of which: real estates				0
machines and other moveable assets				137
Total as on 31 December 2021				2,298

Measurement used to derive fair values at Level 3:

Fair value of investments into real estates at Level 3 as on 31 December 2022 amounted to EUR 1,904 thousand (as on 31 December 2021 in the amount of EUR 2,161 thousand).

Fair value of assets held for sale at Level 3 as on 31 December 2022 amounted to EUR 5 thousand (as on 31 December 2021 in the amount of EUR 137 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.

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.

3 SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (CONT.)

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

e) Inventories

Inventories are measured in the lower of the acquisition price or net realisable value, after adjustments to low-turn or useless inventories are created. Costs on 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.

3 SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (CONT.)

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.

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 2022. 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 (2019, 2020, 2021). 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 2022 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 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 and borrowings.

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.

3 SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (CONT.)

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.

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 a group of trade liabilities and other liabilities.

Loans

Loans 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 "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 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.

l) Employee benefits

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

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

The actuarial profit and loss resulting from empiric adjustments and changes in actuarial forecasts is reported as revenues and costs at the time of their occurrence. Changes and adjustments of these long-term schemes with determined benefits are reported during the average remaining period of service of the respective employees in the Profit and Loss Statement, except for cases of employee 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.

m) 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.

3 SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (CONT.)

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.

n) 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.

o) 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.

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,

3 SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (CONT.)

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.

p) 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.

q) 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.

r) 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.

3 SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (CONT.)

Payable tax

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

Deferred tax

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

Deferred tax liability is reported for all taxable temporary differences.

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

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

Deferred tax receivables and liabilities are measured 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 2022
	As on 1 January 2022	Additions	Disposals	Transfers	As on 31 December 2022	As on 1 January 2022	Additions	Disposals	Transfers	As on 31 December 2022	
Lands and buildings	88,626	2,612	1,258	1,848	91,828	29,096	2,806	345	-2	31,555	60,273
of which: impairment loss	0				0	0					
Transport vehicles	1,754,936	68,140	29,881	23,585	1,816,780	836,888	85,206	23,696	1,658	900,056	916,724
of which: impairment loss						0					
Plants, equipment and other assets	52,361	5,297	1,716	115	56,057	32,524	4,418	1,467	76	35,551	20,506
of which: impairment loss	0				0	0			-218	-218	
Unfinished investments	29,910	61,047	62,291	-4,446	24,220	0				0	24,220
Provided pre-payments	32,771	36,701		-19,089	50,383	0				0	50,383
Total long-term tangible assets	1,958,604	173,797	95,146	2,013	2,039,268	898,508	92,430	25,508	1,732	967,162	1,072,106
IAS 40	2,559			-318	2,241	398			-61	337	1,904
IFRS 5	6,070		4,318	-1,695	57	5,933		4,210	-1,671	52	5

in thousand EUR	Acquisition price					Cumulated adjustments					Residual value as on 31 December 2021
	As on 1 January 2021	Additions	Disposals	Transfers	As on 31 December 2021	As on 1 January 2021	Additions	Disposals	Transfers	As on 31 December 2021	
Lands and buildings	79,363	359	14	8,918	88,626	25,689	3,654	9	-238	29,096	59,530
of which: impairment loss	0					0					
Transport vehicles	1,588,821	146,298	13,731	33,548	1,754,936	745,577	107,226	11,227	-4,688	836,888	918,048
of which: impairment loss						0					
Plants, equipment and other assets	49,439	3,697	301	-174	52,361	28,908	4,177	252	-309	32,524	19,837
of which: impairment loss	0					218			-218		
Unfinished investments	38,388	6,022	98	-14,402	29,910	0					29,910
Provided pre-payments	40,039	26,117	1	-33,384	32,771	0					32,771
Total long-term tangible assets	1,795,750	182,493	14,145	-5,494	1,958,604	800,174	115,057	11,488	-5,235	898,508	1,060,096
IAS 40	2,749			-190	2,559	406			-8	398	2,161
IFRS 5	4,798		4,412	5,684	6,070	4,685		3,995	5,243	5,933	137

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 60,273 thousand. Rolling stock in the amount of EUR 916,724 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 20,506 thousand.

The most significant item of unfinished investments is represented by costs on purchase of the coach repair workshop in Žilina from ZS Cargo in the amount of EUR 3,573 thousand. The project documentation and costs on reconstruction of locomotive depots in Nové Zámky, Košice, Bratislava, Brezno, Kraľovany and Vrútky in the amount of EUR 11,792 thousand. The most significant items of machines and equipment include procurement of hardware and software for backup data centre in the amount of EUR 715 thousand, procurement of machines and equipment for maintenance and repairs in the amount of EUR 475 thousand, technologies for the locomotive depot in Vrútky in the amount of EUR 478 thousand and procurement of ticket-selling devices and maintenance equipment in the amount of EUR 3,869 thousand.

As on 31 December 2022, advance payments were made concerning new electric sets in the amount of EUR 26,915 thousand, where their procurement is co-financed from the EU funds under EFD10. Furthermore, advance payments were made on modernisation of passenger coaches in the amount of EUR 2,457 thousand co-financed from the EU funds under EFD7, modernisation of Tatra electric units of 425 series in the amount of EUR 6,299 thousand co-financed from the EU funds under EFD13, delivery of ETCS for motive power units of 361 series co-financed from the EU funds under EFD12 in the amount of EUR 1,324 thousand, delivery of ETCS for electric units co-financed from the EU funds under EFD4A in the amount of EUR 2,628 thousand, delivery of electric units co-financed from the EU funds under EFD6 in the amount of EUR 7,628 thousand and purchasing of passenger coaches co-financed from the EU funds under EFD8 in the amount of EUR 3,007 thousand.

Given the advanced stage of construction of the light-maintenance centres, the costs on project preparation and construction of the centres amounting to EUR 62,290 thousand are reported under the International Accounting Standard – IAS 2 Inventories as of 1 January 2022. Construction of individual light-maintenance centres, including project preparation, was transferred from accounts for investment acquisition into inventories, and is reported as Incomplete production for sale when completed.

As on 31 December 2022, 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 no impairment discovered as on 31 December 2022. 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

As on 31 December 2022 the assets held for sale include railway tracks in the amount of EUR 5 thousand in the locomotive depot of Nové Zámky that, after inspection of their condition, were designated for a planned sale to the light-maintenance centre of Nové Zámky. Based on the decision of the Board of Directors of ZSSK of 30 November 2021, in the course of 2022 a certain number of vehicles evaluated as EUR 106 thousand reported as assets held for sale were sold. Other vehicles originally reported under IFRS 5 were re-classified into IAS 16 as their sale was cancelled.

Based on Resolution no. 117/2022 of 25 October 2022, the Board of Directors of ZSSK approved the sale of assets in the amount of EUR 2 thousand located in the premises of the locomotive depot in Zvolen that were sold to a natural person on 14 December 2022 based on Purchase Contract no. 873 705 01/KZ 2022 for the purchase price of EUR 4 thousand.

4 LONG-TERM TANGIBLE ASSETS (CONT.)

The asset division is presented in the following table:

(in thousand EUR)

Class	Title	As on 31 December 2022	As on 31 December 2021
10	Buildings	0	0
20	Constructions	5	0
30 and 40	Machines and equipment	0	0
60	Transport vehicles	0	137
70	Inventory	0	0
90	Real estate/lands	0	0
	Total	5	137

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

(in thousand EUR)	Amount
Sale	108
Total revenues	221
Profit from assets held for sale	113

Investments into real estates

There were no changes in the fair value of real estates reported pursuant to IAS 40 as on 31 December 2022.

(in thousand EUR)

Rented assets	As on 31 December 2022	As on 31 December 2021
Track yard in Bratislava	17	17
Track yard in Trnava	83	83
Building at Stromová, Košice	81	81
Land in Štrba	6	6
Track yard at the locomotive depot in Humenné	3	3
Humenné Staničná	53	53
Kitchen at the locomotive depot in Košice	0	5
Stable washer in Zvolen	0	26
Indoor washer in Bratislava	1,008	1,073
Repair workshops in Vrútky	299	382
Buildings and lands at Podkolíbská, Bratislava	69	138
Buildings and lands at Jesenského, Zvolen	285	294
Total	1,904	2,161

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

(in thousand EUR)	Amount
Taxes (on lands and constructions)	22
Other costs (repairs, maintenance)	2
Total costs	24
Lease	173
Total revenues	173
Income from property	149

4 LONG-TERM TANGIBLE ASSETS (CONT.)

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 self-serving fuelling equipment 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. The insurance premium for 2022 is EUR 14 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 143 thousand. The premium for 2022 is EUR 37 thousand.

Insurance policy with PREMIUM Insurance Company Limited no. 4600006056/PN/2021 concerning insurance of rolling stock was concluded for the period from 1 November 2021 to 31 January 2022. The total insurance premium for this period is EUR 420 thousand. The relevant premium amount for 2022 is EUR 140 thousand.

Insurance policy with ALLIANZ-Slovenská poisťovňa, a.s. no. 411029015 concerning insurance of rolling stock was concluded for the period from 1 November 2018 to 31 October 2021. The insurance premium for the period from 1 March 2022 to 28 February 2023 amounts to EUR 1,790 thousand.

5 LONG-TERM INTANGIBLE ASSETS

	Acquisition price				Cumulated adjustments				Residual value as on 31 December 2022
	As on 1 January 2022	Additions	Disposals	Transfers	As on 31 December 2022	Additions	Disposals	Transfers	
Intangible assets	46,712	687	67	100	47,432	3,653	67	0	37,090
Unfinished investments	8,239	3,944	0	-100	12,083	0	0	0	12,083
Provided pre-payments	7	0	0	0	7	0	0	0	7
Total	54,958	4,631	67	0	59,522	3,653	67	0	22,432

	Acquisition price				Cumulated adjustments				Residual value as on 31 December 2021
	As on 1 January 2021	Additions	Disposals	Transfers	As on 31 December 2021	Additions	Disposals	Transfers	
Intangible assets	48,357	828	3,624	1,151	46,712	4,169	3,619	0	33,504
Unfinished investments	9,027	488	125	-1,151	8,239	0	0	0	8,239
Provided pre-payments	8	0	1	0	7	0	0	0	7
Total	57,392	1,316	3,750	0	54,958	4,169	3,619	0	21,454

The most significant items in the category of intangible assets is represented by SAP 4/HANA software in the amount of EUR 5,955 thousand, SW licences for iKVC of EUR 502 thousand, SW licences to support the integration platforms of EUR 1,010 thousand, SW for operation management in the amount of EUR 376 thousand, and SW for information safety of the operation and electronic services of EUR 351 thousand, SW for ASW POP ticket-selling in the amount of EUR 336 thousand.

The unfinished investments include the following most significant items: procurement of SW for TAP TSI project co-financed from a grant in the amount of EUR 7,746 thousand, intranet functionality extension in the amount of EUR 566 thousand, Microsoft licences of EUR 570 thousand, comprehensive communication system for motive power units of 840 series in the amount of EUR 490 thousand, and development of iKVC in the amount of EUR 346 thousand.

6 LEASES – IFRS 16

		Acquisition price					Cumulated adjustments					Residual value as on 31 December 2021
		As on 1 January 2021	Additions	Disposals	Transfers	As on 31 December 2021	As on 1 January 2021	Additions	Disposals	Transfers	As on 31 December 2021	
	in thousand EUR											
	The right to use the asset under IFRS16	82,480	9,514	2,490		89,504	14,567	7,527	1,267		20,827	68,677
	of which: Transport vehicles	57,024	1,924	1,452		57,796	12,266	6,079	1,150		17,195	40,601
	Lands and buildings	25,456	7,590	1,338		31,708	2,301	1,448	117		3,632	28,076
	Unfinished investments	0				0	0	0			0	0
	Total	82,480	9,514	2,490	0	89,504	14,567	7,527	1,267	0	20,827	68,677

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 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 35,410 thousand and lease of a dining car in the amount of EUR 1,076 thousand. The lands and buildings include premises for ticket sale in the amount of EUR 72 thousand; another significant item is lease of the Company headquarters in Rožňavská 1 in Bratislava in the amount of EUR 1,107 thousand, lands and track yard for light-maintenance centre in Zvolen of EUR 1,797 thousand, the coach repair workshop premises in Bratislava in the amount of EUR 1,234 thousand, the social and operating facilities of the coach repair workshop in Zvolen in the amount of EUR 1,036 thousand, the coach repair workshop in Žilina in the amount of EUR 6,341 thousand, track yard in the locomotive depot of Čadca in the amount of EUR 1,220 thousand, and the operating building of a station for technical inspections in Bratislava-Nové Mesto of EUR 692 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 2022	31 December 2021
Depreciation	-7,979	-7,527
Residual value of discarded right to use assets	- 672	-1,222
Total	-8,651	-8,749

(in thousand EUR)	31/12/2022	31/12/2023	31/12/2024	31/12/2025
IAS 17 (operating lease)	17	17	17	17
IFRS 16 (balance-sheet model)				
Lease liability (short-term part)	8,662	7,736	7,688	7,498
Lease liability (long-term part)	57,588	49,852	42,164	34,666
Right to use the asset	63,993	56,087	48,291	40,976
Cost interests	736	638	557	476
Depreciation of the right to use the asset	7,979	7,906	7,796	7,315

7 FINANCIAL ASSETS

(in thousand EUR)	Number of shares (pieces)	Participation in the equities in %	Financial assets	
			as on 31 December 2022	As on 31 December 2021
Eurofima	1,300	0.50 %	6,189	5,898
BCC	1	0.68 %	1	1
ZSSK THU, s. r. o.		100 %	5	5
Eurail B.V.	607	0.607 %	1	1
Total	x	x	6,196	5,905

The Company holds an ownership interest with insignificant influence in Eurofima, BCC and Eurail B.V.. 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 2021	31 December 2020
Trade receivables	405	283
Other long-term receivables	126	125
Receivables from subsidies granted on investments (EU funds)	306,854	349,029
Total	307,385	349,437

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
	2022	2022	2021	2021
Total material	26,162	21,074	24,533	19,717
Fuel in tank	409	409	359	359
Goods	293	254	285	246
Real estates for sale	901	901	0	0
Products	0	0	0	0
Uncompleted production	62,290	62,290	0	0
Total inventories	90,055	84,928	25,177	20,322

No right of lien was established regarding the procured inventories.

On the grounds of the contractual conditions based on the phase of construction of the light maintenance centres, the manner of reporting the light maintenance centres was changed as of 1 January 2022 to the International Accounting Standards IAS/IFRS in compliance with IAS 2 Inventories. Construction of individual light maintenance centres, including project preparation, was re-classified from the accounts of investment procurement into inventories, and is reported as Uncompleted production to be sold after completion.

In accordance with IAS 2 Inventories, as of 1 January 2022 the **land** where construction of light-maintenance centres takes place is reported as Real estate for sale due to construction to be sold. **Buildings, constructions and movable assets** held for sale was re-classified as of 1 January 2022 under **IFRS 5 Assets held for sale** and activities to be completed.

10 TRADE RECEIVABLES AND OTHER RECEIVABLES

(in thousand EUR)	31 December 2022	31 December 2021
Short-term trade receivables	9,966	8,033
Tax receivable (excessive VAT deduction, excise tax)	17,700	12,547
Receivables from subsidies granted on investments (EU funds)	6,082	5,578
Other receivables	3,462	3,633
	37,210	29,791
Allowances to trade receivables and other receivables	-2,202	-2,164
	35,008	27,627

Receivables after maturity date amounted to EUR 5,873 thousand as on 31 December 2022 (EUR 5,353 thousand as on 31 December 2021).

An inspection of EFD2F project resulted in an obligation of ZSSK to return a part of the subsidy in the amount of EUR 1,745 thousand, of which short-term part has maturity date in 2023 in the amount of EUR 872 thousand.

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

Information on receivables from related parties is stated under note 31.

Analysis of receivables pursuant to maturity as on 31 December 2022 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
2022	37,210	31,337	2,366	33	151	13	279	3,031
2021	29,791	24,439	1,678	920	30	531	365	1,828

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 2022	31 December 2021
Financial means in cash register and financial equivalents	242	237
Financial means in banks	14,382	66,541
Total	14,624	66,778

Financial means in banks bear interest pursuant to variable interest rates, consisting of a margin and EURIBOR rate.

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

ZSSK does not report any bank overdrafts as on 31 December 2022.

12 SHAREHOLDERS' EQUITY

Share capital

Share capital is formed by a state investment in the Company administered by MT SR 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 2022 which were reported into the equity is EUR 2,909 thousand (EUR 355 thousand as on 31 December 2021).

Settlement of the business result from the previous accounting period

Settlement of profit in the amount of EUR 2,998 thousand for the accounting period of 2021 was adopted by the General Assembly, which decided on 27 July 2022 to divide the profit by transferring a part into the statutory reserve fund in the amount of EUR 300 thousand and by reducing the loss of past years on account 429 – Unpaid loss of previous years in the amount of EUR 2,698 thousand.

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

13 INTEREST-BEARING LOANS AND BORROWINGS

As on 31 December 2022:

	Currency	Amount in foreign currency	Principal balance in thousand EUR	Maturity	Hedging
Long-term loans					
Tatra banka, a. s.	EUR		6,296	31/12/2023	No hedging
Tatra banka, a. s.	EUR		35,714	31/12/2027	No hedging
ČSOB, a. s.	EUR		30,000	18/03/2025	No hedging
ČSOB, a. s.	EUR		45,244	29/12/2028	No hedging
ČSOB, a. s.	EUR		8,000	24/07/2029	No hedging
ČSOB, a. s.	EUR		32,838	28/09/2029	No hedging
SLSP, a. s.	EUR		21,407	19/09/2024	No hedging
VUB, a. s.	EUR		11,096	22/12/2024	No hedging
UCB, a. s.	EUR		23,835	31/12/2025	No hedging
UCB, a. s.	EUR		36,085	31/12/2026	No hedging
UCB, a. s.	EUR		25,437	31/07/2028	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			330,058		
Short-term part of loans and borrowings			45,242		
Long-term part of loans and borrowings			284,816		

	Currency	Amount in foreign currency	Principal balance in thousand EUR	Maturity	Hedging
Short-term loans					
UniCredit Bank Czech Republic and Slovakia a. s., subsidiary of a foreign bank	EUR		0	without final maturity date (3-month notice period)	No hedging
Všeobecná úverová banka, a. s.	EUR		0	without final maturity date (3-month notice period)	No hedging
Tatra banka, a. s.	EUR		0	without final maturity date (3-month notice period)	No hedging
Československá obchodná banka, a. s.	EUR		0	without final maturity date (3-month notice period)	No hedging
Total short-term loans			0		
Short-term part of loans and borrowings (see above)			45,242		
Bank overdrafts (note 11)			0		
Total short-term loans and borrowings			45,242		

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 330,058 thousand (EUR 380,753 thousand as on 31 December 2021).

13 INTEREST-BEARING LOANS AND BORROWINGS (CONT.)

All interest-bearing loans and borrowings bear interest at variable or fixed interest rate.

As on 31 December 2021:

	Currency	Amount in foreign currency	Principal balance in thousand EUR	Maturity	Hedging
Long-term loans					
Tatra banka, a. s.	EUR		12,592	31/12/2023	No hedging
Tatra banka, a. s.	EUR		42,857	31/12/2027	No hedging
ČSOB, a. s.	EUR		30,000	23/12/2024	No hedging
ČSOB, a. s.	EUR		30,000	18/03/2025	No hedging
ČSOB, a. s.	EUR		45,244	29/12/2028	No hedging
Komerční banka, a. s.	EUR		8,000	13/07/2022	No hedging
SLSP, a. s.	EUR		32,600	19/09/2024	No hedging
SLSP, a. s.	EUR		1,963	30/06/2022	No hedging
VUB, a. s.	EUR		16,643	22/12/2024	No hedging
UCB, a. s.	EUR		31,780	31/12/2025	No hedging
UCB, a. s.	EUR		45,107	31/12/2026	No hedging
UCB, a. s.	EUR		29,861	31/07/2028	No hedging
Total long-term loans			330,058		
Short-term part of loans and borrowings			45,242		
Long-term part of loans and borrowings			284,816		

	Currency	Amount in foreign currency	Principal balance in thousand EUR	Maturity	Hedging
Short-term loans					
UniCredit Bank Czech Republic and Slovakia a. s., subsidiary of a foreign bank	EUR		0	without final maturity date (3-month notice period)	No hedging
Všeobecná úverová banka, a. s.	EUR		0	without final maturity date (3-month notice period)	No hedging
Tatra banka, a. s.	EUR		0	without final maturity date (3-month notice period)	No hedging
Československá obchodná banka, a. s.	EUR		0	without final maturity date (3-month notice period)	No hedging
Total short-term loans			0		
Short-term part of loans and borrowings (see above)			50,340		
Bank overdrafts (note 11)			0		
Total short-term loans and borrowings			50,340		

14 EMPLOYEE BENEFITS

(in thousand EUR)	Bonuses at retirement	Contributions at life anniversaries	Compensatory contribution in case of invalidity	Total
As on 1 January 2022	11,558	2,002	372	13,932
Costs on present services	373	81	0	454
Interest costs	142	24	5	171
Actuarial profit and loss	-2,168	-284	66	-2,386
Paid benefits	-622	-239	-86	-947
Costs on past services	0	0	38	38
As on 31 December 2022	9,283	1,584	395	11,262
Short-term as on 31 December 2022	1,411	243	77	1,731
Long-term as on 31 December 2022	7,872	1,341	318	9,531
As on 31 December 2022	9,283	1,584	395	11,262

(in thousand EUR)	Bonuses at retirement	Contributions at life anniversaries	Compensatory contribution in case of invalidity	Total
As on 1 January 2021	9,957	2,124	400	12,481
Costs on present services	328	86	0	414
Interest costs	95	20	4	119
Actuarial profit and loss	-255	-19	14	-260
Paid benefits	-523	-209	-76	-808
Costs on past services	1,956	0	30	1,986
As on 31 December 2021	11,558	2,002	372	13,932
Short-term as on 31 December 2021	1,239	262	62	1,563
Long-term as on 31 December 2021	10,319	1,740	310	12,369
As on 31 December 2021	11,558	2,002	372	13,932

Re-valuation of employee benefits

in thousand EUR	As on 31 December 2022	As on 31 December 2021
Bonuses at retirement	2,168	255
Severance payment	1,553	-393
Total	3,721	-138
Deferred tax	-812	-217
Total	2,909	-355

Main actuarial assumptions:

	2022	2021
Discount rate (% p.a.)	4.16 %	1.23 %
Increase of wages (%)	4.32 % - 5 %	4.32 % - 8.77 %
Probability of male mortality (%)	0.038 % - 2.46 %	0.038 % - 2.46 %
Probability of female mortality (%)	0.0209 % - 0.10439 %	0.0209 % - 0.10439 %

14 EMPLOYEE BENEFITS (CONT.)

Long-term reserve for employee benefits

As on 31 December 2022, the Company reports a liability in the amount of EUR 11,262 thousand (of which: short-term liability part amounting to EUR 1,731 thousand and long-term liability part amounting to EUR 9,531 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 2022 – 2023 ZSSK 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 100 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 10 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 15 per each worked year.

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

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

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

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

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

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

14 EMPLOYEE BENEFITS (CONT.)

Wage increase

The following increase in the tariff wages was agreed for 2022, effective as of 1 January 2022, for individual professions:

- locomotive driver, instructor locomotive driver and mechanical engineer in the amount of EUR 180
- commanding master and master for coaches in the amount of EUR 50
- other professions in the amount of EUR 40.

Wage growth has been agreed also for 2023.

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 7.24 %.
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 3.54 %.
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 1.30 %.
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 0.81 %.

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	5.87	10.7
POST EMPLOYMENT BENEFITS	8.08	14.9

The actuarial profit and loss, changes of financial assumptions are caused by a change in discount from 1.23 % to 4.16 and a change in the expected wage increase in 2023 from 4.43 % to 4.32 %.

The costs on past services due to retirement are caused by an increase in retirement payment according to the Collective Agreement of ZSSK for 2022-2023.

15 RESERVES

(in thousand EUR)	Environmental burdens	Lawsuits	Redundancy payment, severance payment	Other reserves	Total
As on 1 January 2022	350	194	7,589	0	8,133
Additions	0	10	313	0	323
Interest costs	0	0	88	0	88
Recognised part of the reserves	350	0	0	0	350
Actuarial profit and loss	0	0	-986	0	-986
Use	0	0	-1,400	0	-1,400
As on 31 December 2022	0	204	5,604	0	5,808
Short-term as on 31 December 2022	0	10	628	0	638
Long-term as on 31 December 2022	0	194	4,976	0	5,170
As on 31 December 2022	0	204	5,604	0	5,808

(in thousand EUR)	Environmental burdens	Lawsuits	Redundancy payment, severance payment	Other reserves	Total
As on 1 January 2021	200	208	6,621	0	7,029
Additions	150	0	792	0	942
Interest costs	0	0	64	0	64
Recognised part of the reserves	0	0	0	0	0
Actuarial profit and loss	0	0	393	0	393
Use	0	-14	-280	0	-294
As on 31 December 2021	350	194	7,590	0	8,134
Short-term as on 31 December 2021	350	0	983	0	1,333
Long-term as on 31 December 2021	0	194	6,607	0	6,801
As on 31 December 2021	350	194	7,590	0	8,134

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 2022 the reserve amount was assessed, and based on the remaining liabilities of ecological nature imposed on the Company in terms of the effective Slovak legislation it was recognised in the total amount of EUR 350 thousand.

16 CONTINGENT ASSETS AND LIABILITIES

a) Contingent assets

- 1) 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.. The first-instance court decided to acknowledge the claim of ZSSK in the amount of 99 %. The decision was confirmed by the second-instance court. Based on an appeal of the defendant, the proceedings are now before the Supreme Court of the Slovak Republic.
- 2) Damage caused by a level-crossing crash. On 23 July 2018 a smaller accident of B3 category – a level-crossing accident – a crash of a train with a car took place on an international track section of Nováky – Zemianske

16 CONTINGENT ASSETS AND LIABILITIES (CONT.)

Kostoľany. Diesel motor power unit of 861 series was damaged. The person guilty of the accident was employed at MSJ group, s.r.o. at the time. The accident was settled by the insurance company Kooperativa. Lawsuit against defendants: 1. MSJ group, s.r.o., 2. KOOOPERATIVA poisťovňa, a.s. Vienna Insurance Group concerning payment of EUR 1,249,454.38 with interests as damages was filed at the first-instance court.

- 3) Proceedings concerning a claim of ZSSK against the defendants: 1. AVUS International, spol. s r.o. (the insurance company defined by the 2nd-line defendant), 2. Slovenská kancelária poisťovateľov, 3. Świerkot spo. z o.o. (a car owner), 4. Kazimierz Aleksy Ziebur (a car driver – deceased in the meantime and excluded from the proceedings), 5. Powszechny Zakład Ubezpieczeń Spółka Akcyjna (the insurance company insuring the car), 6. ŽSR, 7. Self-Governing Region of Košice, 8. Road Infrastructure Administration of the Self-Governing Region of Košice, concerning payment of EUR 570,565.81 with interests. The lawsuit concerns damages occurred on 3 November 2015 at the level crossing between the switch point at Petrovce nad Laborcom and the railway station of Michalovce where the fast train R 442 crashed into a trailer of an articulated lorry carrying a harvester. The first expert's opinion determined partial fault to the defendants 3., 4., 6., 7., and 8. A new expert proof was carried out confirming the fault of the car driver (the defendant 4) and the responsibility of the company Świerkot Spółka z ograniczoną odpowiedzialnością (the defendant 3.) that carried out an over-size transport without the necessary permissions. ZSSK succeeded at the first-instance court. Some of the defendants appealed against this decision.
- 4) On 15 July 2019 a smaller accident of B3 category – a crash of a slow train Os 5108 of ZSSK with a freight lorry of Scania brand took place between the railway station of Ivanka pri Nitre and the railway station of Nitra. The multiple unit 95 56 7 861 032-5 ZSSK was damaged. The insured event is dealt with by the insurance company Allianz. The claim to pay EUR 499,348.92 with interests as damages is filed with the first-instance court.

17 OTHER LONG-TERM LIABILITIES

(in thousand EUR)	31 December 2022	31 December 2021
Deferred income in relation to investments from EU Structural Funds	86,756	44,867
Deferred income in relation to investments from the State Budget	630	781
Deferred income in relation to investments from the EU Cohesion Fund	373,193	356,027
Deferred income in relation to investments in combination of the State Budget and EU Structural Funds	40,660	34,851
Deferred income in relation to investments in combination of the State Budget and EU Cohesion Fund	65,850	62,821
Deferred income in relation to investments from the EU grant	7,725	4,109
Deferred income in relation to investments – stipulated by the Contract on NRFC	264,755	349,558
Deferred income in relation to investments – stipulated by the Contract on GRANT	42,379	0
Contracted compensation – non-investment	591	1,215
Liabilities towards the social fund	0	227
Other liabilities	0	63
Total	882,539	854,519

17 OTHER LONG-TERM LIABILITIES (CONT.)

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

(in thousand EUR)	Text	2022	2021
As on 1 January		226	107
Creation		984	877
Drawing		1,210	758
As on 31 December		0	226

18 TRADE LIABILITIES AND OTHER LIABILITIES

(in thousand EUR)	31 December 2022	31 December 2021
Trade liabilities and other liabilities	59,504	54,071
Short-term part of deferred income in relation to investments	27,154	38,024
Short-term part of deferred income in relation to operating costs	338	234
Tax liabilities	1,097	978
Total	88,093	93,307

Short-term trade liabilities after maturity (account 321) amounted to EUR 16 thousand as on 31 December 2022 (EUR 66 thousand as on 31 December 2021).

More detailed information on liabilities towards related parties is stated under note 31.

19 INCOME TAX

Income tax consists of payable tax and deferred tax. In 2022 the Company's tax base, upon amortisation of the loss of previous periods, amounted to EUR 0. The Company was not obliged to file the income tax return for 2021. When filing the regular income tax return the Company reported tax loss in the amount of EUR 50,545 thousand.

The economic result before taxation is profit in the amount of EUR 19,800 thousand that is adjusted by recognised deferred and payable tax.

When calculating the deferred income tax, the tax rate effective as of 1 January 2023 was taken into consideration.

(in thousand EUR)	2022	2021
Tax due (deductible and licence tax)	0	0
Deferred tax	12,977	2,317
Total	12,977	2,317

(in thousand EUR)	31 December 2022	31 December 2021
Economic result before taxation pursuant to IAS/IFRS	19,800	5,315
Theoretical tax at statutory tax rate of 21 %	4,158	1,116
Impact of tax loss that cannot be redeemed in the future	0	0
Constant extra charges and deductible revenues	8,819	1,201
Income tax (payable and deferred tax)	12,977	2,317

19 INCOME TAX (CONT.)

As on 31 December 2022, the Company decided not to report any deferred tax receivables given the fact that there is no guarantee of achieving the tax base in the future. The Company does not assume a tax base against which to redeem tax losses of previous periods, thus neither to redeem the deferred tax receivables. It bases its assumptions on the long-term strategy. As on 31 December 2022, the Company reports deferred tax liabilities divided as follows:

(in thousand EUR)	31 December 2022	31 December 2021
Deferred tax receivables		
Unamortised tax loss	0	-4,966
Employee benefits reported in the comprehensive income	0	-2,926
Redundancy payment, severance payment	0	-1,667
Investment subsidies	-27,973	-21,491
Other	0	-2,950
	-27,973	-34,000
Deferred tax liabilities		
Long-term tangible assets	52,100	45,150
Employee benefits reported in the equity	812	217
	52,912	45,367
Net deferred tax liabilities	24,939	11,367

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: 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 for 2020 in the amount of EUR 17,360,753.76** and tax loss reported for **2021 in the amount of EUR 50,544,734.32** 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 2022	31 December 2021
2022	0	23,644
2023	61,305	0
2024	0	0
2025	0	0
2026	0	0
Total tax loss carried forward	61,305	23,644

20 TRANSPORT OF PASSENGERS AND RELATED REVENUES

(in thousand EUR)	31 December 2022	31 December 2021
Passenger transport		
Passenger transport - national	57,728	37,924
Passenger transport - international	19,888	7,890
	77,616	45,814
Other transport-related revenues:		
Performance of passenger coaches	10,377	7,916
Traction performance abroad	8,462	8,360
Other revenues	4,167	3,272
	23,006	19,548
Total	100,622	65,362

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.

Financial impact of COVID-19 pandemic on the business result of ZSSK

In compliance with the Partial Contract for 2022 to the Contract on Transport Services in Public Interest as amended by Supplement no. 1 to Supplement no. 6, ZSSK was granted compensation for transport services in public interest that takes into account also financial impact of the COVID-19 pandemic. ZSSK was granted an increased compensation from the State Budget to compensate expenses related to anti-Covid measures and to compensate lost revenues from transport of passengers due to COVID-19 pandemic.

20 TRANSPORT OF PASSENGERS AND RELATED REVENUES (CONT.)

The costs of EUR 1,615 thousand were spent on anti-Covid measures as on 31 December 2022. At the same time, protective means of EUR 2 thousand were provided to ZSSK from the State Material Reserves within measures focusing on prevention of coronavirus spreading, and re-funding of the obligatory testing of employees was recognised in the amount EUR 63 thousand. Compared to the planned revenues from transport of passengers in terms of the Partial Contract for 2022 to PSC, ZSSK reported lost revenues from passenger transport higher than the granted compensation.

The amounts granted to ZSSK to compensate the financial impacts of COVID-19 pandemic are subject to final settlement of the Partial Contract for 2022 to PSC, as amended by Supplements 1 to 6.

21 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 the Ministry of Transport which is the basis for operation of passenger transport by rail. In 2022 compensation in the form of prepayments amounting to EUR 379,247 thousand was granted for its operation. By mutual agreement on the relationship between the Slovak Ministry of Transport and ZSSK, the Ministry of Transport approved of the return of the pre-payments for transport services in public interest for 2022 in the estimated amount of EUR 900 thousand. The overall assumed amount of compensation for delivery of services in public interest in 2022 is EUR 378,347 thousand.

Based on the Protocol assessing the fulfilment of the Contract on Transport Services in Public Interest in 2021 of 13 September 2022, the Ministry of Transport – based on economically eligible costs and revenues and the reasonable profit – discovered overcompensation of ZSSK for services in public interests in 2021 in the amount of EUR 10,073 thousand. ZSSK paid the liability to MT SR in terms of the settlement instruction against the State Budget on 18 August 2022. The difference between the estimated and actual amount of overcompensation of EUR 718 thousand was reported in September 2022 through allowances to costs and profit of previous periods.

In its Protocol, MT calculated sanctions against ZSSK for failed fulfilment of the standards and cancelled trains in 2021 in the amount of EUR 193,000, paid by ZSSK within the deadline of 30 days of the signature date, i.e. by 11 October 2022.

(in thousand EUR)	31 December 2022	31 December 2021
Compensation for services in public interest - prepayments	379,247	373,225
Estimated overcompensation – estimated refunded prepayments	-900	-9,355
Revenues – evaluation of PSC for 2020	-	1,398
Total compensation for services in public interest	378,347	365,268
Settlement of PSC for 2021 in terms of the Protocol – difference between the estimated and actual overcompensation	-718*	-

*Reported in the business result as allowances to costs and profit of the previous periods.

22 INCOME FROM SUBSIDIES

(in thousand EUR)	31 December 2022	31 December 2021
Income from investment subsidies:		
- from the State Budget	747	1,942
- from the State Budget in combination with EU funds	3,801	4,958
- from Structural Funds	4,425	5,053
- from the State Budget in combination with the EU Cohesion Fund	3,315	3,791
- from the EU Cohesion Fund	18,784	21,487
- from CEF grant	0	0
Income from non-investment subsidies	737	300
Total	31,809	37,531

State Budget subsidies

In 2022 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.

As on 31 December 2022, the amount of EUR 630 thousand is reported in the long-term deferred income concerning investments from the State Budget, as well as a short-term amount of EUR 212 thousand.

(in thousand EUR)		As on 1 January 2022	Drawing (-returns)	Subsidy recognition	As on 31 December 2022
Rolling stock modernisation	2009	1,228		-427	801
	2010	361		-320	41
	Total	1,589		-747	842

(in thousand EUR)		As on 1 January 2021	Drawing (-returns)	Subsidy recognition	As on 31 December 2021
Rolling stock modernisation	2009	2,362		-1,134	1,228
	2010	1,169		-808	361
	Total	3,531		-1,942	1,589

Subsidies from the State Budget in combination with subsidies from Structural Funds of the European Union

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 non-repayable financial contributions as of 2009.

According to the Contract on provision of a non-repayable financial contribution, financial means were granted for the following projects::

- Procurement of electric double-deck units and diesel units (Project EFD1)
- Modernisation of passenger coaches (Project EFD7 MOV) – modernisation of 35 passenger coaches of Bdt series for regional railway transport
- Procurement of new passenger coaches (Project EFD8 NOV) – procurement of 17 new passenger air-conditioned coaches of 2nd class, offering the option of bicycle transport for regional transport services
- Modernisation of rolling stock for the Tatra Electric Railway (Project EFD13 HKV 425 – TEŽ) – modernisation of 15 electric units of 425.95 series and their upgrade to air-conditioned units for operation on regional lines of TEŽ in the High Tatras.

22 INCOME FROM SUBSIDIES (CONT.)

As of 2019, based on the Contracts on provision of a non-repayable financial contribution under the Operational Programme Integrated Infrastructure focusing on **Construction of infrastructure for inspection and preparation of the rolling stock fleet for passenger railway transport**, the 3rd phase of construction of the following projects has been implemented:

- Technical and hygienic maintenance of rolling stock in Humenné (Project EFD3A THÚ HE),
- Technical and hygienic maintenance of rolling stock in Nové Zámky (Project EFD3A THÚ NZ),
- Technical and hygienic maintenance of rolling stock in Zvolen (Project EFD3A THÚ ZV).

In the course of 2022 the following projects were added upon signing the Contracts on provision of a non-repayable financial contribution:

- 3rd phase of the project preparation for Technical and hygienic maintenance in Žilina and Košice (Project EFD3B)

Other subsidies from the Slovak State Budget in combination with the EU Structural Funds are dedicated to:

- Bike-sharing in the Region of Košice (Project EFBike) focusing on procurement of an automated bike-renting system in the Region of Košice,
- Multimodal planner of travelling services LinkingDanube (Project EF Linking DNB) that will make use of ecological-friendly ways of travelling in the Danube River Region.

As of 2021 the Company has been implementing the following science and research project under the Operational Programme Integrated Infrastructure – Promoting research, development and innovations:

- Safe mobility during COVID 19 (GERMTRAIN) – Safe mobility during the pandemic caused by COVID-19 disease, focusing on safe operation and use of public railway transport.

As on 31 December 2022 the amount of EUR 86,756 thousand is reported in the long-term deferred income concerning the investments from the EU Structural Funds, and the respective share from the State Budget in the amount of EUR 40,660 thousand. The provisions of the contracts are reported in the amount of EUR 128,717 thousand. The short-term part amounts to EUR 7,507 thousand.

22 INCOME FROM SUBSIDIES (CONT.)

(in thousand EUR)	Resource	As on 1 January 2022	Drawing (-returns)	Recognised part	Contract provision	As on 31 December 2022
Procurement of electric double-deck units and diesel multiple units	EU	37,218	0	-3,758	0	33,460
	and SB	37,290		-3,705	0	33,585
	Total	74,508	0	-7,463	0	67,045
Linking Danube – for the Danube River Region	EU	20		-7	0	13
	and SB	0			0	0
	Total	20	0	-7	0	13
Bike-sharing in the Region of Košice	EU	493			0	493
	and SB	87			0	87
	Total	580	0	0	0	580
Construction of technical and hygienic maintenance centre in Zvolen, Nové Zámky and Humenné	EU	83,821	26,994		-26,994	83,821
	and SB	14,792	4,764		-4,764	14,792
	Total	98,613	31,758	0	-31,758	98,613
Modernisation of passenger coaches	EU	27,029	10,503	-426	-10,503	26,603
	and SB	4,770	1,853	-75	-1,853	4,695
	Total	31,799	12,356	-501	-12,356	31,298
Procurement of new passenger coaches	EU	27,862	8,359	-117	-8,359	27,745
	and SB	4,917	1,475	-21	-1,475	4,896
	Total	32,779	9,834	-138	-9,834	32,641
Modernisation of rolling stock for the Tatra Railway	EU	25,613				25,613
	and SB	4,520				4,520
	Total	30,133	0	0	0	30,133
Safe mobility COVID 19	EU	286	85	-117	-85	169
	and SB	0	0	0	0	0
	Total	286	85	-117	-85	169
Project preparation for technical and hygienic maintenance in Žilina and Košice	EU	0			2 676	2 676
	and SB	0			472	472
	Total	0	0	0	3,148	3,148
Subsidies in combination of the Slovak State Budget (SB) and Structural Funds	EU	202,342	45,941	-4,425	-43,265	200,593
	and SB	66,376	8,092	-3,801	-7,620	63,047
	Total	268,718	54,033	-8,226	-50,885	263,640

22 INCOME FROM SUBSIDIES (CONT.)

(in thousand EUR)	Resource	As on 1 January 2021	Drawing (-returns)	Recognised part	Contract provision	As on 31 December 2021
Procurement of electric double-deck units and diesel multiple units	EU	42,248	0	-5,030	0	37,218
	and SB	42,248		-4,958	0	37,290
	Total	84,496	0	-9,988	0	74,508
Linking Danube – for the Danube River Region	EU	32		-12	0	20
	and SB	0			0	0
	Total	32	0	-12	0	20
Bike-sharing in the Region of Košice	EU	493			0	493
	and SB	87			0	87
	Total	580	0	0	0	580
Construction of technical and hygienic maintenance centre in Zvolen, Nové Zámky and Humenné	EU	83,821	86		-86	83,821
	and SB	14,792			0	14,792
	Total	98,613	86	0	-86	98,613
Modernisation of passenger coaches	EU	0	4 054		22,975	27,029
	and SB	0	716		4,054	4,770
	Total	0	4 770	0	27,029	31,799
Procurement of new passenger coaches	EU	0	3 032		24,830	27,862
	and SB	0	535		4,382	4,917
	Total	0	3 567	0	29,212	32,779
Modernisation of rolling stock for the Tatra Railway	EU	0	5 122		20,491	25,613
	and SB	0	904		3,616	4,520
	Total	0	6 026	0	24,107	30,133
Safe mobility COVID 19	EU	0	136	-11	161	286
	and SB	0			0	0
	Total	0	136	-11	161	286
Subsidies in combination of the Slovak State Budget (SB) and Structural Funds	EU	126,594	12 430	-5,053	68,371	202,342
	and SB	57,127	2,155	-4,958	12,052	66,376
	Total	183,721	14,585	-10,011	80,423	268,718

22 INCOME FROM SUBSIDIES (CONT.)

Subsidies from the State Budget in combination with subsidies from the Cohesion Fund of the European Union

In 2013 the Company started to draw non-repayable financial contributions under the Operational Programme Transport focusing on **renewal of the rolling stock for integrated transport systems** in sub-urban and inter-regional public railway passenger transport in the Slovak Republic.

Based on the Contracts on provision of a non-repayable financial contribution, financial means were provided for the following projects:

- Procurement of electric and diesel multiple units (Project EFD2)
- Procurement of new passenger coaches and modernisation of passenger coaches (Project EFD2D)
- Procurement of new passenger coaches and modernisation of motive power units (Project EFD2E)
- Modernisation of motive power units of 361 series and passenger coaches (Project EFD2F)
- Modernisation of motive power units of 163 series and passenger coaches (Project EFD2H)
- Modernisation of motive power units and multiple-unit sets (Project EFD2J)
- Procurement of diesel multiple units and electric units (Project EFD4)
- Procurement of electric units for the Cog and Tatra Electric Railway (Project EFD4)
- Procurement of electric units (Project EFD6) – procurement of 9 new electric units with 300 seats for regional transport
- Procurement of electric units (Project EFD10) – procurement of 4 new electric units of 1st and 2nd class for regional and inter-regional transport

Subsidies granted under the Operational Programme Integrated Infrastructure include the projects to procure the European Train Control System (ETCS) for the electric units, specifically:

- Procurement of ETCS for electric double-deck units (Project EFD2A)
- Procurement of ETCS Level 2 for electric units (Project EFD4A), where the contracted subsidy was reduced by EUR 2,696 thousand in 2021 to reflect the purchase price resulting from the public tender.

In 2021 the following projects were added under the Operational Programme Integrated Infrastructure:

- Procurement of ETCS Level 2 (Project EFD12) – procurement of train control system for 12 motive power units of 361 series, and
- Increasing of railway traffic safety (Project EFD14) – delivery and installation of 54 radio-stations and 88 BlackBoxes into rolling stock.

Under the Operational Programme Transport, the measure on Construction of Infrastructure for Integrated Transport Systems, the Company procured the project preparation for construction of light maintenance centres (technical and hygienic maintenance), namely the following projects:

- Project preparation for Technical and hygienic maintenance of rolling stock (Project EFD2B),
- Project preparation for Technical and hygienic maintenance of rolling stock – PHASE II (Project EFD2I).

The amounts contracted in the Contracts on provision of the non-repayable financial contribution are recognised in the Company books because ZSSK meets the conditions for receiving the subsidy and there is adequate certainty that the subsidy will be received.

As on 31 December 2022, the long-term deferred income concerning investments from the EU Cohesion Funds is reported in the amount of EUR 373,193 thousand, plus the respective share from the State Budget in the amount of EUR 65,850 thousand. The Contract is for EUR 136,038 thousand. The short-term amount is EUR 19,435 thousand.

22 INCOME FROM SUBSIDIES (CONT.)

(in thousand EUR)	Resource	As on 1 January 2022	Drawing (-returns)	Recognised part	Contract provision	As on 31 December 2022
Procurement of electric and diesel multiple units	CF	78,755		-6,622		72,133
	and SB	13,896		-1,169		12,727
	Total	92,651	0	-7,791	0	84,860
Procurement of ETCS (European Train Control System) for EDUs	CF	3,927		-224		3,703
	and SB	693		-40		653
	Total	4,620	0	-264	0	4,356
Project preparation for Technical and hygienic maintenance of rolling stock	CF	6,289				6,289
	and SB	1,110				1,110
	Total	7,399	0	0	0	7,399
Procurement of new passenger coaches and modernisation of passenger coaches	CF	17,780		-1,725		16,055
	and SB	3,137		-304		2,833
	Total	20,917	0	-2,029	0	18,888
Procurement of new passenger coaches and modernisation of motive power units	CF	22,236		-1,331		20,905
	and SB	3,924		-235		3,689
	Total	26,160	0	-1,566	0	24,594
Modernisation of motive power units of 361 series and passenger coaches	CF	12,709		-807		11,902
	and SB	2,239		-142		2,097
	Total	14,948	0	-949	0	13,999
Interoperable communication devices to increase safety of railway traffic	CF	0		0		0
	and SB	0		0		0
	Total	0	0	0	0	0
Modernisation of motive power units of 163 series and passenger coaches	CF	9,679		-777		8,902
	and SB	1,708		-137		1,571
	Total	11,387	0	-914	0	10,473
Project preparation for Technical and hygienic maintenance of rolling stock – PHASE II	CF	4,833				4,833
	and SB	853				853
	Total	5,686	0	0	0	5,686
Modernisation of driving trailers in multiple units	CF	1,414		-391		1,023
	and SB	249		-69		180
	Total	1,663	0	-460	0	1,203
Procurement of diesel and electric multiple units	CF	188,979		-5,911	0	183,068
	and SB	33,349		-1,043	0	32,306
	Total	222,328	0	-6,954	0	215,374
Procurement of ETCS (European Train Control System) Level 2 for electric units	CF	12,516	1,192	0	-1,192	12,516
	and SB	2,193	210	0	-210	2,193
	Total	14,709	1,402	0	-1,402	14,709
Procurement of electric units for the Cog and Tatra Electric Railway	CF	28,352	2,842	-894	-2,842	27,458
	and SB	5,003	502	-158	-502	4,845
	Total	33,355	3,344	-1,052	-3,344	32,303
Procurement of electric units	CF	63,195	0		-2	63,193
	and SB	11,152	0		-1	11,151
	Total	74,347	0	0	-3	74,344
Procurement of electric units	CF	63,744	22,274	0	-22,278	63,740
	and SB	11,249	3,931	0	-3,932	11,248
	Total	74,993	26,205	0	-26,210	74,988

22 INCOME FROM SUBSIDIES (CONT.)

(in thousand EUR)	Resource	As on 1 January 2022	Drawing (-returns)	Recognised part	Contract provision	As on 31 December 2022
ETCS (European Train Control System) - Level 2 for motive power units	CF	5,519	540	0	-540	5,519
	and SB	974	95	0	-95	974
	Total	6,493	635	0	-635	6,493
Increasing safety of railway traffic	CF	4,222	1,976	-102	-1,976	4,120
	and SB	745	349	-18	-349	727
	Total	4,967	2,325	-120	-2,325	4,847
Subsidies in combination of SB and the Cohesion Fund	CF	524,149	28,824	-18,784	-28,830	505,359
	and SB	92,474	5,087	-3,315	-5,089	89,157
	Total	616,623	33,911	-22,099	-33,919	594,516

(in thousand EUR)	Resource	As on 1 January 2021	Drawing (-returns)	Recognised part	Contract provision	As on 31 December 2021
Procurement of electric and diesel multiple units	CF	86,741		-7,986		78,755
	and SB	15,305		-1,409		13,896
	Total	102,046	0	-9,395	0	92,651
Procurement of ETCS (European Train Control System) for EDUs	CF	4,208		-281		3,927
	and SB	742		-49		693
	Total	4,950	0	-330	0	4,620
Project preparation for Technical and hygienic maintenance of rolling stock	CF	6,289				6,289
	and SB	1,110				1,110
	Total	7,399	0	0	0	7,399
Procurement of new passenger coa- ches and modernisation of passenger coaches	CF	19,563		-1,783		17,780
	and SB	3,451		-314		3,137
	Total	23,014	0	-2,097	0	20,917
Procurement of new passenger coaches and modernisation of motive power units	CF	23,729		-1,493		22,236
	and SB	4,187		-263		3,924
	Total	27,916	0	-1,756	0	26,160
Modernisation of motive power units of 361 series and passenger coaches	CF	13,727		-1,018		12,709
	and SB	2,419		-180		2,239
	Total	16,146	0	-1,198	0	14,948
Interoperable communication devices to increase safety of railway traffic	CF	194		-194		0
	and SB	34		-34		0
	Total	228	0	-228	0	0
Modernisation of motive power units of 163 series and passenger coaches	CF	10,637		-958		9,679
	and SB	1,877		-169		1,708
	Total	12,514	0	-1,127	0	11,387
Project preparation for Technical and hygienic maintenance of rolling stock - PHASE II	CF	4,833				4,833
	and SB	853				853
	Total	5,686	0	0	0	5,686
Modernisation of driving trailers in multiple units	CF	1,903		-489		1,414
	and SB	336		-87		249
	Total	2,239	0	-576	0	1,663
Procurement of diesel and electric multiple units	CF	196,192	117,379	-7,213	-117,379	188,979
	and SB	34,622	20,714	-1,273	-20,714	33,349
	Total	230,814	138,093	-8,486	-138,093	222,328

22 INCOME FROM SUBSIDIES (CONT.)

(in thousand EUR)	Resource	As on 1 January 2021	Drawing (-returns)	Recognised part	Contract provision	As on 31 December 2021
Procurement of ETCS (European Train Control System) Level 2 for electric units	CF	14,794	1,241		-3,519	12,516
	and SB	2,611	219	0	-637	2,193
	Total	17,405	1,460	0	-4,156	14,709
Procurement of electric units for the Cog and Tatra Electric Railway	CF	28,560	15,917	-72	-16,053	28,352
	and SB	5,040	2,809	-13	-2,833	5,003
	Total	33,600	18,726	-85	-18,886	33,355
Procurement of electric units	CF		6,319		56,876	63,195
	and SB		1,115		10,037	11,152
	Total	0	7,434	0	66,913	74,347
Procurement of electric units	CF				63,744	63,744
	and SB				11,249	11,249
	Total	0	0	0	74,993	74,993
ETCS (European Train Control System) - Level 2 for motive power units	CF				5,519	5,519
	and SB				974	974
	Total	0	0	0	6,493	6,493
Increasing safety of railway traffic	CF				4,222	4,222
	and SB				745	745
	Total	0	0	0	4,967	4,967
Subsidies in combination of SB and the Cohesion Fund	CF	411,370	140,856	-21,487	-6,590	524,149
	and SB	72,587	24,857	-3,791	-1,179	92,474
	Total	483,957	165,713	-25,278	-7,769	616,623

Subsidies from grants

The following projects are implemented thanks to financial means of the grants:

- Project on implementing technical interoperability for TAP TSI subsystem within ZSSK (Project GRTAP TSI), and
- Procurement of ETCS (European Train Control System) Level 2 (Project GR ETCS Level 2) for motive power units of 361 series.

In 2022 a new project was added:

- Procurement of ETCS (European Train Control System) for electronic units (Project GR6A) based on an option exercised under project EFD 6A

As on 31 December 2022 the long-term part of deferred income in relation to investments from grants is reported in the amount of EUR 7,725 thousand and the contractual provision in the amount of EUR 42,379 thousand.

(in thousand EUR)	As on 1 January 2022	Drawing (-returns)	Recognised subsidy	Contract provision	As on 31 December 2022
Project on implementation of technical interoperability for TAP TSI subsystem within ZSSK	3,153	3,616	0	0	6,769
Procurement of ETCS (European Train Control System) Level 2 – CEF grant	956	0	0	0	956
Procurement of ETCS for electric units	0	0	0	42,379	42,379
	4,109	0	0	42,379	50,104

22 INCOME FROM SUBSIDIES (CONT.)

(in thousand EUR)	As on 1 January 2021	Drawing (-returns)	Recognised subsidy	As on 31 December 2021
Project on implementation of technical interoperability for TAP TSI subsystem within ZSSK	3,153	0	0	3,153
Procurement of ETCS (European Train Control System) Level 2 – CEF grant	956	0	0	956
	4,109	0	0	4,109

23 OTHER NET OPERATING (COSTS) REVENUES

(in thousand EUR)	31 December 2022	31 December 2021
Insurance of long-term tangible assets	-2,404	-3,108
Right to eliminable damages	237	2,786
Net revenues from sale of assets and material	554	1,032
Other net income from business activity and extraordinary income	7,322	8,075
Total	7,709	8,785

24 CONSUMPTION AND SERVICES

(in thousand EUR)	31 December 2022	31 December 2021
Material consumption	-56,338	-40,854
Track access charges	-53,242	-50,332
Energy consumption	-50,393	-33,809
Repairs and maintenance	-16,032	-13,636
Rental	-8,135	-8,248
Performance of passenger coaches	-8,103	-6,692
Cleaning of rolling stock	-8,038	-8,234
IT services	-8,023	-8,625
Performance of motive power units	-7,195	-7,476
Costs on replacement bus transport during traffic closures	-3,556	-1,587
Travelling costs	-3,466	-2,972
Services of Wagon Slovakia	-3,423	-3,008
Operators' performance	-2,325	-2,099
Mediating commissions	-1,653	-717
Costs related to care of employees	-1,350	-623
Cleaning costs, waste removal	-1,207	-1,302
Costs on property security	-1,071	-1,200
Shunting	-869	-796
Other assurance services	-491	-538
of which: recognition of the environmental reserve	-350	-150
Costs on audit	-53	-42
of which: costs on audit of the current Financial Statements	-22	-22
Annual reserve on un-billed deliveries	321	-265
Other costs	-4,045	-5,131
	-238,687	-198,186

24 CONSUMPTION AND SERVICES (CONT.)

Significant items of consumed purchases and services in 2022 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.

25 PERSONNEL COSTS

(in thousand EUR)	31 December 2022	31 December 2021
Labour costs	-103,645	-97,470
Social security costs	-43,906	-40,875
Total	-147,551	-138,345

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

(in thousand EUR)	2022	2021
Current members		
- Board of Directors	50	27
- Supervisory Board	38	49
Former members		
- Board of Directors	0	20
- Supervisory Board	13	0
Total remunerations:	101	96

As on 31 December 2022 the number of employees was 5,610 (5,811 as on 31 December 2021), of which 209 managing employees (215 as on 31 December 2021).

The average wage in 2022 amounted to EUR 1,516.41, while in 2021 it was EUR 1,353.02.

26 DEPRECIATION, AMORTISATION AND IMPAIRMENT OF TANGIBLE ASSETS

(in thousand EUR)	31 December 2022	31 December 2021
Depreciation	-96,013	-119,225
Residual value of discarded long-term tangible and intangible assets	-6,091	-2,495
Residual value of sold long-term tangible and intangible assets	-74	-466
Residual value of discarded long-term tangible and intangible assets	0	-1
Impairment of significant spare parts	0	0
Impairment of other assets	0	0
Total	-102,178	-122,187

Residual value of discarded long-term tangible and intangible assets – losses and damage

27 FINANCIAL INCOME

(in thousand EUR)	31 December 2022	31 December 2021
Yield interests	5	0
Income from long-term financial assets	30	30
Other net financial income	2	0
Total	37	30

28 FINANCIAL COSTS

(in thousand EUR)	31 December 2022	31 December 2021
Cost interests	-1,522	-2,889
Bank expenses	253	-1,228
Net exchange rate losses	274	236
Total	-995	-3,881

(in thousand EUR)	31 December 2022	31 December 2021
Interest from leasing instalments	-736	-780
Total	-736	-780

29 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 2022, 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.

29 FINANCIAL RISK MANAGEMENT (CONT.)

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 2022	31 December 2021
O/N, 1M EURIBOR (+/- 1 %)	+/- 0.000	+/- 0.380
3M, 6M EURIBOR (+/- 1 %)	+/- 3.253	+/- 2.807

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 2022 and 2021 is as follows:

(in thousand EUR)	31 December 2022	31 December 2021
Long-term loan resources	284,816	330,413
Short-term loan resources	45,242	50,340
Total available loan resources	330,058	380,753

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	0	0	182,586	102,230	284,816
Trade liabilities and other liabilities	55,766	3,411	327	0	59,504
Short-term loans	11,311	33,931	0	0	45,242
Total as on 31 December 2022	67,077	37,342	182,913	102,230	389,562

(in thousand EUR)	Within 3 months	From 3 to 12 months	From 1 to 5 years	Over 5 years	Total
Long-term loans	0	0	169,911	160,502	330,413
Trade liabilities and other liabilities	42,221	11,763	87	0	54,071
Short-term loans	11,076	39,264	0	0	50,340
Total as on 31 December 2021	53,297	51,027	169,998	160,502	434,824

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.

29 FINANCIAL RISK MANAGEMENT (CONT.)

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

Capital management

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

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

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

(in thousand EUR)	31 December 2022	31 December 2021
Long-term loans	284,816	330,413
Short-term loans, including short-term part of long-term loans	45,242	50,340
Debt	330,058	380,753
Shareholders' equity	199,632	189,704
Indicators of indebtedness (%)	165%	201%

30 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 2022 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 2022	As on 31 December 2021
Consumed material	-3	-3
Energy consumption	-1	-1
Repairs and maintenance	-2	-1
Personnel costs	-119	-113
Depreciation of tangible and intangible assets	-30	-37
Other costs	-35	-44
Total costs	-190	-199
Revenues from provision of interchangeable postal services	180	180
Loss (profit)	-10	-19

31 RELATED PARTIES

Parties related to the Company are the companies associated through property: ŽSR, ZSSK CARGO, 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 2022 and 2021:

(in thousand EUR)	31 December 2022			
Related parties	Revenues generated with related parties	Costs on transactions with related parties	Receivables towards related parties	Liabilities towards related parties
ŽSR	662	105,137	46	646
ZSSK CARGO	3,125	17,718	308	768

(in thousand EUR)	31 December 2021			
Related parties	Revenues generated with related parties	Costs on transactions with related parties	Receivables towards related parties	Liabilities towards related parties
ŽSR	1,544	87,244	38	697
ZSSK CARGO	2,417	11,783	365	792

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.

31 RELATED PARTIES (CONT.)

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 2022	As on 31 December 2021
Income	302	171
Costs	-288	-184
Business result after taxation in the reporting period	14	-13
ASSETS		
Financial means	18	4
Trade receivables and other receivables	34	22
Total assets	52	26
LIABILITIES		
Share capital	5	5
Undivided profit/Unpaid loss of previous periods	-5	8
Business result to be approved	14	-13
Trade liabilities and other liabilities	38	26
Total liabilities	52	26

As on 31 December 2022 ZSSK THU, s.r.o. had 7 employees, of which 2 executive officers with remuneration for the position (7 employees, of which 2 executive officers as on 31 December 2021).

Statutory body: Board of Directors

Name	Position	From:	Note
Ing. Roman Koreň	Chairman	30/04/2021	
Ing. Ján Lukáč	Vice-Chairman	24/05/2021	Appointed a Member of the Board of Directors of ZSSK on 30 April 2021
Ing. Karol Martinček	Member	14/02/2022	

Supervisory body: Supervisory Board

Name	Position	From:	Note
Ing. Peter Bartalos	Chairman	20/09/2017	Position held until 20/09/2022; re-appointed as of 21/09/2022
Ing. Tomáš Vašuta	Vice-Chairman	25/05/2020	
Peter Dubovský	Member	23/01/2015	
Ján Viglaš	Member	24/01/2020	
Ing. Mgr. Rudolf Gregorovič	Member	28/06/2022	
Ing. Ivan Černega	Member	23/06/2017	Position held until 23/06/2022; re-appointed as of 14/09/2022

32 EVENTS WHICH OCCURRED AFTER THE BOOK CLOSING DATE

ZSSK does not report any significant events after the date of the Statement of Financial Position.



ŽELEZNIČNÁ SPOLOČNOSŤ SLOVENSKO
NÁRODNÝ DOPRAVCA

Železničná spoločnosť Slovensko, a. s.
Rožňavská 1, 832 72 Bratislava 3, Slovenská republika