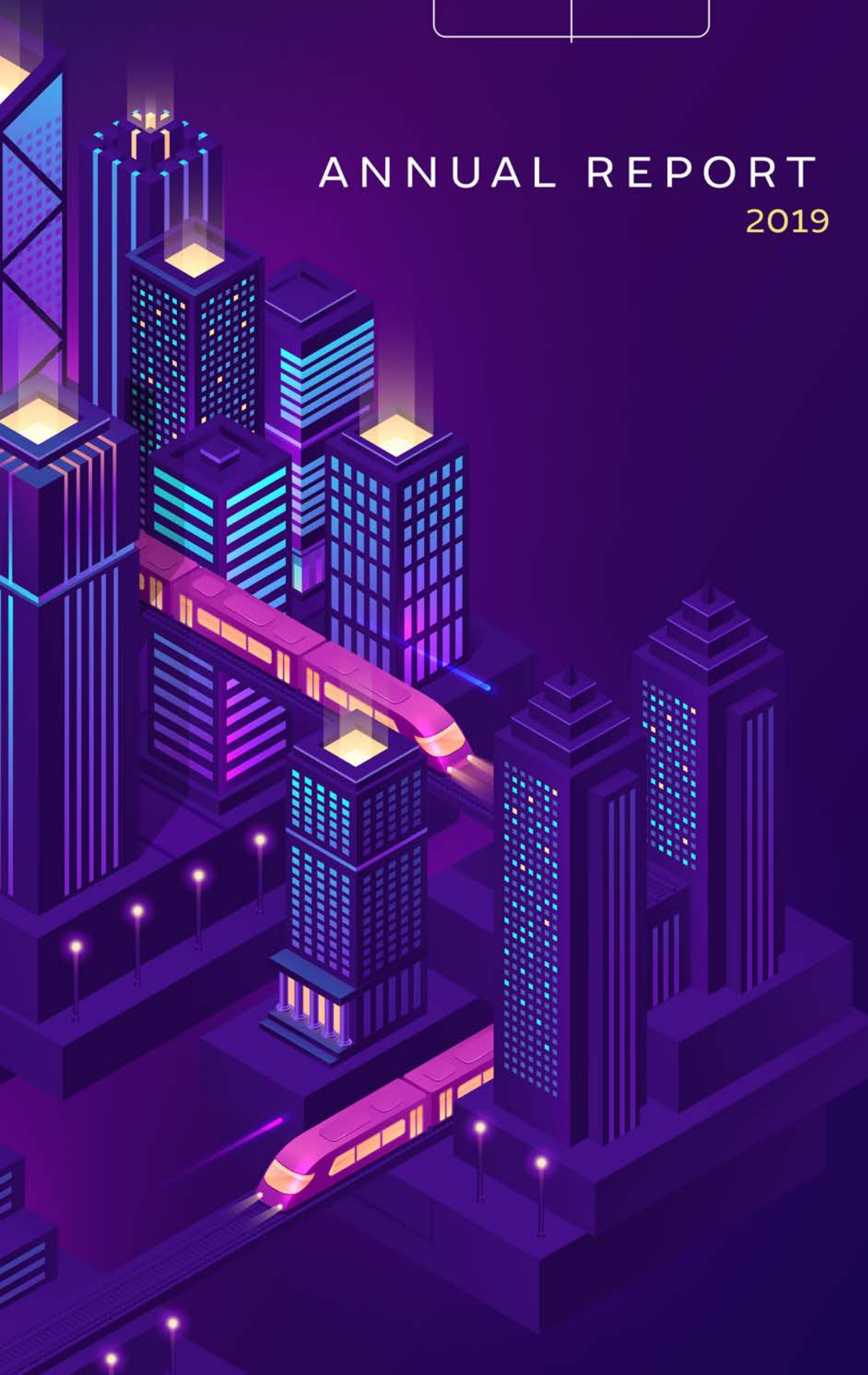




RAIL
INFRASTRUCTURE
MANAGER

ANNUAL REPORT

2019





INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of the company Železnice Slovenskej republiky and Audit Committee

I. Report on the Audit of the Financial Statements

Opinion

We have audited enclosed Financial Statements of the company Železnice Slovenskej republiky, with the registered office in Bratislava, IČO (company registration number): 31 364 501 that consists of the statement of financial position as at 31 December 2019, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year ending as of the above mentioned date as well as the survey of significant accounting principles and accounting methods and other explanatory notes.

In our opinion, the Financial Statements give a true and fair view of the Železnice Slovenskej republiky company's financial position as at 31 December 2019, business results and cash flow for the year ending as of the above mentioned date and in accordance with International Financial Reporting Standards as adopted by the European Union.

Basis for opinion

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

Emphasis of specific matters

Without qualifying our opinion, we draw attention to the following matters:

1. As described in Note 1 to the accompanying Financial Statements, the Company's ability to continue as a going concern and to fulfil its investment program and other operating and financial commitments remains dependent upon continual support from State in the form of capital and operating subsidies.
2. As described in Note 2.1 and 17 to the accompanying Financial Statements, environmental burden provision in the amount of € 12,796 thousand as at 31 December 2019. Provision is recorded if there is probable origin of costs to clean up the environment and can be measured reliably. The amount of the provision is the best estimate of necessary expenditures in future periods. Timing of these cash flows mirrors at the same time current assessment of priorities by the management, securing of technology and urgency of achieving these tasks. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis for making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may therefore differ from these estimates.
3. As described in Note 4 to the accompanying Financial Statements, the Company reviewed useful life of assets, reassessed its depreciation period in 2019 and due to this change, the useful life was extended, mainly for constructions of railway infrastructure. The change is included in the new regulation Sorting and depreciation of tangible and intangible fixed assets with effect from 1 January 2019. The change resulted in decrease in depreciation of assets in comparison with 2018 by € 35,661 thousand.

This is a translation of the original Slovak Auditor's Report to the accompanying Financial Statements translated into English language.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the Financial Statements of the current period. These matters were addressed in the context of our audit of the Financial Statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

During planning stage, resp. execution of audit, we have identified the following most significant risks:	Our comments on these risks were as follows:
<p><i>Accuracy of non-current assets classification and timeliness of their putting in use</i></p> <p>Additions to non-current assets were in the amount of € 308 million. The key role of audit is to assess correct valuation of acquired assets, correctness of depreciation and timeliness of their putting in use.</p>	<p>We have verified the additions to non-current assets based on concluded contracts and received invoices. In case the addition was significant, we have verified the classification of asset into depreciation group, calculation of depreciation as well as the timeliness of its putting in use. We have verified the assigned useful life of fixed assets and assessed change of depreciation plan of non-current assets from 1 January 2019</p>
<p><i>Assessment whether has it come to decrease in the value of non-current assets</i></p> <p>The non-current assets are the predominating part of all assets of Company. Therefore, during the audit we assessed, if it had come to decrease in value of non-current assets and in case it had, if it was reported correctly.</p>	<p>We have verified value adjustments to non-current assets which decrease their net book value. We have verified the accuracy of posting and reporting of value adjustments in Financial Statements of Company.</p>
<p><i>Accuracy of reporting and releasing of investments grants</i></p> <p>The majority of non-current assets are financed by external sources in form of investment grants from national budget or from EU funds. The received grants for acquisition of non-current assets are recognized as deferred income and released into income in aliquot amount in regard to costs of subsidized assets.</p>	<p>We have verified the recognition of received investment grants in deferred income. We have tested the release of the grant amount according to the costs related to non-current assets financed by received grants. We have tested the entitlement to a grant whether it is in accordance with International accounting standard 20.</p>
<p><i>Reporting of provision for employee benefits and environmental liabilities</i></p> <p>The provision for employee benefits is in the amount of € 48 million and provision for environmental liabilities is in the amount of € 13 million. Hence, their calculation and recognition is an important part of audit.</p>	<p>We have assessed and verified the input data necessary to calculate the amount of provision for employee benefits and environmental liabilities. We have verified the calculation method and its recognition in the Financial Statements.</p>

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

Management of Company is responsible for the preparation of this Financial Statements to provide true and fair view in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and for such internal control that management determines is necessary to enable the preparation of Financial Statements that are free from material misstatement, whether due to fraud or error. In preparing of the Financial Statements, company management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so. Those charged with governance are responsible for overseeing the Company's financial reporting process.

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Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards. From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the Financial Statements of the current period and are therefore the key audit matters.

We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

II. Report on Other Legal and Regulatory Requirements

The Report on the Information Referred in the Annual Report

Company management is responsible for the information referred in the Annual Report compiled in accordance with the requirements of Act on accounting. Our abovementioned opinion on the Financial Statements does not relate to any other information referred in the Annual Report.

With respect to the audit of Financial Statements, it is our responsibility to familiarize ourselves with the information referred in the Annual Report and to evaluate whether the information is not substantially

inconsistent with the audited Financial Statements, with our knowledge obtained during auditing the Financial Statements, or the information appears to be materially misinterpreted otherwise. We considered whether the Annual Report of the Company includes the information required Act on accounting.

Based on works performed during the audit of Financial Statements, in our opinion:

- the information referred in the Annual Report for the year 2019 is in compliance with the Financial Statement for the relevant year;
- the Annual Report includes the information according to Act on accounting.

Furthermore, based on our knowledge about the entity and its situation as we acquired during the audit of Financial Statements, we are obliged to state whether we found any material misstatements in the Annual Report we had received before the date of the issue of this Auditor's Report. In this context, there are no findings which should be reported.

Additional Requirements for the Content of Auditor's Report in accordance with the Regulation of the European Parliament and of the Council (EU) No. 537/2014 of 16 April 2014 on Specific Requirements regarding Statutory Audit of Public-Interest Entities

Appointment and approval of auditor

The statutory body of the Company appointed the statutory auditor on 7th August 2018 based on the approval by the Governing Board of ŽSR on 19th June 2018. The overall continuous period of our order, including the previous renewals of order and our repeated appointment for statutory auditors is of 12 years.

Consistency with the Additional Report for the Audit Committee

Our auditor's opinion expressed in this report is consistent with the additional report worked out for the Audit Committee of the Company, which we issued on the same day as the date referred to in this report.

Non-Audit Services

We have not provided any prohibited non-audit services referred in Article 5, paragraph 1 of the Regulation of the European Parliament and of the Council (EU) No. 537/2014 of 16 April 2014 on specific requirements regarding statutory audit of public-interest entities, and while performing the audit, we remained independent from the Company.

Besides the services of statutory audit and the services disclosed in the Annual Report and the Financial Statements, we have not provided any other services to the Company and the enterprises in which the Company exercises decisive influence.

Banská Bystrica, 20 March 2020

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M. M. Hodžu 3, 974 01 Banská Bystrica
License SKAU No. 6
Commercial Register of District Court, Banská Bystrica
Section: Sro, File No.: 98/S, IČO (company registration number): 00614556



Ing. Ľudmila Svätová, MBA
Key audit partner
License SKAU No. 936

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Foreword by the Director General

Dear ladies and gentlemen,
 Dear business partners,
 Dear colleagues!

Rail transport plays an important role in addressing the growing demand for safe, fast, high-capacity, efficient and environmentally friendly transport. The ambition of rail transport is to dispose of modern competitive infrastructure and to support of progress of innovation. The role of ŽSR within the legal possibilities and financial resources is to ensure such conditions that the infrastructure is ready for the daily movement of passengers and goods. Therefore, it needs to be modernized and kept in the best possible technical and technological condition. ŽSR continues to ensure these activities by its own capacities and investment construction.

Last year was probably one of the most demanding in terms of management. ŽSR achieved a negative business result for 2019. The year-on-year development of costs was significantly influenced by higher payroll costs resulted from the collective bargaining for year 2019, especially the payment of a monthly bonus of EUR 45 from 1 January 2019 to 30 June 2019 for employees remunerated by tariff wage recalculated to hours worked or increase tariff wage of employees by EUR 50 per month from 1 July 2019. The increase in wage costs for assigning employees to the new tariff classes with effect from 1 July 2019 amounted to approximately EUR 7.6 million (amount for 6 months). To these costs need to be added costs of the holiday voucher. The state subsidy for the past year did not count in advance with these items. It can be stated that together with the long-term employee benefit plan consisting of a one-off contribution upon retirement, bonus upon disabled retirement, compensating contribution and bonus upon life and work jubilees, ŽSR's budget was heavily burdened with costs of company's personnel capacities. With the number of employees that exceeded 13,500.

At these high costs, we can only state that we have managed to fulfil the duties of the railway infrastructure manager, as evidenced by the fulfilment of the absolute Line Timetable, which was at 88.35%. Yes, we weren't 100%. However, this is not due to operational problems. Factors that primarily affected the failure to comply with the absolute Line Timetable were due to accidents, operational failures, breakdowns of locomotives, unscheduled train sets configurations on the part of railway undertakings, closing of a line to traffic and delayed trains taken over from neighbouring infrastructure managers. Secondary factors affecting absolute Line Timetable were mainly transfer activity and train sets turnovers from delayed trains. In 2019 we also had accidents with several days of interruption of traffic, namely the accident in the railway station Krompachy in February and the accident in the railway station Trnovec nad Váhom in July.

Positive information is that in 2019 investment actions in the amount of EUR 227.44 million were realized. Investments were modernized railway infrastructure components - railway stations, railway substructure, railway superstructure, traction lines, security apparatus for railways, supporting walls and construction of railway bridges. Investment actions were financed mainly from own funds, credit sources and capital subsidies. Of course also thanks to the high proportion of EU funds. In addition to the railway infrastructure, we also constructs parking lots, which significantly contributes to reducing the volume of individual automobile traffic, especially around Bratislava.

ŽSR has always been here and will always be for the people and the people together create railways. Therefore, I would like to state that we are still more or less successful in actively training new employees. Last year we entered the fourth year of active cooperation with secondary vocational schools in the dual education system, where 115 students are currently studying.

ŽSR has many challenges ahead in the near future. These include the completion of the modernization of the track sections, such as the demanding work of Púchov - Považská Bystrica, the fulfilment of agreements in connection with the construction of high-speed corridors, railway infrastructure repairs, construction of Intermodal Transport Terminals and last but not least the stability in the financial area. I firmly believe that the railway in Slovakia will become a real priority and not only a favourite phrase of many political representatives.

At this point, I would like to express my sincere thanks to all, who through their work and efforts in the past year, has contributed to the development and maintenance of our infrastructure, as well as to all those who demonstrate daily that the fate of railways is not indifferent to them.



Ing. Igor Polák
Director General

Company profile

Železnice Slovenskej republiky („ŽSR“ or „the Company“) was formed pursuant to Act No. 258/1993 Coll. On Railways of Slovak republic as amended. The Company is registered under number Po 312/B in the Commercial Register of the District Court I. in Bratislava.

In accordance with Act No. 513/2009 Coll. on Railways and on amendments of some acts as amended, Železnice Slovenskej republiky as the infrastructure manager, primarily provides for activities related to the operation of railways, traffic management and the operability of railways.

Strategy

The Company's strategy defines the basic directions of ŽSR for the future in terms of European and Slovak transport policy in order to improve position of manager of railway infrastructure and railway transport in national and international space.

Vision of ŽSR

Provision of modern, interoperable, safe, efficient, accessible competitive and environmentally friendly railway infrastructure to increase its use by both passenger and freight rail transport.

Mission of ŽSR

Through the Company's activities and customer-oriented approach establish conditions which comply with statutory provisions aimed at ensuring the operation of railway infrastructure.

Manage and develop the railway infrastructure in accordance with customer needs and create competitive environment in domestic and international transport system.

Through the defined strategic objectives of ŽSR to provide the infrastructure on which it will be possible to organize reliable and safe passenger and freight transport.

Increase the competitiveness of the railway infrastructure of the Company over other railway infrastructure managers and other transport modes (primarily road transport).

Apply positive influence over the state transport policy within the Slovak Republic and the EU transport policy in favour of increasing the importance of rail transport as an important, safe and environmentally friendly sectors of the national economy.

Strategic objectives of ŽSR

- Balanced business result
- Modern infrastructure
- Safety of railway transport
- Efficient traffic management
- Efficient maintenance
- Efficient management of railway infrastructure and internal processes

Background and objectives of the Strategy of ŽSR are being continuously updated upon changing external and internal environment for the current period. The Strategy of ŽSR is built around applicable national and European legislation and also driven by demands of the Ministry of Transport and Construction of the Slovak Republic, strategic documents at the government level (Strategic development plan of transport of Slovak republic by the year 2030), as well as at the level of higher territorial units (sustainable mobility plans), customer demands and internal vision of ŽSR.

Actualisation of Strategic plan reflected changes in external and internal environment during 2019. A significant milestone was the preparation and gradual implementation of the Implementation Plan of ŽSR under the responsibility of Implementation Unit at the Office of the Government of the Slovak Republic, based on the Revision of Transport Expenditures carried out by the Value for Money Department of the Ministry of finance of the Slovak republic.

Gradual implementation of strategic plans of ŽSR for future periods will be based on basic assumptions, such as increasing of competitiveness of rail transport, increasing the speed on ŽSR's network, increasing throughput of the lines, all in order to provide higher comfort of rail transport in the Slovak republic.

Company bodies

Company bodies represent Management Board of ŽSR and Director General in accordance with Act No. 258/1993 Coll. on Railways of Slovak republic, § 4 and § 5 as amended.

Management Board is supreme body of ŽSR.

Composition as at 31 December 2019

Management Board

JUDr. Marek BALKO	Chairman of the Management Board
Ing. Róbert SZÜCS	Deputy Chairman of the Management Board
Ing. Peter STRYČEK	Member of the Management Board
Ing. Radovan MAJERSKÝ, PhD.	Member of the Management Board
Mgr. František ZAPARANIK	Member of the Management Board

Statutory body

Ing. Igor Polák	Director General
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Board of directors

Ing. Jozef VESELKA	Deputy Director General for Development and IT
Ing. Viliam MARKÓCSY	Deputy Director General for Economics
Ing. Miloslav HAVRILA	Deputy Director General for Operation
Pavol HUDÁK, MSc	Deputy Director General for Human Resources
Ing. Pavol BULLA	Director of the Office of Director General

Organizational structure of ŽSR



*Internal Organizational Units of ŽSR not registered in Commercial Register

The main events of 2019

January

Based on the order from Železničná spoločnosť Cargo Slovakia, a. s., one pair of train sets Nex 4716/47169 was added to the current Line Timetable 2018/2019 on Lužianky TIP – Lužianky – Leopoldov – Bratislava – Petržalka – Gelsenkirchen – Bismarck DE and back, which was used to transport of cars of Jaguar Land Rover.

On 2 January 2019, the Minister of Transport and Construction of the Slovak republic and ŽSR renewed after 15 years the railway track Zvolen – Šahy. This connection has potential not only for pensioners and students, but also for working people commuting to Krupina and Zvolen.

February

After seven rounds of collective bargaining, the Collective Agreement of ŽSR for years 2019 and 2020 was signed on 7 February. In the following months, further collective bargaining continued regarding wage growth for years 2019 and 2020.

March

ŽSR participated in the International Railway Congress in Vienna, organized by the International Union of Railways in cooperation with the Austrian Federal Chamber of Commerce, the Austrian Federal Railways and the Russian Railways. The event was attended by delegations from 27 countries and representatives of over 100 companies operating in the railway sector worldwide.

April

On 8 April, first freight train loaded with material departed from Terminal of intermodal transport Žilina. The train was dispatched to the railway station Dunajská Streda by Metrans (Danubia). This is the first intermodal terminal in the Slovak republic, where public-private partnership is implemented and allows open and non-discriminatory access for all users.

On the occasion of 100th anniversary of the tragic death of General Milan Rastislav Štefánik, “Legiovlak” visited to Slovakia, which is faithful replica of the Legionnaire train from years 1918 – 1920. The M. R. Štefánik Foundation also participated in this event as a co-organizer with which Železnice Slovenskej republiky cooperates on the long-term basis.

May

On line Bratislava – Košice, during the Ice Hockey World Championship, travel record was set also thanks to ŽSR - train OsEx 30056 managed to travel in 4 hours and 31 minutes. Standardly, train journey takes 4 hours and 36 minutes to 4 hours and 47 minutes depending on train.

ŽSR, Železničná spoločnosť Slovensko, a. s. and University of Žilina agreed on closer mutual cooperation. The subject of the meeting were suggestions for solving the shortage of specialist in specialized positions and the deficit of those interested in studying the study programs in the field of construction, operation and equipment on railway lines that could solve problems in this sector in the future.

June

ŽSR hosted negotiations with Organisation for Co-operation between Railways from Lithuania in Bratislava. Commissions on Infrastructure and Rolling Stock discussed the topic sleepers, switches and their diagnostics.

In Trnovec nad Váhom on 9 July, four freight train wagons derailed that paralyzed rail transport in south of Slovakia with impact also to international transport. Immediately after the accident, ŽSR began to work intensively on removing the consequences of the accident and re-opening the track section. Parts of switches and damaged sleepers on the first main track, lining and leveling of switches and adjacent tracks were replaced. On 10 July late at night, traffic on first main track was opened at a track speed of 30 kilometres per hour.

July

As at 1 July, the General Director Juraj Tkáč signed an Appendix to the Collective Agreement, in which the employees' tariff classes were increased by EUR 50. At the same time, it was agreed that there will be an increase by further EUR 40 from 1 January 2020.

August

There was an accident in train section Tvrdošovce - Trnovec, which resulted in the replacement of more than 1,400 damaged concrete sleepers, the replacement of switches No. 3, 4 and 5. Damaged parts of switch No. 2 were replaced. A reduced speed of 30 kilometres per hour was introduced on the repaired track section.

Transfer terminal was built in Svätý Jur, on whose origin ŽSR also participated.

September

President of the Slovak Republic Zuzana Čaputová chose train transport for her official business trip to Vienna.

On 20 September, 54 awarded railway employees met in Spišské divadlo in Spišská Nová Ves to receive an award for excellent work results and extraordinary abilities, contribution or merit act and together with other guests they celebrated Railway Day.

October

On the proposal of Minister of Transport and Construction of the Slovak Republic Arpád Érsek, the Management Board revoked Juraj Tkáč from the position of Director General of ŽSR. Subsequently, Igor Polák was appointed to the position of new Director General.

November

Revolution Train that visited Slovakia provides a new form of prevention program and is aimed at pupils and students of all types of schools and their teachers. The Slovak part of the tour ended its tour on 14 November in Bratislava.

December

The V4 meeting took place in Bratislava on 3 - 5 December. The organizers of meetings of expert groups so-called "small V4" focused on addressing specific issues from individual areas of railway infrastructure, such as railway lines and structures, signalling and security apparatus and electrotechnics.

Information on the status and development of ŽSR

I. Operating of railway infrastructure

a) Railway infrastructure

OPERATIONAL PERFORMANCE OF RAILWAY INFRASTRUCTURE

Železnice Slovenskej republiky ensures serviceability of railway infrastructure in railway tracks, structures and buildings, bridges and tunnels, electrical and energetics installations and signalling system. The Company takes care of its maintenance and development in accordance with technical progress and requirements for safety and traffic fluidity on railways. ŽSR ensures these activities by own capacities and also by contracted relationships with suppliers. The selection of suppliers takes the form of procurement in accordance with applicable legislation in accordance with Act No. 343/2015 Coll. on public procurement and on amendments to certain acts.

ŽSR manages and operates nationwide and regional railway lines and installations as follows:

RAILWAY TRACKS AND STRUCTURES	unit	31 December 2019	31 December 2018
Construction length of operated lines	km	3,582	3,580
Construction length of managed lines	km	3,629	3,627
Construction length of lines	km	6,872	6,864
Number of crossings	pc	2,082	2,085
Number of switches	pc	8,379	8,387
Number of bridges	pc	2,326	2,326
Total length of bridges	m	52,544	52,244
Number of tunnels	pc	76	76
Total length of tunnels	m	45,007	45,007

Different lengths of lines and tracks are due to modernization modifications, reconstruction of railway infrastructure, switches and registration of track section within the construction of TIP Lužianky to infrastructure information system Passport of the railway superstructure.

„Construction length of managed lines” also contains railway lines with suspended service due to poor technical condition. The railway lines with suspended service in total length of 46.692 km are as follows:

- Turňa nad Bodvou – MÁV 3.139 km;
- Komárno – Kolárovo 25.908 km;
- Žabokrečká spojka 1.279 km;
- Plavecký Mikuláš – Plavecké Podhradie including operation control point Plavecký Mikuláš 5.395 km;
- Breznička – Katarínska Huta 9.823 km;
- Strážčanská spojka 1.148 km

LINE REPAIR WORK	unit	31 December 2019	31 December 2018
Correction of track geometric position	km	634,143	654,481
Correction of geometric position of switches	sj	435	472
Repair of rail bed of track	km	25,538	41,853
Repair of rail bed of switches	sj	5	23
Establishment and renewal of non-contact track	km	7,864	8,684
Welding of switches	sj	23	9
Replacement of tracks	km	51,802	40,229
Replacement of sleepers	sj	8,472	11,729

BUILDINGS	unit	31 December 2019	31 December 2018
Number of buildings	pc	4,886	4,943
Built-up area	m ²	1,169,552	1,176,747
Useful area	m ²	1,326,230	1,330,229

SIGNALLING SYSTEMS	unit	31 December 2019	31 December 2018
Track signalling systems			
Automatic block	km	484	500
Automatic block system	km	418	447
Semi-automatic block	km	633	633
Line with telephone communication system	km	1,785	1,743
Station signalling systems	pc	513	498
Remote controlled signalling systems operated by dispatcher	km	396	396
Train signalling systems	km	782	814
Crossing signalling systems	pc	2,082	2,085
of which:			
passive crossings - unsecured	pc	1,007	1,011
active crossings - secured	pc	1,075	1,074
of which:			
automatic crossings	pc	926	925
manual crossings	pc	149	149
Hump signalling systems	pc	218	218

ELECTRICAL INSTALLATIONS	unit	31 December 2019	31 December 2018
Electrified lines	km	1,587	1,587
Developed length of traction line	km	5,015	5,014
Supply and distributing substations	pc	94	94

OPERATING CONTROL POINTS ON THE NETWORK OF ŽSR	unit	31 December 2019	31 December 2018
Operating control points total	pc	1,024	1,022
Operating control points manned/unmanned	pc	378 / 651	374 / 648
of which:			
Railway stations	pc	298	299
Frontier stations	pc	22	22
Other operating control points (blocks, branching-off, turn-out, stops, transshipment yards, gatekeeper post, operating control points under Regulation ŽSR Z1 and others)	pc	704	701

The year-on-year changes in „Operating control points on the network of ŽSR” results from creation of the new operation control points and changes in the organization of transport operations in the scope of ŽSR within the systemization of operation control points.

LINE TIMETABLE PERFORMANCE

Percentage performance of absolute Line Timetable was 88.35% (planned limit 93%). This is a qualitative indicator defined as ratio of number of trains running in time to number of all trains running for the period. Failure to comply with this indicator was due to accidents, malfunctions of mobile means of railway undertakings, infrastructure breakdowns, as well as closing of a line to traffic and traffic restrictions of neighbouring infrastructure managers. The accident event in Krompachy on 16 February 2019 and the accident event between railway stations Tvrdošovce – Trnovec nad Váhom on 9 July 2019 had the greatest impact on the decrease in the percentage performance of absolute Line Timetable. The low percentage is mainly related to effects of non-classified causes, the consequences of which could not be eliminated by the supplier's actions, represented up to 5.17%.

Performance of relative Line Timetable was 97.75 % (planned limit 97.5%). This quality indicator expresses the degree of ŽSR's culpability on the train delays on the rail network. Performance of this indicator is influenced by extensive closing of a line to traffic. Closings of a lines to traffic with the greatest impact on the train delays included closing of modernized track section Púchov - Považská Bystrica - Považská Teplá, but also number of closings of lines due to repair and maintenance of railway infrastructure.

Line Timetable changes on the second weekend of December and lasts 12 months. Two changes of Line Timetable were planned and also realized in passenger transport, in freight transport were six changes. The method of ordering of train paths to yearlong Line Timetable, as well as ad-hoc requirements, are in detailed in the Conditions of use of the railway network, available at ŽSR's web (www.zsr.sk).

TRAIN PATHS BY TYPE OF TRAIN		unit	31 December 2019	31 December 2018
Passenger transport	Passenger trains	pc	524,672	515,887
	Express trains	pc	31,546	30,059
	Fast trains	pc	29,735	27,265
	Liner train	pc	25,960	28,205
	Locomotive train	pc	6,471	6,312
Passenger transport total			618,384	607,728
Freight transport	Locomotive train	pc	87,073	89,203
	Running a freight train	pc	79,679	84,107
	Express freight train	pc	35,150	33,990
	Handlers train	pc	28,486	29,750
	Work-siding train	pc	3,667	3,918
Freight transport total			234,055	240,968

TRAIN PATHS BY CATEGORY OF TRACK		unit	31 December 2019	31 December 2018
Passenger transport	Main tracks	pc	355,515	303,851
	Other main tracks	pc	170,441	215,030
	Secondary tracks of regional importance	pc	120,561	100,132
	Secondary tracks with simplified traffic management	pc	34,401	35,254
	Narrow-gauge tracks	pc	40,282	40,181
	Special track	pc	270	222
Freight transport	Main tracks	pc	183,031	178,535
	Other main tracks	pc	76,587	92,464
	Secondary tracks of regional importance	pc	15,262	11,233
	Secondary tracks with simplified traffic management	pc	3,981	4,437



The categorization of ŽSR's tracks which is being used in the record of temporary limitations of track speed is given by the regulation Measurement and evaluation of the track geometric position by the measuring wagon of ŽSR.

SUMMARY OF TEMPORARY LIMITATIONS OF TRACK SPEED BY CATEGORY OF TRACK	Category	Year 2019		Year 2018	
		pc	m	pc	m
The most important main tracks	I. a	250	176,046	274	167,715
	I. b	19	5,545	10	1,125
Main tracks	II.	72	48,310	86	34,979
Regional tracks	III.	139	111,165	135	88,762
Local tracks	IV.	8	17,666	7	2,600
Total		488	358,732	512	295,181

b) Charges for access to railway infrastructure

The railway infrastructure was operated on a non-discriminatory basis to all railway undertakings. In 2019, the railway infrastructure services were provided to 51 railway undertakings; to 6 undertakings in passenger transport and to 45 undertakings in freight transport.

The charging scheme for the access to railway infrastructure is applied in accordance with Decree No. 2/2018 of the Transport Authority dated 7 September 2018 which determines charges for the access to railway infrastructure and service facilities.

Charge (in thousands of EUR)	31 December 2019	31 December 2018
	102,662	106,249
herein: Železničná spoločnosť Slovensko, a. s.	50,791	50,505
Železničná spoločnosť Cargo Slovakia, a. s.	33,897	38,500
Other railway undertakings	17,974	17,244
herein: passenger transport	3,846	3,792
freight transport	14,128	13,452
Charges include compensation from reduction of charges for cargo carriers from Ministry of Transport	26,397	26,479

RAILWAY UNDERTAKING'S PERFORMANCE

From the year-on-year perspective, an increase by 577 thousand train-km was recorded in transport performance. Transport performance in passenger transport grew by 891 thousand train-km thanks to Železničná spoločnosť Slovensko, a. s., where year-on-year growth was by 862 thousand train-km. Increased transport performance of other railway undertakings was reported mainly at RegioJet, a. s. by 18 thousand train-km, Arriva Service, s. r. o. by 11 thousand train-km.

Decrease of transport performance was reported in freight transport in 2019 by 314 thousand train-km. Železničná spoločnosť Cargo Slovakia, a. s. reported decrease by 490 thousand train-km. On the other hand, other railway undertakings reported increased transport performance by 176 thousand train-km. The largest increase in train-km reported CER Slovakia, a. s., Metrans (Danubia), a. s., LOKORAIL, a. s., CARBO RAIL, s. r. o.

Performance	unit	31 December 2019	31 December 2018	year-on-year change in %
Passenger transport	(thousand train-km)	37,144	36,253	2.46
	(million grtkm)	10,431	10,334	0.94
Freight transport	(thousand train-km)	15,168	15,482	-2.03
	(million grtkm)	17,902	18,924	-5.40
Total	(thousand train-km)	52,312	51,735	1.12
	(million grtkm)	28,333	29,258	-3.16

c) Contract on the operation of the Railway infrastructure

Operating the rail infrastructure in 2019 was carried out in accordance with the Contract on the Operation of the Railway Infrastructure for 2017 – 2021, including appendices concluded between ŽSR as a manager of railway infrastructure and Ministry of Transport of the Slovak republic as an owner of railway infrastructure.

Comparison of parameters of the Contract on the Operation of the Railway Infrastructure:

Contract Balance (in thousands of EUR)	31 December 2019*	31 December 2018
Contract Balance (in thousands of EUR)	408,183	394,446
Costs (Economically Eligible Costs total)**		
therein:	366,657	318,816
Costs of services provided under minimum access package	40,866	65,274
Costs of services provided under track access to service facilities	660	628
Costs of TIP Žilina, TIP Lužianky and TIOP Moldava nad Bodvou	0	9,728
Costs of other business activities	407,969	394,449
Revenues (Economically Eligible Revenues total)		
therein:	290,950	270,000
Reimbursement from the railway infrastructure owner	76,269	79,770
Payment for the access to railway infrastructure from undertakings	26,397	26,479
Compensation of financial impact	10,998	8,048
Reversals of allowances to receivable from ZSSK CARGO	3,355	10,152
Revenues from other business activities***	-214	3
Profit / Loss for services	214	0
Coverage of cost overruns by business result from other activities	0	3
Total business result		

* The data in the table are before evaluation by Ministry of Transport and Construction of the Slovak republic

** In 2019, the costs for ensuring of support and synergy of shunting activities were charged to track access to service facilities, and were covered by payments from the infrastructure owner. In 2018, these costs were reported as other business activities and were covered by railway undertakings.

*** Revenues from other business activities in 2019 included revenues from TIP Lužianky, TIOP Moldava nad Bodvou, revenues from the concessionaire for TIP Žilina and revenues from other operating and financial activities. In 2018, revenues from railway undertakings were also included in these revenues.

Reimbursement from the owner of railway infrastructure – the Slovak republic on behalf of the Ministry of Transport of the Slovak republic to cover economically eligible costs related to securing the management and operation of the railway infrastructure in the amount of EUR 290,950 thousand, which was a year-on-year increase in the amount of EUR 20,950 thousand:

- in accordance with Appendix No. 4 to Contract on the operation of the railway infrastructure, the payment from owner of railway infrastructure was agreed in the amount of EUR 268,200 thousand;
- in accordance with Appendix No. 5 to Contract on the operation of the railway infrastructure, the payment from owner of railway infrastructure was increased by EUR 14,320 thousand to ensure support and synergy of shunting activities;
- in accordance with Appendix No. 6 to Contract on the operation of the railway infrastructure, the payment from owner of railway infrastructure was increased by EUR 8,430 thousand whose use is purposefully bound in accordance with appendices of Contract on the operation of the railway infrastructure.

Since 1 January 2019, ŽSR has been providing railway infrastructure services to railway undertakings in accordance with Decree No. 2/2018 of the Transport Authority dated 7 September 2018 which determines charges for the access to the railway infrastructure and service facilities. The effect of a change in charging is the transfer of costs between the minimum access services and the track access services. The provision of the „Use of electrical traction current supply equipment“ service was moved from the track access services to the minimum access services.



II. Economic and financial indicators

a) Business result of ŽSR

In 2019 ŽSR achieved a negative business result. The year-on-year development of costs was significantly influenced by higher payroll costs resulted from the collective bargaining for year 2019, especially:

- the payment of a monthly bonus of EUR 45 from 1 January 2019 to 30 June 2019 for employees remunerated by tariff wage recalculated to hours worked
- increase tariff wage of employees by EUR 50 per month from 1 July 2019

The year-to-year increase of payroll costs is 8.31%.

Costs and revenues (in thousands of EUR)	31 December 2019	31 December 2018
Costs	511,592	495,391
herein		
Payroll costs	273,472	252,500
Depreciation, amortization and impairment	78,166	92,743
Consumed purchases	74,371	81,826
Revenues	509,285	495,563
herein		
Operating subsidy of the Contract on the Operation of the Railway infrastructure	317,344	296,476
Profit / Loss	-2,307	172
Other comprehensive income	-3,099	299
Comprehensive profit / loss for the period	-5,406	471

Železnice Slovenskej republiky for the accounting period of 2019 reports the business result - loss of EUR 2,306,584.29 settled with the reserved fund surplus.

Non-current assets represents 95 % of total assets. Assets of railway infrastructure managed by ŽSR in accordance with Act is in carrying value in the amount of EUR 2,846,559 thousand.

Assets (in thousands of EUR)	31 December 2019	31 December 2018
Non-current assets	3,549,697	3,478,938
herein		
Property, Plant and Equipment	3,462,329	3,403,799
Current assets	167,496	130,705
herein		
Trade receivables	14,210	16,239
Inventories	15,818	10,594
Cash and cash equivalents	120,006	71,519
Total Assets	3,717,193	3,609,643

Equity represents 45 % of total equity and liabilities. Non-current liabilities increased by EUR 153,264 thousand mainly due to the acquisition / refinancing of loans, investment subsidies to depreciated assets and the application of IFRS 16 - Leases. Current liabilities decreased mainly due to renewal of the loan.

Equity and Liabilities (in thousands of EUR)	31 December 2019	31 December 2018
Equity	1,679,733	1,683,315
herein		
Registered capital	800,170	800,170
Capital funds	528,481	530,135
Non-current liabilities	1,839,231	1,685,967
herein		
Loan, state and EU subsidies	1,662,229	1,523,060
Current liabilities	198,229	240,361
herein		
Short-term loan	10,751	62,741
Current trade liabilities	67,936	54,685
Total Equity and Liabilities	3,717,193	3,609,643

b) Financial indicators

	unit	31 December 2019	31 December 2018
Profit / Loss	in thousands of EUR	-2,307	172
Liquidity Indicators			
Current liquidity		1.18	1.09
Total liquidity - average		1.41	1.28

Expenditure Indicators			
Expenditures	%	100.45	99.97
Salary expenditures	%	36.48	34.78

Indebtedness Indicators			
Self-financing indicator	%	80.99	84.46
Total indebtedness	%	19.01	15.54
Debt to equity ratio	%	23.48	18.40

Labour Productivity Indicator			
From revenues	EUR / empl.	37,384	36,219
From performance	trkm / empl.	3,840	3,781

c) Financial investments

Company	Share (%)
STABILITA, d. d. s., a. s. Košice	55.26
ŽPSV, a. s. Čaňa	41.06
Breitspur Planugs GmbH Wien	25.00
HIT RAIL, b. v. Amsterdam (Netherlands)	4.00

- Stabilita, a complementary pension insurance administration company
- ŽPSV Čaňa, a construction and assembly works company
- Breitspur Planungs, a company engaged in preparation of a broad-gauge railway connection project
- HIT RAIL, b. v., a company managing international data infrastructure



III. Human resources

Development of employment in 2019 concerning the number of employees had increasing tendency.

Development of employment	31 December 2019	31 December 2018	Difference (2019 - 2018)	Difference (%)
Number of employees as at 31 December	13,716	13,665	51	0.37
Average number of employees	13,623.01	13,683.69	-61	-0.44

Male employees represent 76 % and female employees represent 24 % of total number of ŽSR employees. In 2019, 725 employees terminated their employment with ŽSR and 796 employees were recruited. Employees leave mostly by agreement and to retire. The turnover rate in 2019 is 2.3%.

Age structure	31 December 2019	% share of employees	31 December 2018	% share of employees
up to 20 years of age	23	0.17	25	0.18
20 - 29 years of age	1,178	8.59	1,202	8.80
30 - 39 years of age	1,957	14.27	1,941	14.20
40 - 49 years of age	4,063	29.62	4,301	31.47
50 - 59 years of age	5,263	38.37	5,191	37.99
over 60 years of age	1,232	8.98	1,005	7.35
Total	13,716	100.00	13,665	100.00

The average age of all ŽSR's employees was 47.46 years of age. Increased number of employees over 60 years of age is consequence of gradual increase of retirement age in the Slovak republic.

Education structure	31 December 2019	% share	31 December 2018	% share
Elementary education	296	2.16	312	2.28
Secondary education	3,409	24.85	3,450	25.25
Complete secondary education	7,456	54.36	7,352	53.80
University education	2,555	18.63	2,551	18.67
Total	13,716	100.00	13,665	100.00

In education structure of employees, there were no significant change in percentage comparison of individual levels of education. Within „Adaptation programme for graduates of selected schools“, 43 graduates were recruited.

Dual Education and Scholarship Program

In 2019, ŽSR entered the fourth year of active cooperation with secondary vocational schools in the dual education system, where 115 students are currently studying. Its aim is education own experts in the field of railway transport and in individual technical branches. An essential advantage of dual education is the preparation of the student for the profession in ŽSR's operating positions according to specific requirements for knowledge of technological equipment and procedures. Successful graduates are guaranteed a job in the ŽSR's operational positions. In the field of dual education, ŽSR cooperates with several secondary vocational schools within Slovakia. Supported courses are Railwayman, Electrician, Operator for operation and economic of transport, Mechanic – Electrician.

ŽSR has been cooperating on a long-term basis with secondary vocational schools regarding the placement of pupils for professional practice and vocational training at ŽSR's workplaces. ŽSR has concluded the Framework Agreement on Mutual Cooperation in research, development and education with the University of Žilina. Under this Agreement, ŽSR provides to students, as well as pedagogic staff, possibility of professional experience, professional internship, but also providing information and documents in the preparation of final theses, as well as consulting with their experts.

Remuneration and employee benefits

In February 2019, new Collective Agreement of ŽSR for period 2019-2020 was concluded, the Directive on Remuneration of ŽSR's Employees and conditions of creation and spending of Company's social fund is annexed to Agreement. Increase of tariff wages was agreed in the Collective Agreement not only for year 2019, but also for year 2020.

With effect from July 2019, all employees were assigned to the new tariff classes in accordance with the ŽSR's Type Position Catalogue, based on the definition of the type position hierarchy, taking into account responsibilities, professional abilities and the difficulty of the work performed.

The average wage for the Company in year 2019 amounted to EUR 1,136.34, which is an increase of EUR 86.50 (8.24%) compared to the Company's average wage for year 2018.

Employees were provided with cash and non-cash benefits to strengthen employees' stabilization and motivation. The new benefit is contribution for recreation, which benefited 3,926 employees. ŽSR provide a wide range of benefits:

- reduction of weekly working time fund to 36 hours without wage reduction (for selected professions)
- applying flexible working time in accordance with Labour Code
- time off with wage compensation for the purpose of treatment of an employee in a health care facility, accompanying a family member to a health care facility and improving family care
- provision of wage compensation for sickness absence for 10 days in the amount of 60% of the daily assessment base
- contribution to supplementary pension savings in the so-called pillar III.
- contribution to life insurance DYNAMIK Ž
- domestic and foreign travel benefits for both employees and their family members
- recondition stays for selected operation professions
- jubilee and retirement bonuses depending on the number of years worked

In the area of employee care, after agreement with union organizations, social fund resources are spent mainly to regeneration of employees, allowance for meals, to social assistance, to working anniversaries, to blood donation plaquettes and to recreation in facilities of ŽSR and union organizations.

In extraordinary and difficult life situations, employees can apply for support from the Non-investment fund SOLIDARITA of employees of ŽSR. This fund began its activities in 1997 and since provided financial support to several families and individuals in the amount of more than EUR 572 thousand. Non-investment fund as a legal entity relies on cash donations from voluntary donors in the form of direct contributions and using the Institute of 2% (3%) of income tax.

Employee awards

In 2019, 29 employees of ŽSR took over various awards of Minister of Transport and Construction of the Slovak republic:

Tribute of the Minister of Transport of the SR	13 awarded
Degree of the Minister of Transport of the SR - Merited transport employee	15 awarded
Appreciation of the Minister of Transport of the SR	1 awarded

The selection took into account the professional and sectoral balance providing representation mainly operational employees.

Respect for human rights

Železnice Slovenskej republiky respect human rights, the principles of equal treatment and the prohibition of illegal employment. The principle of equal treatment is applied in all internal management acts.

IV. Modernization and development of railway infrastructure

Investment actions in the amount of EUR 227,443 thousand were realized in 2019. Investments represent modernized components of railway infrastructure – railway stations, railway substructure, railway superstructure, traction lines, security apparatus for railways, supporting walls and construction of railway bridges.

Overview of realized investment actions in 2019:

(in thousands of EUR)	Realization in 2019
Modernization, reconstruction and construction of railway infrastructure	196,046
Operational safety	12,478
Improving of services for railway undertakings	13,475
Automation of Traffic management	4,612
Other	832
Total	227,443

Investment actions were financed mainly from own resources in the amount of EUR 96,202 thousand, credit resources in the amount of EUR 15,999 thousand and from capital subsidies in the amount of EUR 115,008 thousand.

Investments from own resources

The most significant investment actions realized in 2019 from own resources include:

(in thousands of EUR)	
Reconstruction in railway station Rimavská Sobota,	8,892,
Modernization of hump control system Čierna nad Tisou, broad-gauge track	4,380,
Reconstruction of building in railway station Zvolen	3,200
Reconstruction of railway superstructure Passing Point Trebišov – Slivník; broad-gauge track	2,958
Reconstruction of railway superstructure Passing Point Hrnište – railway station Bánovce nad Ondavou	2,934
Remediation of the rock notch on the track B. Bystrica - branching-off D. Štubňa	2,870
Complex reconstruction of the bridge in railway kilometre 98.530 of track Devínska Nová Ves – Štúrovo (Sládkovičovo – Galanta)	2,751
Reconstruction of building and information system for passengers in railway station Spišská Nová Ves	2,220

Reconstruction in railway station Rimavská Sobota

Complex reconstruction of switches will change the configuration of set of track. Reconstruction also includes the reconstruction of station tracks, which consists of a complete replacement of new uppers material using recycled track aggregates. Station space and station approach will be adapted to the necessary extent for the traveling public. The aim of the reconstruction is to achieve the standard parameters of railway infrastructure in all its parameters, to ensure safe and smooth railway operation and to achieve the agreed standard of the station.

Modernization of hump control system Čierna nad Tisou, broad-gauge track

The modernization of the control system automates the processes (e.g. ride of divert to the designated directional tracks, regulating their speed) in relation to the transmission of information between hump yard equipment and the information system „Local work with wagon“.

Reconstruction of building in railway station Zvolen

The aim of the reconstruction is to ensure the standards and adjust the publicly accessible railway station buildings to the required quality. The object of the reconstruction is the building, which consists of the administrative part (station office, spaces for security equipment), vestibule (ticket shops, dispatch hall, waiting room and auxiliary services for passengers) and restaurant part. Platforms and underpasses with new passenger lifts are also affected by the reconstruction.

Operational Programme Integrated Infrastructure 2014 – 2020 (OPII)

Implementation of OPII projects will contribute to making the country, its different regions and interconnection of them more accessible, reducing regional disparities and increasing the Slovak Republic's competitiveness.

The aim of Priority Axis No. 1 - „Railway infrastructure (TEN-T CORE) and upgrading of rolling stock“, as well as Priority Axis No. 5 - „Railway infrastructure and upgrading of rolling stock“ are especially, to support sustainable mobility, economic growth, increasing the competitiveness of small and medium enterprises through progress in transport infrastructure. Despite the fact that the railway infrastructure in Slovakia has a relatively dense network, its main shortcomings include the low level of track speeds, sections without electrification and lack of technologies for the smooth transport of goods and passengers. This unfavorable situation is gradually changing, mainly thanks to resources from the European Union.

The aim of Priority Axis No. 3 is to build parking lots for cars and bicycles with all its supportive features (camera system surveillance, information system, with the use of railway transport to the price of parking tickets, fenced parking for bicycles), which will ultimately contribute to changing the behavior of residents of municipalities and towns located in the region around the capital city of Bratislava, who come from their place of residence to Bratislava.

In 2019 drawing of EU funds and co-financing from the state budget was largely influenced by the approval process of Grant Agreements. During 2019, Grant Agreement for the construction of parking lot in railway station Pezinok was concluded with total amount of eligible expenses of EUR 2,149,647.01.

Funds from operational programme was received mainly to these projects:	in thousands of EUR
Railway track "Púchov – Žilina, phase I., track section "Púchov – Považská Teplá"	62,691
Railway station Pezinok – realization of parking lot	1,758
Transport hub Bratislava – feasibility study	779,
Electrification of railway track "Bánovce nad Ondavou – Humenné", PD	314

Modernization of Railway track “Púchov – Žilina”, phase I., track section Púchov - Považská Teplá

It is the most investment and technically demanding construction since the ŽSR's autonomy. Modernization of railway track consists of reconstruction of the existing railway infrastructure in order to increase its technical equipment and usability by incorporating the most modern elements and thus improving its technical parameters and indicators as a whole. Its completion will complete the modernization of railway track, which will increase speed, comfort, safety and flow of traffic on the integrated track section Bratislava - Žilina, as a result the negative effects of transport on the surrounding environments are also reduced. As a part of this modernization, two tunnels will be built – Diel (length of 1,082 metres) and Milochov (length of 1,861 metres).

Total length of the modernized track section including stops, turn-out and railway stations will be 15.921 km. The new track will shorten the track section by 2.821 km.

The material is piled onto the substructure and superstructure, which is compacted. Subsequently, a layer of geotextile is deposited to prevent invasive tree species from penetrating, which would cause the substructure and superstructure destroy and interfere with the structure gauge of track.

In May 2019, the tunnel Diel was broken through and the tunnel Milochov will be broken through in July 2020. On the new railway bridge, that spanned the „Nosická priehrada“, all the bridge fields are completed and all binding bridge ropes are tightened. Modification of the base of the bridge body in order to fit a fixed track is being worked. A new train stop „Nosice“ will be built in „Nosický ostrov“. The train stop Milochov will be cancelled and the railway station Považská Teplá will be rebuilt into a train stop.

Train Stop Ivanka pri Dunaji – parking lot

On 23 September 2019, the Contract for Work was concluded with a construction period of 6 months from the date of commencement of the work. The construction consists in the construction of a parking lot for motor vehicles, with stands for bicycles, including its supportive features (fencing of parking lot, camera system surveillance and information system).

Railway station Pezinok – parking lot

Work on the construction of the parking lot is finished, technical inspections have been carried out on all the buildings and the building is in early use. The construction was completed by acceptance protocol dated 10 January 2020.

Electrification of railway track “Bánovce nad Ondavou – Humenné”, project documentation

The aim of the project is to create conditions for the modern functioning transport system in the connection with system of integrated rail transport, which would provide transport services and connection of Košice to other regions eastern Slovakia. Project will take into account the utilization of road and railway infrastructure in region for the transport of passengers and goods, especially the daily transport of passengers from Košice to Humenné by cars, buses and trains with the aim of bringing quality railway closer to the sources and destinations of passenger journeys. All levels of project documentation (documentation for zoning permit, documentation for building permit - 2018, documentation for building permit and building realization - 2019) are processed and handed over for the construction. A valid zoning permit is issued for the construction. At present, property-legal settlement is being processed and engineering activity are being in progress to secure building permits. The first applications for building permits were submitted.

Transport hub Bratislava - feasibility study

The project is aimed at modernization of railway infrastructure in order to address the concept of transport flows and to ensure the operation of passenger, freight and international transport as well as regional and local transport in this transport hub. The purpose of feasibility study was to examine the possibilities and alternatives of increasing the general technical level of railway infrastructure in hub Bratislava which is prerequisite for maintaining and/or improving of the hub performance within the network, reflecting its importance and proposed functionality. In addition to its current importance, hub should also become the basis for suburban transport within Integrated Transport System in Bratislava and Bratislava's metropolitan cross-border region. In 2019, the study was completed and handed over to the customer.

Project fulfils, in the recommended alternatives, the vision of project which is the optimal use of railway infrastructure by all types of transport for the city, Bratislava region and, in a broader context, the state and the Euro region.

In terms of project readiness for realization, we can divide projects into three groups:

- **Group I** – represents the projects confirmed by the study, or they are already included in the assumptions and which can be realized (in the appropriate time horizon) regardless of a specific alternative solution (so-called „no regret“ projects) it is a TIOP Vrakuňa, TIOP Ružinov (assuming parallel realization of capacity measures in the branching-off Ružinov), TIOP Železná studienka and TIOP Bory / Lamačská Brána, it is recommended to review TIOP Petržalka – centrum;
- **Group II** – presents projects confirmed by the study for any of the alternatives, or are dependent on assumptions of fulfilment of the study with respect for territorial development, completion of public transport infrastructure and transport development, or transport policy decisions;
- **Group III** – represents projects that have not been confirmed by the study but may be re-examined in the future in case of significant changes to the study's assumptions regarding operational concepts, territorial development or transport and transport trends.

The general condition of feasibility, especially for large projects, is to maintain the expected level of investment costs and positive results of processes of the Environmental Impact Assessment and Strategic Environmental Assessment.

Capital transfer

Based on the Contract No. 255/AD00/2019 on the provision of funds to Železnice Slovenskej republiky from the category of budget of Ministry of Transport and Construction of the Slovak republic, financing of several investment projects were provided in the amount of EUR 65,635 thousand. These funds were allocated as follows:

Within subprogramme Construction and renewal of railway network in the amount of EUR 40,635 thousand with the following most significant actions:

(in thousands of EUR)	
Replacement of isolators of traction line	8,716
Púchov - Lúky pod Makytou, complex reconstruction of traction line and signalling systems	7,394
Railway station Lúky pod Makytou, complex reconstruction of traction line	3,094
Lúky pod Makytou – state border Czech Republic, complex reconstruction of traction line	2,500
Freight railway station Ul'anka, reconstruction of switches, remediation of railway substructure and remote control of signalling systems in railway track B. Bystrica – Ul'anka	3,177
Freight railway station Ul'anka – Station signalling systems	1,878

Funds in the amount of EUR 25,000 thousand were received from subprogramme Co-financing (outside). These funds were used to refund the investment costs of projects financed from OPPII, mainly for the modernization of railway track Púchov – Žilina, phase I., track section Púchov – Považská Teplá, which cannot be claimed from European Union funds due its nature.

Replacement of isolators of traction line

The main causes of failures on the traction line are failures caused by the destruction of ceramic isolators. During use, due to the weather and industrial environment (settling exhales), the surface glaze was eroded and the mechanical and electrical properties of such isolators deteriorated. For this reason there is a replacement for silicone-based isolators with improved mechanical and electrical properties. In 2019, replacement of the contact system isolators was carried out mainly on railway track the Sered' - Leopoldov, in Bratislava, on the railway tracks Levice - Šurany, Košice - Spišské Vlachy, Prešov - Plaveč and at the railway stations Štrba and Dobrá.

Púchov - Lúky pod Makytou – state border Czech Republic / Slovak republic, complex reconstruction of traction line and signalling systems

The purpose of the realization of the subject of the contract is to replace the existing physically and morally worn traction line in the interstation section Púchov - Lúky pod Makytou and ultimately to change the traction system with the start of operation of the 25 kV, 50 Hz in Púchov - Lúky pod Makytou - state border Slovak republic / Czech Republic. The change of the traction system causes modification of signalling and security apparatus, dismantling of the unnecessary technology of the existing traction substation Púchov, connection of the traction power station Púchov to the traction line. Reconstruction of the traction line and signalling systems will ensure and simplify the vehicle technology in the direction of the Czech Republic. The realization of the project follows the intention of the railway infrastructure manager to increase the fluency and safety of railway infrastructure operation, to improve the quality of services and to cultivate the environment for the traveling public, following the completed modernization of the railway station Púchov.

Railway station Ul'anka, reconstruction of switches, remediation of railway substructure and remote control of signalling systems in railway track B. Bystrica – Ul'anka

In railway station Ul'anka, there were switches designated by degrees No. 5, 8, 9 and 10 from years 1969-1978, for which spare parts were no longer produced and were therefore limited in maintenance. The connection fields on the wooden sleepers before and after the switches were replaced by a new railway superstructure „S49“. The bearing capacity of the sleeper was increased by a remediation layer without dewatering. It was necessary to ensure drainage of the exchange from melted snow and ice during the operation of the planned electric heating of switches.

Railway station Ul'anka – Station signalling systems

In connection with the renewal of the switches in the railway station Ul'anka, it was necessary to replace the existing station signalling systems, which was morally and physically worn out. In order to achieve safe and reliable operation, a new station signalling systems was built.

Capital transfer - Support of defence

Within interministerial subprogram Support of defence, under Contract No. 144/A410/2019 on provision of funds from the category of budget of Ministry of Transport and Construction of the Slovak republic, funds in the amount of EUR 400 thousand were allocated. Funds were allocated for the construction of loading and unloading space in the railway station Sása Pliešovce.

Connecting Europe Facility – CEF

In the transport sector, the aim of the CEF is to create a tool for the implementation of the European transport infrastructure policy. In particular, it aims to encourage investment in the construction of new transport infrastructure in Europe or the renewal and modernization of existing transport infrastructure. In the case of CEF, the focus is on cross-border connections on the core TEN-T network and innovative transport solutions.

Individual CEF projects are funded in proportion from 73.40% to 85.00% of EU funds and from 15.00% to 26.60% of state budgeted.

In 2019, ŽSR received from the European Commission additional advance payments in the amount of EUR 1,619 thousand. As at 31 December 2019, the total amount of advance payments for investment projects is in the amount of EUR 30,058 thousand.

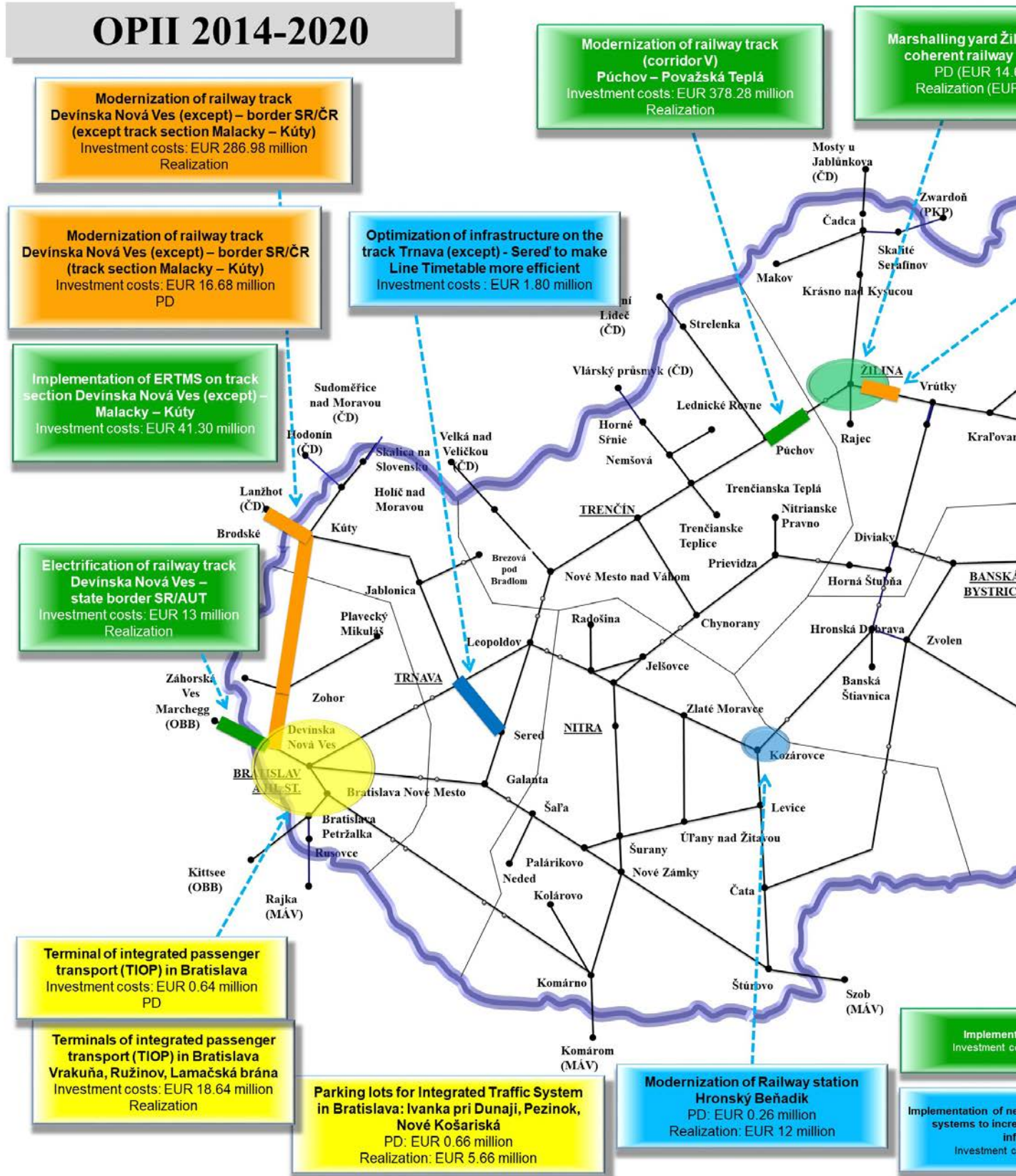
Advance payments are bound to following projects:

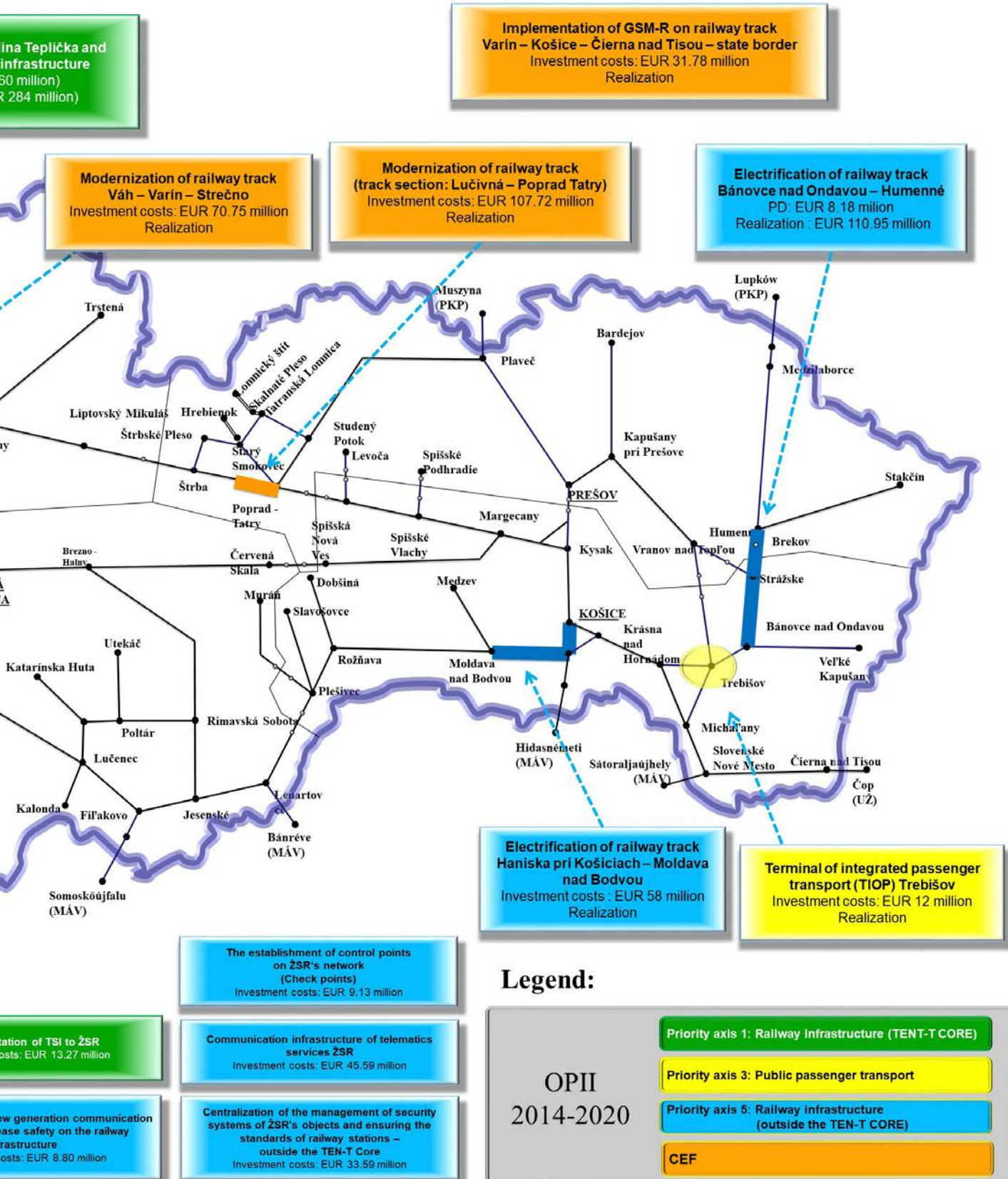
- Modernization of railway track Devínska Nová Ves – state border Slovak republic / Czech Republic
- Modernization of railway track Žilina – Košice, track section Liptovský Mikuláš – Poprad Tatry (except) – phase I. (Poprad - Lučivná)
- Modernization of railway track Devínska Nová Ves – state border Slovak republic / Czech Republic; track section Malacky (except) – Kúty, project documentation
- Modernization of railway track Váh – Varín – Strečno
- Implementation of GSM-R on railway track Varín – Košice – Čierna nad Tisou, state border

In 2019, only project „Implementation of GSM-R on railway track Varín – Košice – Čierna nad Tisou, state border“ was realized in the amount of EUR 692 thousand. Drawing of advance payment was in the amount of EUR 364 thousand, the remainder was paid from own resources.



The following map shows the projects co-financed by the European Union on which ŽSR is currently working. Projects are color-coded by priority axis:





V. Safety

The Act No. 513/2009 Coll. On Railroads and on amendments of some acts as amended defines which events in railroad operation shall be considered accidents. ŽSR conducts statistical register of accidents and its consequences, determination of the causes of accidents with objective to adopt measures to prevent future accidents and to enhance railway safety.

In respect of obligations in accordance with Act. No. 124/2006 Coll. On Occupational Safety and Health Protection, § 5, 6 and 9, and on amendment of certain acts as amended, ŽSR ensures preventive inspection activities aimed at observing safe working practices in relation to work activities, use of prescribed and assigned personal protective work equipment, adherence to the work discipline and other obligations arising from internal regulations, decrees and laws. ŽSR performs complex inspections of workplaces to determine the working environment and working conditions from the point of view of health and safety at work and assess its impact on the health of employees in all ŽSR's workplaces and facilities. Simultaneously, according to the cited law, it is the duty of the employer to investigate the causes of accidents at work, occupational diseases and occupational disease threats, to monitor the number and severity of occupational injuries and to perform necessary analyses of the state and development of occupational injuries, occupational diseases and occupational disease threats in order to adopt measures aimed at preventing or limiting the recurrence of similar events and to improve the state of occupational safety and health protection at work.

Accidents on the network of ŽSR

Type of accident	31 December 2019 Total / ŽSR	31 December 2018 Total / ŽSR	Difference Total / ŽSR
Train collision	14/2	19/5	-5/-3
Train derailment	6/2	6/2	0/0
Collision with level crossings users	41/0	48/0	-7/0
Rolling stock fire accidents	14/0	15/0	-1/0
Injuries by rolling stock	105/0	112/0	-7/0
Shunting accidents	38/17.5	45/19.5	-7/-2
Consequences of accidents			
Level crossing fatalities	9	15	-6
Unauthorized persons fatalities	78	85	-7
Staff fatalities	0	0	0
Passenger fatalities	1	1	0

Occupational injuries Report

Type of occupational injuries	31 December 2019	31 December 2018	Difference
Total occupational injuries	37	45	-8
of which major occupational injuries:	0	0	0
Number of missed calendar work days	2,899	3,151	-252
Number of injuries per 1,000 employees	2.716	3.289	-0.573
Average number of employees	13,623.01	13,683.69	-60.68

VI. Research and development

Expenditure on research and development assignments

Operational processes (in thousands of EUR)	31 December 2019	31 December 2018
- research expenditures	39	87
- development expenditures	16	32
Total	55	119

The most significant assignments completed and resolved in 2019:

- wireless transmission of operating status of relay crossing security apparatus for railways on secondary tracks;
- luminous intensity measurement on crossing security apparatus for railways (development and verification of measuring equipment, methodology and procedure for measurement at selected crossings);
- a proposal for a new concept for traction electricity consumption;
- optimization of the structure of the catenary.

Other tasks dealt with issues in the field of testing, diagnostics and implementation of EU and Slovak legislation into practice of ŽSR.

VII. Environmental protection

The Company pays constant attention to compliance with environmental legislation and its application in the company environment.

Environmental protection in operating conditions of ŽSR concerns the following areas:

- a) water protection and water management;
- b) waste management;
- c) nature and landscape protection;
- d) air protection;
- e) protection of the earth's ozone layer and protection against the effects of greenhouse gases;
- f) protecting health from the effects of excessive noise and vibration (physical fields);
- g) the elimination of environmental burdens and environmental damage;
- h) flood protection.

It is well known that the production of greenhouse gas emissions in transport is determined by the most fundamental factor, namely the rapid growth in transport performance of environmentally unfriendly road transport, which is associated with high fossil fuel consumption, despite efforts to increase the ratio of electric vehicles. A necessary step to increase the ratio of train transport and its positive impact on landscape ecology is to continue in electrification of tracks and modernization of corridors with pan-European significance to such extent that it is advantageous for transport customers to prioritize train freight transport and for the traveling public to travel by train as a choice number one.

Measures to reduce the adverse impact of ŽSR on the environment

In 2019, the continuation of the geological project - environmental burden by remediation of rock subsoil and groundwater in Čierna nad Tisou was realized - operating of hydraulic protection and monitoring of groundwater.

Air protection

Under the statutory obligations, charges for air pollution by medium sources of pollution were calculated and approved by the competent air protection authorities for the period under review.

Overviews of ecological accidents

In 2019, ŽSR recorded one case with a significant leak of pollutants. In Haniska pri Košiciach there was an uncontrollable leak of diesel fuel from the traction vehicle into the track age in the expected amount of about 100-200 litres on a section of 10 metres. The Slovak Environmental Inspectorate declared the above mentioned event an extraordinary deterioration of water pursuant to § 41 of the Act of the National Council of the Slovak Republic No. 364/2004 Coll. on waters as amended. The originator was the Železničná spoločnosť Slovensko, a. s. where measures have been imposed to remedy the effects of the extraordinary deterioration of the waters.

Penalties for deficiencies identified by state authorities

No penalty was imposed on ŽSR in 2019 in the field of environmental protection.

VIII. Risks and uncertainties

Risk Management at ŽSR

Risk Management is a continuous systematic and methodological activity organized and coordinated by the Internal Audit Department. Internal audit independently and objectively reviews, evaluates and improves ŽSR's work processes and procedures, management and control systems. The Internal Audit Department is directly responsible to the Director General.

In order to efficiently fulfil the defined strategic objectives of ŽSR, strategic risk management system is introduced in ŽSR which acts as a support system for the successful implementation of the strategy. Its aim is to effectively manage identified strategic risks which could negatively affect the realization of strategic objectives of ŽSR.

Operational risks

The objective of operational risk management is to ensure the safe and trouble-free operation of railway infrastructure. These risks include e.g. violation of regulations by operation employees, accident events and abnormalities, non-respected technological procedures of railway stations and track sections. These are risks of medium to high importance, but measures are taken to eliminate risks from one-off to procedural. Transport risks include the risk of non-compliance with the requirements of railway undertakings in the creation / change of Line Timetable as well as unattractive products and services in terms of access to Railway Infrastructure. In railway infrastructure due to lack of funds for repair and maintenance and public procurement problems, transport actions are adopted (such as reducing of speed) that are criticized by customers – railway undertakings and traveling public.

Financial Risk

In the financial area, ŽSR is exposed to liquidity risk and credit risk.

The company is dependent on continuous state aid in the form of subsidies from the state budget. The State participates in the financing of the ordinary and capital expenditures of ŽSR through the category of budget of Ministry of Transport and Construction of the Slovak republic. Liquidity in this area is managed with regard to approved budget of ŽSR for the relevant budgetary period with emphasis on the observance of the conditions for drawing of subsidies and the minimization of possible penalties.

The Company has opportunity to draw resources from number of European Union financial instruments for modernization of transport corridors of pan-European importance. Due to the administrative complexity of contracting processes for financial resources, the risk of time discrepancy between real needs and their provision by the European Union can be met. In such situation, the Company may be under pressure as regards its internal sources of funding, possibly threatening the liquidity and financial stability of the Company.

In other areas primarily funded from sales, the key liquidity management tool is continuous monitoring of actual cash flows developments. In case of occurrences of risk events and externalities, the Company reviews and models them to manage liquidity by operational means.

Credit risk arises from the inability of debtors to pay their liabilities to ŽSR. The risk is regulated by monitoring and evaluating the status of receivables and by immediately resolving receivables overdue using all legal options. The procedures for monitoring, evaluating and recovering debts are governed by an internal directive, which is regularly reviewed.

Management is striving to eliminate all of the aforementioned risks, continually monitors the risk management situation and seeks to ensure the credibility, trustworthiness and long-term financial stability of the Company with its predictions and ex post analyses.

Human Resources Risks

Recruiting employees into operating professions remains difficult, especially in the Bratislava and Trnava regions. The lack of employees with electrotechnical qualification is a national problem.

Intensive targeted recruitment continues to be focused primarily on filling vacant type positions in key operating professions. Recruitment is also aimed at recruiting fresh graduates from schools of transport and engineering. The aim of the graduate program is to recruit and select graduates according to the current needs of ŽSR and to create conditions for systematic preparation for professions where employees retire.

ŽSR addresses the lack of employees in operating professions by engaging in the dual education system, which currently has 115 students. Another tool is the ŽSR's scholarship program, in which 22 pupils and students are involved in selected secondary schools and at the University of Žilina.

Risks in Information Technology and Cyber Security

Significant IT risks include misuse, corruption, loss of data, and possible disruption to important information systems. These risks are eliminated by various measures such as antivirus updates, operating system updates, managed applications, servers and networks, security patches, external penetration tests at regular intervals. An important factor in eliminating the risks is the regular review of the security policy of communication and information systems of ŽSR and the ŽSR's information security management system.

From a cyber-security perspective, networks and information systems are critical elements which, in terms of cyber law, directly or indirectly support the operation of identified fundamental services:

- signalling and security apparatus,
- railway energetics,
- electricity distributions,
- critical infrastructure operations

In accordance with the organizational rules of ŽSR, information security is managed by Internal Organizational Unit of ŽSR - Railway Telecommunications, which provide comprehensive data protection and system protection of communication, information systems and technologies in accordance with applicable laws and standards and methodologically manage and control information and cyber security in ŽSR.

Anti-corruption measures

ŽSR has issued internal regulations, which ensure uniform rules and procedures for taking initiatives on serious anti-social activities under Act No. 54/2019 Coll. on whistle-blower protection of anti-social activities and on amendment and supplements to certain acts as amendment. At the same time, a timely and effective response to the prevention of damage as a result of such proceedings is ensured.

IX. International cooperation

ŽSR is a member of several international organizations and groups:

- **CER – Community of European Railway and Infrastructure Companies**

CER develops activities to support the development of railways and promotes the transfer of transport to more environmentally friendly modes, minimizing external costs and improving the economic performance of railways. The membership in CER is important as it creates conditions for rail interoperability when submitting, elaborating and commenting on European rail legislation.

- **UIC – International Union of Railways**

The longest ŽSR's membership is in UIC, which maintains and develops the overall interconnection of the rail system and allows its interoperability to improve rail competitiveness. At present, UIC is actively involved in matters of standardization and preparation of International Rail Standards (in the past, decrees), global and regional project activities, digitization activities, research and innovation activities and quality management system activities.

- **RNE – RailNetEurope - European Infrastructure Managers Association**

Another important organization is RNE, which within international cooperation develops IT tools that are used in rail transport. It is currently working closely with the European Union Agency for Railways (ERA) in the field on the implementation of telematics applications for freight and passenger transport and technical interoperability specifications.

- **OSŽD – Organisation for Co-operation between Railways**

Organisation for Co-operation between Railways creates the basis of cooperation between member countries. It is an organization bringing together the relevant ministries of transport of the Member States. OSŽD together with the UIC are currently preparing common decrees aimed at unifying and simplifying East-West transport procedures.

- **G4 – Association of Southern and Eastern European Railway Organizations,**

- **V4 – Association of Railway Organizations of Visegrad Four Countries**

Both association provide cooperation between railway organizations within concerned regions.

ŽSR also participates in the activities of Railway Freight Corridors by participating in their management structures and working groups:

- Corridor of freight railway transport No. 5 – „Baltic - Adriatic“
- Corridor of freight railway transport No. 7 – „Orient / East Mediterranean“
- Corridor of freight railway transport No. 9 – „Czechoslovak“ – to which the Rhine–Danube Rail Freight Corridor was affiliated at the end of 2019, thereby extending it
- Corridor of freight railway transport No. 11 – „Amber“ - in 2019 was established a new corridor, that connect us with business and industrial centres in Poland, Hungary and Slovenia

The main objective of the corridors is to facilitate the competitiveness of cross-border rail freight transport and to ensure efficient interconnection of individual rail routes.

- **PRIME – Platform of Rail Infrastructure managers in Europe**

Platform is focused to improve the cooperation of rail infrastructure managers across borders, support implementation of European rail policy and develop performance benchmarking for the exchange of best practices.

In 2019, a number of important international conferences, seminars, exhibitions and meetings were held with the aim to promote and develop railway transport, to work together and to exchange experience at the level of individual railway infrastructure managers, government bodies (ministries, regulators, European Commission) and at the level of other railway market participants (carriers, combined transport operators, logistics companies, terminals, ...). Individual multilateral, but above all bilateral negotiations (permanent working groups and border conferences with neighbouring infrastructure managers) dealt with the solution of current issues related to the operation, service and strategic planning of the development of railway infrastructure.

The most important international negotiations with the participation of Železnice Slovenskej republiky included:

- Conference of Directors-General of OSŽD (Soul, 8 - 12 April 2019);
- PRIME plenary sessions (Bern, 13 June 2019 and Brussels, 18 November 2019);
- RNE General Assembly (Warsaw, 28 - 29 May 2019);
- UIC General Assembly (Budapest, 24 - 25 June 2019);
- Border conferences, negotiations and meetings with the participation of ŽSR and neighbouring railway administrations - GySEV, MÁV, SŽDC and UZ and updates of local conventions for border tracks;
- Meetings of the Administrative Boards of the Rail Freight Corridors and the working groups;
- TEN-T and CEF Conference (Bucharest, 28 - 29 March 2019);
- UIC Global FRMCS Conference (Paris, 14-15 May 2019);
- Conferences Railway bridges and tunnels (Prague, 16 - 17 January 2019), Bridges (Brno, 25 - 26 April 2019), Underground constructions (Prague, 3 - 5 June 2019), Days of new technology (Valeč, 10 - 11 September 2019),
- V4 meetings to build a high-speed track between Budapest and Warsaw,
- Digital Transport Days (Helsinki, 6 - 9 October 2019),
- Railway Companies Meeting of G4 countries (Ljubljana, 19 - 20 November 2019),
- meetings of the General Assembly of RFC 5 and of the Governing Boards of RFC 7, RFC 9, RFC 11, meetings of experts of the individual working groups of the corridors.

X. Events that occurred after 2019

On 14 February 2020, ŽSR concluded with the Slovak republic represented by Ministry of Transport and Construction of the Slovak republic Appendix No. 7 to the Contract on the Operation of the Railway Infrastructure for the years 2017 – 2021. The subject of Appendix No. 7 is the setting of financial and operational indicators into valid Contract on the Operation of the Railway Infrastructure for the year 2020.

On 31 December 2019, Deputy Director General for Human Resources Pavol Hudák, MSc. terminated employment by agreement.

The Director General of Železnice Slovenskej republiky entrusted a JUDr. Gabriela Gajdošová with position of the Deputy Director General for Human Resources from 1 January 2020.

At the end of 2019, reports concerning COVID-19 (Coronavirus) appeared for the first time in China. In the first months of 2020, the virus spread worldwide and negatively affected many countries. Although the situation is constantly changing at the time of publication of financial statements, it seems that the negative impact on world trade, on companies and on individuals may be more severe than originally expected. In case of decrease in rail transport in the territory of the Slovak Republic and the European Union due to result of the economic impacts caused by massive spread of COVID-19, the Company's management also assume decrease in revenues for access to the railway infrastructure, however cannot make a qualified estimate to date. The Company's management and the Ministry of Transport as the founder will continue to monitor the potential impact and take all possible steps to mitigate any negative effects on the Company and its employees. The Company will include any negative impact or losses in the accounting records and the financial statements for the year 2020.



Separate Financial Statements

prepared in accordance with International Financial Reporting Standards

as adopted by the EU

for the year ended 31 December 2019



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STATEMENT OF FINANCIAL POSITION

	Note	31 December 2019	31 December 2018
ASSETS			
NON-CURRENT ASSETS			
Property, Plant and Equipment	4	3,462,329	3,403,799
Investment property	5	33,450	32,998
Intangible Assets	6	29,453	17,735
Financial Investment	7	5,649	5,649
Non-Current receivables	8	18,816	18,757
Total Non-Current Assets		3,549,697	3,478,938
CURRENT ASSETS			
Inventories	9	15,818	10,594
Trade receivables	10	14,210	16,239
Other receivables and assets	11	17,462	32,353
Cash and Cash Equivalents	12	120,006	71,519
Total Current assets		167,496	130,705
TOTAL ASSETS		3,717,193	3,609,643
EQUITY AND LIABILITIES			
EQUITY			
Registered capital		800,170	800,170
Capital funds		528,481	530,135
Legal reserve fund		21,904	21,904
Earnings from previous periods		331,485	330,934
(-) Loss / (+) Profit for accounting period		-2,307	172
Accumulated earnings		329,178	331,106
Total Equity	13	1,679,733	1,683,315
NON-CURRENT LIABILITIES			
Loans	3, 14	96,990	0
State and EU subsidies	15	1,565,239	1,523,060
Provisions and accruals	16,17,18	71,661	69,032
Deferred tax liability	38	55,184	53,611
Other non-current liabilities	19	50,157	40,264
Total Non-Current Liabilities		1,839,231	1,685,967
CURRENT LIABILITIES			
Short-term loans and current portion of long-term loans	3, 14	10,751	62,741
Short-term state and EU subsidies	15	63,740	79,332
Trade liabilities	20	67,936	54,685
Payables to the public institutions	21	10,891	9,691
Other liabilities	22	36,930	27,118
Provisions and accruals	16,17,18	7,981	6,794
Total Current liabilities		198,229	240,361
TOTAL EQUITY AND LIABILITIES		3,717,193	3,609,643

Accounting policies and explanatory notes are an integral part of the financial statements

STATEMENT OF COMPREHENSIVE INCOME

	Note	31 December 2019	31 December 2018
REVENUES			
Railway infrastructure operation	23	76,323	89,618
Subsidies for railway infrastructure operation	24	317,344	296,476
Operation and concessions of intermodal transport terminals	25	3,159	0
Electric energy	26	75,081	70,397
Telecommunication services and IT services	27	5,243	5,288
Property revenues	28	12,388	13,876
Other revenues	29	19,747	19,908
Total revenues		509,285	495,563
OPERATING COSTS			
Materials and consumables	31	-30,357	-30,885
Energy	32	-86,979	-80,070
Services	33	-44,014	-50,941
Payroll costs	34	-273,472	-252,500
Depreciation, amortization and impairment	35	-78,166	-92,743
Other operating costs, net	36	4,200	17,372
Total operating costs		-508,788	-489,767
LOSS / PROFIT FROM OPERATIONS		497	5,796
FINANCIAL COSTS / INCOME			
Interest from loans	14	-128	-127
Other financial costs / income	37	-197	0
Total financial costs / income		-325	-127
PROFIT before tax		172	5,669
Income tax	38	-2,479	-5,497
LOSS / PROFIT after tax		-2,307	172
Other comprehensive income:			
Items that will not be reclassified to profit or loss:			
Re-measurements of post-employment benefit obligations	18	-3,923	379
Deferred tax related to re-measurements	38	824	-80
COMPREHENSIVE - LOSS / + PROFIT FOR PERIOD		-5,406	471

Accounting policies and explanatory notes are an integral part of the financial statements

STATEMENT OF CHANGES IN EQUITY

	Registered capital	Capital funds	Legal reserve fund	Accumulated earnings	Total
As at 1 January 2018	800,170	527,638	21,904	330,413	1,680,125
Profit for the period	0	0	0	172	172
Non-cash increase in capital	0	2,616	0	0	2,616
Other comprehensive income	0	-119	0	521	402
As at 31 December 2018	800,170	530,135	21,904	331,106	1,683,315

As at 1 January 2019	800,170	530,135	21,904	331,106	1,683,315
Loss for the period	0	0	0	-2,307	-2,307
Non-cash increase in capital	0	1,745	0	0	1,745
Other comprehensive income	0	-3,399	0	379	-3,020
As at 31 December 2019	800,170	528,481	21,904	329,178	1,679,733

Accounting policies and explanatory notes are an integral part of the financial statements

STATEMENT OF CASH FLOWS

	Note	31 December 2019	31 December 2018
Profit before tax		172	5,669
Adjustments by non-cash transactions		79,725	74,917
Depreciation, amortization and impairment		166,121	191,185
Dividends and other profit sharing recorded against revenues		-5	-5
Interest recorded against expenses		333	142
Interest recorded against revenues		-11	-7
- Gain / + Loss from sale of property, plant and equipment		-3,093	-3,510
+ Increase / - Decrease in provisions		4,163	-20,161
Amortization of state subsidies		-87,955	-98,396
Effect on changes in working capital		47,498	-49,697
- Increase / + Decrease in receivables and other assets		16,854	-35,965
+ Increase / - Decrease in liabilities		35,868	-11,049
- Increase / + Decrease in inventories		-5,224	-2,683
Cash flow from operating activities		127,223	25,220
Expenditure on income tax		-2	-2
Interest received		11	7
Interest paid		-323	-134
Net cash flows from operating activities		126,909	25,091
Property, plant and equipment and non-current intangible assets		-261,835	-267,783
Subsidies for acquisition of non-current assets		114,542	245,160
Revenue from the sale of property, plant and equipment and non-current intangible assets		26,572	5,042
Cash receipts from financial investment		0	13
Net cash flows from investment activities		-120,721	-17,568
Cash receipts from dividends and other profit sharing		5	5
Cash receipts from loans and borrowings		60,091	50,237
Spending for loans and borrowings		-15,091	-50,242
Repayment of liabilities related to financial leasing		-2,705	-1
Net cash flows from financial activities		42,300	-1
Net increase / decrease in cash and cash equivalents		48,488	7,522
Cash and cash equivalents at the beginning of the year	14	71,518	63,997
Exchange differences on cash and cash equivalents		-1	-1
Cash and cash equivalents at the end of the year	14	120,005	71,518

Accounting policies and explanatory notes are an integral part of the financial statements

NOTES TO THE FINANCIAL STATEMENTS

1 COMPANY'S GENERAL INFORMATION

Železnice Slovenskej republiky was formed on 10 November 1993, pursuant to Act No. 258/1993 Coll. on Railways of Slovak republic of the National Council of the Slovak Republic dated 30 September 1993 (later amended by Act No. 152/1997 Coll. dated 14 May 1997 and Act No. 259/2001 Coll. dated 14 June 2001) and registered under number Po 312/B in the Commercial Register of the District Court I. in Bratislava.

Name:	Železnice Slovenskej republiky
Registered office:	Klemensova 8, 813 61 Bratislava
Registration number (IČO):	31 364 501
Tax Registration number (DIČ):	20 20 480 121
Legal form:	Other legal entity established in accordance with Act No. 258/1993 Coll. on Railways of the Slovak Republic

The Company is a legal successor of Železnice Slovenskej republiky, š. p., which was established on 1 January 1993, at the time of the separation of the former Czechoslovakia into the Czech Republic and Slovak Republic.

The founder of the Company is the Ministry of Transport and Construction of Slovak republic that although is not directly involved in the Company's day-to day operations, does oversee certain aspects of the business through representation on the Management Board of ŽSR.

The Company is in accordance with Act No. 540/2001 Coll. §20, section 1 and §21 section 1, registered as a public administration body (Note 2).

The Company's assets although it is recognized in the statement of financial position of the Company is owned by the Slovak Republic and it is entrusted to the Company except the right-of-use asset as defined in IFRS 16 - Leases (Note 2.2, Note 6, Note 19 and Note 22).

The Company cannot enter into credit relations of third parties as a guarantor; neither establishes a lien in favor of third parties to property belonging to the State. The Company is not a shareholder with unlimited liability in any company.

The managing bodies of ŽSR consist of the Management Board and General Director.

Management Board is the supreme body of ŽSR. It is composed of five members – four of them are experts from transport sector, expert on finances and law; and one member is elected representatives of the employees of the railways.

The members of Management Board of ŽSR as at 31 December 2019:

JUDr. Marek BALKO	chairman
Ing. Róbert SZÜCS	deputy chairman
Ing. Peter STRYČEK	member
Ing. Radovan MAJERSKÝ, PhD.	member
Mgr. František ZAPARANIK	member

The Company has established Audit Committee of Railways of the Slovak republic pursuant to the Act No. 423/2015 Coll. on Statutory Audit and on amendments and supplements to the Act No. 431/2002 Coll. on Accounting as amended, as at 31 December 2019 composed of:

Ing. Jana KRUPCOVÁ	chairman
Ing. Miroslav GARAJ	member
Ing. Andrea DURÁKOVÁ	member

The Audit Committee monitors process of preparing of the financial statements, process of auditing of financial statements and independence of the statutory auditor.

ŽSR are manager of railway infrastructure in accordance with the Contract on the Operation of Railway Infrastructure concluded with the Slovak republic as an owner of railway infrastructure represented by Ministry of Transport. Manager of infrastructure is obliged to ensure track in serviceable condition, to restore the track after an accident or extraordinary event, to maintain the track according to the projected specifications, development of the track in accordance with technical progress and with the requirements for safety and flow of traffic on the track, operation of railway infrastructure, organization and management of railway transport on the railway network.

Owner of the infrastructure provides funds for the operation of railway infrastructure in accordance with the Contract on the Operation of Railway Infrastructure. Owner of the infrastructure also provides subsidy in the form of capital transfer to develop and modernize property.

The Company's ability to continue as a going concern and to fulfil its investment program and other operating and financial commitments remains dependent upon continual support from State in the form of capital and operating subsidies.

The accounting period is one calendar year.

Financial statements for the previous period ended 31 December 2018 were approved by Management Board of ŽSR on 5 April 2019 in Bratislava.

For the year ended 31 December 2019 the Company reported loss of EUR 2,307 thousand (for the year ended 31 December 2018 profit of EUR 172 thousand).

2 BASIS OF PREPARATION

The Company prepares separate financial statements in accordance with International Financial Reporting Standards as adopted by the EU (“IFRS”) in accordance with Accountancy Act No. 431/2002 Coll. § 17a, section 1 as amended. IFRS comprise standards and interpretations approved by EU committee.

The Company is part of the summary financial statements of public accounts of Slovak republic, compiled by Ministry of Finance of Slovak republic in accordance with Accountancy Act No. 431/2002 Coll. §22a, section 3 as amended.

In accordance with Accountancy Act No. 431/2002 Coll. §22, section 12 as amended, the Company is exempt from the requirement to prepare consolidated financial statements and consolidated annual report as compilation of separated financial statements does not significantly affect the financial situation, expenses, income and profit or loss of the consolidated group. Business names and registered office in which the Company has an ownership interest is disclosed in Note 7.

Separate financial statements (“financial statements”) have been prepared on a going concern basis, which contemplates the realization of assets and the discharge of liabilities and commitments in the normal course of business, and do not give effect to any adjustments that may be necessary should the Company be unable to continue as a going concern.

Financial statements have been prepared on a historical cost basis. Further below basic accounting principles are described.

Figures disclosed in ŽSR’s separate financial statements for the year ended 31 December 2019 are presented in thousands of euro („EUR“), unless otherwise stated. Based on the economic nature of fundamental events and circumstances, the currency euro was defined as a presentation currency of the Company.

The Company adjusted the data for the comparative period - the line items of the statement of financial position were adjusted, namely the line „Other receivables and assets“ and the line “Non-current receivables” due to incorrect recognition of the long-term portion of the claim for capital subsidies in current assets.

2.1 Use of estimates and judgments

Preparation of financial statements requires use of estimates, judgments and assumptions which affect the application of accounting policies and accounting principles and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis for making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may therefore differ from these estimates.

The estimates and underlying assumption are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Provision for Employee benefits

The Company has a long-term employee benefit plan consisting of a one-off contribution upon retirement, bonus upon disabled retirement, compensating contribution and bonus upon life and work jubilees. Benefit value is paid based on reached age and length of service. These benefits are unfunded. The estimate of cost for providing these benefits is determined using a projected actuarial valuation method, so-called Projected Unit Credit Method. Under this method, all benefits costs are recorded in the Statement of comprehensive income that way in order to spread regularly repeated costs over the employment period. Liabilities from granting the benefits are valued at present value of foreseen future cash flows. Actuarial profits and losses from post-employment benefits are recognized in equity, others actuarial profits and losses are recognized in the Statement of comprehensive income.

Environmental Burden provision

Environmental burden provision is recorded if there is probable origin of costs to clean up the environment and can be measured reliably. The amount of the provision is the best estimate of necessary expenditures in future periods. Timing of these cash flows mirrors at the same time current assessment of priorities by the management, securing of technology and urgency of achieving these tasks.

Provision for legal claims

Provision for legal claims is created if the Company is sued by another entity in legal, administrative or other proceedings regarding paying a certain specific amount, where termination of the proceedings not in favor of the Company is more than probable. Management relies on own professional assessment upon assessing the forecasted results.

Provision for demolition of buildings

Provision for demolition of buildings is recognized if the Company has decided to demolish buildings or other operating equipment. Disposal of buildings are performed due to security reasons in cases where there is collapse of the object, the object is in a dilapidated condition and is unnecessary for operating activities and cannot be otherwise capitalized (sell or lease). Accounting for provision is based on expert estimate which corresponds to the future costs necessary for demolition of buildings.

The useful life of non-current assets

The Company estimates the useful life of non-current assets for the expected period of time that the asset will be available for use in the Company, taking into account the expected technical and moral depreciation. Economic useful life and depreciation method are reviewed annually, at a minimum, with the aim to ensure consistency of the depreciation method and period with the expected inflow of economic benefits from non-current assets.

2.2 Significant accounting policies

Property, plant and equipment and intangible assets

Property, plant and equipment and intangible assets are stated at cost less accumulated depreciation/amortization, while lands are carried either at cost or an administrative value assigned by the State (which is not necessarily intended to represent market value).

Original cost of non-current tangible assets and intangible assets includes purchase price including import duty and non-reversible taxes and all directly attributable costs related to putting the asset into working condition and to place it where it will be used. Acquisition cost also includes induced investments and interest costs related to the acquisition.

Limit (minimum value) for the reporting of tangible assets in non-current assets (except building, structures, lands and works of art) is set at higher than EUR 1,700 if the operational and technical function of property is longer than one year; limit (minimal value) for the reporting of intangible assets in non-current assets is set at higher than EUR 2,400 if operational and technical function of property is longer than one year. Technical appreciation of assets (modernizations, reconstructions, additional buildings, superstructures, rebuildings or building modifications) is capitalized in non-current assets to the asset if the minimum value of technical appreciation per year is more than EUR 1,700.

Assets under constructions represent non-current tangible assets and intangible assets and are reported at acquisition cost. This includes the costs directly related to acquisition of assets. The value of assets under constructions is reduced by the difference resulting from recalculation of non-current payables (retained sum) to present value, if its value is material. The value is significant if the difference between the nominal value of non-current liability and present value of non-current liability is more than EUR 5 million. Assets under constructions are not depreciated until the relevant asset is ready for use.

Each item of non-current tangible and intangible assets is depreciated using the straight-line method over its expected economic useful life. Depreciation and amortization commences on the first day of the month following the date the asset was put into use, except of asset under IFRS 16 – Leases which is being depreciated from the day it is put into use. Useful life for various types on non-current intangible and tangible assets are as follows:

- buildings	60 years
- structures	from 10 to 100 years
- equipment and machinery	from 5 to 30 years
- other non-current assets	from 6 to 30 years
- intangibles	from 3 to 25 years

Land and works of art are not depreciated.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item and the useful life is significantly different from the useful life of the property as a whole is depreciated separately. The value originally assigned to the item of property, plant and equipment is divided relative to its significant parts and each part is depreciated separately.

An asset is removed from the Statement of financial position on disposal. The gain or loss on disposal are recognized in Statement of comprehensive income in profit or loss from operating activities.

The carrying values of property, plant and equipment and intangible assets are reviewed for impairment annually when events or changes in circumstances indicate the carrying value may not be recoverable.

If the event of such indications the estimate of recoverable amount of that asset is made to determine possible impairment loss. If the recoverable amount of an individual asset cannot be determined, the Company defines recoverable amount of cash-generating unit, which the asset belongs. The recoverable amount is the greater of fair value less costs to sell or value in use. The estimate of future cash flows is discounted to their present value using a pre-tax discount rate in assessing value in use that reflects current market assessment of the time value of money and risks specific to the assets.

Loss on impairment of assets is reported in the Statement of comprehensive income in the amount by which the carrying value of an asset exceeds its realizable value, which is the greater of net selling price of property or value in use.

If the Company decides to cease an assets under constructions or departs significantly from its planned completion, it reviews the potential decrease in value and records impairment. In case the Company has assets in use that is recognized on acquisition accounts, because of precautionary principle the Company records allowance in the amount of expected depreciation of assets acquired from own resources.

Expenditures incurred on non-current assets items after their being put into use increase their book value only if the Company can expect future economic benefits exceeding their original performance. All other expenditures are recorded as repairs and maintenance costs in the period to which they relate pertinently and timely.

At assets under construction within cost addition represents i) the value of acquired asset without putting into use in current year, ii) value of acquired asset with putting into use in current year, iii) creation of provision for unbilled investment supplies.

Disposal represents i) put asset into use from asset under construction to asset in use, where the asset is acquired in current year, ii) disposal charged to costs, iii) cancellation/reversal of provision for unbilled investment supplies.

Transfer represents transfer from asset under construction to asset in use, where the asset is acquired in previous periods.

At asset in use, within cost addition represents i) put asset into use from assets under construction to asset in use, where asset is acquired in current year, ii) put asset into use directly recorded to capital funds in equity.

Disposal of asset in use represents disposal of asset in use in current year.

Transfer represents transfer from asset under construction to asset in use, where the asset is acquired in previous periods.

Assets held for sale

Change in the classification of non-current assets to assets for sale occurs if the sale has been approved by Government resolution of Slovak Republic and decision to sell has been issued by Ministry of Transport by the end of 31 December, but the asset has not been removed from the current year's accounting records. On the date of the resolution, these assets cease to be depreciated and are recognized at a lower of book value and fair value less costs to sell.

Leased assets

At inception of a contract, the Company assess whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Company uses definition of lease in accordance with IFRS 16. In assessing whether the contract includes the right to use the identified assets, the Company uses the definition of leasing under IFRS 16.

The Company elected not to separate non-lease components from lease components, the whole contract is accounted as lease.

At the commencement date, the Company recognize a right-of-use assets and a lease liability. Right-of-use assets measure at cost that comprise the amount of the initial measurement of the lease liability adjusted by any lease payments made at or before the commencement date, any initial direct costs incurred by the lessee and an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset and restoring the site on which it is located.

Right-of-use assets is subsequently depreciated equally from the commencement date to the end of the lease. If the lease transfers ownership of the underlying asset to the lessee by the end of the lease term, the Company depreciates the right-of-use asset from the commencement date to the end of the useful life of the underlying asset on the same basis as plant, property and equipment and intangible assets. In addition, the right to use is regularly reduced by any impairment losses and adjusted for any revaluation of the lease liability.

Initially, the lease liability is measured at the present value of the lease payments that are not paid at that date, discounted using the incremental borrowing rate of Company.

The Company determines the incremental borrowing rate by obtaining interest rates from various external sources of financing and makes certain adjustments to reflect the leasing conditions and the type of leased assets.

The lease payments included in the measurement of the lease liability comprise (i) fixed payments specifically defined in the contract and (ii) other payments if they are clearly identified in the contract and are more than likely to be reimbursed by the Company as the lessee.

Subsequently, the Company measures the lease liability by (i) increasing the carrying amount to reflect interest on the lease liability, (ii) reducing the carrying amount to reflect the lease payments made and (iii) remeasuring the carrying amount to reflect any reassessment or lease modifications.

The Company recognize right-of-use assets in the statement of financial position in „Intangible assets“ and „Other liabilities“.

The Company elected not to recognize the right-of-use assets and lease liabilities for low value leases (EUR 4,000 without VAT or less) and short-term leases (lease term of 12 months or less). The Company recognizes lease payments associated with these leases as an expense equally over the lease period in the statement of comprehensive income.

Investment property

Investment property mean assets determined for obtaining rental fees and originally valued at acquisition cost including transaction costs. After first time disclosure investment property is valued at acquisition costs less accumulated depreciation and impairment losses.

Financial investments

Shares in subsidiaries and associated companies and other investments are presented at their acquisition costs. Acquisition costs consist of related to acquisition and represent fair value of paid price and directly attributable transaction costs. Revenues related to financial investments, such as dividends, are recognized after the entry into the legal entitlement to dividends in the income statement within the financial income. Financial investments held for sale are revaluated to fair value in equity and the revaluation is recognized in other comprehensive income. When financial investment is sold, revaluation will be reclassified to profit or loss.

Inventories

Inventories are valued at the lower of cost or net realizable value. Cost is determined on a weighted average basis and includes acquisition cost plus costs related to the acquisition. Inventory is written down for any impairment of value equal to the difference between the acquisition cost and net realizable value. Net realizable value is the estimated selling price less the estimated costs necessary to make the sale. The Company writes down slow moving and obsolete inventory based on the age structure of the periodic review and assessment of management. To ensure continuous immediate maintenance and repairs, the Company keeps constant backup and long-needed supplies in operating warehouses. These inventories are not write down.

Cash and cash equivalents

Cash and cash equivalents are formed by financial funds in bank or in hand and short-term deposits with a maturity of less than three months from date of acquisition with only low risk of change in value.

Foreign currency transactions

Transactions in foreign currencies are reported according to IAS 21 and are converted at the exchange rate as at the day before transaction day and as at the day of preparation of financial statements according to rates announced by the European Central Bank. All differences are reported in the Statement of comprehensive income. Non-monetary items in foreign currencies are not converted as at end of the reporting period and are reported in original value.

Financial assets

Under IFRS 9, financial assets are measured at (i) amortized cost, (ii) fair value through other comprehensive income, or (iii) fair value through profit or loss. The classification is based on the business model for managing the financial assets and the contractual cash flow characteristics of the financial asset.

A financial asset is initially recognized at its fair value plus transaction costs that are directly attributable to the acquisition of the financial asset. Trade receivables that do not have a significant financing component are initially recognized at their transaction price as defined in IFRS 15. The Company derecognize a financial asset from the statement of financial position when the contractual rights to the cash flows from the financial asset expire or if the Company transfers substantially all the risks and rewards of ownership of the financial asset.

The Company recognized and measured all the financial assets at amortized cost.

Financial assets at amortized cost

The Company measures a financial asset at amortized cost if both of the following conditions are met:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows, and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The Company's financial assets at amortized cost are trade and other receivables, cash and cash equivalents recognized in the statement of financial position. These assets are subsequently measured at amortized cost using the effective interest method.

The gain or loss on disposal of a previously recognized financial asset is recognized in profit or loss.

Impairment of financial assets

The Company recognizes a loss allowance for expected credit losses on financial assets that is measured at amortized cost and contractual assets. The Company applies a simplified model of assessing and recognizing impairment losses on financial assets for trade receivables and short-term receivables, according to which an allowance is recognized for the amount of expected credit losses over the useful life of trade receivables at the time of their initial recognition. For trade receivables that contain a significant component of financing, the Company has chosen to measure an allowance in the amount of expected losses over its useful life.

Financial liabilities

A financial liability is initially recognized at its fair value minus transaction costs that are directly attributable to issue of the financial liability. The Company removes a financial liability from the statement of financial position when the liability is extinguished - when the obligation specified in the contract is discharged or cancelled or expires.

The Company classifies all financial liabilities as subsequently measured at amortized cost using the effective interest method. Interest and gains and losses on foreign currency translation are recognized in the statement of comprehensive income.

The Company's financial liabilities include trade payables, other payables and loans and borrowings.

The effective interest method is used to calculate the amortized cost of a financial liability and to allocate interest expense over the relevant period. The effective interest rate is the rate that exactly discounts the estimated amount of future cash payments over the expected economic life of the financial liability.

The gain or loss on disposal of the previously recognized financial liability is recognized in profit or loss.

Borrowings costs

General and specific borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale.

Other borrowing costs are expensed in the period in which they are incurred.

Provisions

Provisions are recognized when the Company has a present obligation (legal, contractual or non-contractual) as a result of a past event, it is probable that an outflow of resources representing economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed at the end of reporting period and the amount is adjusted to reflect current best estimate. The amount recognised as a provision represents present value of the expenditure, taking into account existing risks, that is expected to be settled. These expenditures are determined using the estimated fixed interest rate as a discount rate. Where discounting is used, the increase in the provision due to the passage of time is recognized as interest expense.

State and EU subsidies

State subsidies are recognized at their fair value where there is reasonable assurance that the subsidy will be received and all attached conditions will be met. The claim for subsidy is recognized if asset will be financed from subsidy and received by the Company. Subsidies related to expense items are recognized as income over the periods necessary to match them on a systematic basis to the costs that they are intended to compensate. If a subsidy is related to the acquisition of a non-current asset, the fair value of the subsidy is credited to a deferred income account and released to the Statements of comprehensive income the expected useful life of the relevant asset by equal annual installments.

Revenue recognition

Revenues are recognized net of value added tax with taking into account discounts at the moment of transfer of control of goods or services to customer at an amount that ŽSR expects to be entitled exchange for those goods or services. The Company recognizes revenue from fees for access to railway infrastructure, sales of additional services of railway infrastructure, sales of energy, sales of telecommunications services and services of information technologies, revenue from real estate investments and other services based on five-step model to determine the moment, amount and recognition:

1. Identification of contracts with customer
2. Identification of performance obligations in the contract
3. Determination of transaction price
4. Allocation of transaction price to each performance obligation in the contract
5. Recognition of revenue when each performance obligation is satisfied under contract

Material adjustment of prior period costs and income

Upon recording prior period costs and income adjustment it is necessary to consider if the adjustment is material or not. Material adjustment is determined at a value of EUR 5 million recorded in current period. If balance of costs and income adjustments, recorded in current period, exceed the determined value of EUR 5 million, these adjustments do not affect profit/loss of current year and are recognized in the Statement of financial position in equity.

Income tax

Income tax includes current income tax and deferred income tax.

Current income tax is calculated from profit or loss defined in accordance with valid Slovak regulations, adjusted for taxable expenses and non-taxable income. The rate of tax due is 21 %, the interest rate on the withholding tax is 19 %.

Deferred income tax is provided, using the balance sheet method, on all temporary differences as at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts. Deferred tax is recognized as income or expense excluding deferred tax recognized in equity.

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

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively legalized as at the date that the financial statements are authorised for issue.

2.3 New accounting standards and interpretations

During the reporting period 2019, the Company applied the following new and revised IFRSs and IFRIC interpretations (the list does not contain new or amended standards and interpretations that are not relevant for the Company):

- IFRS 16 - 'Leases', effective from 1 January 2019
- IFRIC 23 - 'Uncertainty over Income Tax Treatments', effective from 1 January 2019
- Amendments to IAS 19 „Employee Benefits“ - 'Plan Amendment, Curtailment or Settlement', effective from 1 January 2019

The adoption of new and amended IFRS standards and interpretations, with the exception of the application of IFRS 16, had no impact on the Company's financial statements.

IFRS 16 - 'Leases'

The Company has adopted IFRS 16 - Leases retrospectively. The comparative information for the previous reporting period was not adjusted in accordance with the transitional provisions of the standard.

Prior to IFRS 16, the Company classified leases as operating or finance leases based on an assessment of whether substantially all the risks and rewards of ownership were transferred to the leases.

Following the adoption of IFRS 16, the Company recognized lease liabilities in respect of a lease that was previously classified as an operating lease under IAS 17 - Leases. These lease liabilities were measured at the present value of the remaining lease payments, discounted at an incremental interest rate from 1 January 2019. Right-of-use assets was valued at an amount equal to the lease obligation, adjusted for the amount of all prepaid or accrued lease payments related to that lease recognized in the statement of financial position as at 31 December 2018.

As at 1 January 2019, the date of initial application of IFRS 16, the Company recognized right-of-use assets in the amount of EUR 1,512 thousand and lease liability in the amount of EUR 1,512 thousand with zero impact on equity. The weighted average of the incremental interest rate applied to lease liabilities as at 1 January 2019 is 2%.

The accounting policies that apply to the Company as a lessor are not materially different from the previous policy and the Company is not required to make any changes with respect to the application of IFRS 16.

The Company has not applied any standards issued after 31 December 2019 in preparing the financial statements:

- Amendments to IAS 1 „Presentation of Financial Statements“ and to IAS 8 „Accounting policies, changes in accounting estimates and errors“, Amendment concerning the definition of materiality, effective form 1 January 2020
- Revised Conceptual Framework for Financial Reporting, effective form 1 January 2020

The Company set the lease's period equals 10 years for the lease contracts with indefinite period. The same useful life of an asset is used to determine the depreciation period of "right-of-use assets".

The Company expects that the adoption of these standards, amendments to existing standards and interpretations will not have a material impact on its financial statements in the period of initial application.

3 FINANCIAL RISK MANAGEMENT

Financial risk factors

The Company is exposed to various financial risks during performance of its activities, of which it identifies the most significant risks:

- credit risk,
- liquidity risk,
- interest rate risk.

Credit risk

The Company perceives the credit risk mainly in connection with trade receivables arising from business relationship with customers. Maximum risk of not paying represents the book value of each financial asset shown in the Statement of financial situation, less allowance for impairment.

The Company with respect to its position as manager of infrastructure is exposed to significant credit risk of an individual contractual party, as 12.07 % of receivables as at 31 December 2019 (as at 31 December 2018: 22.10 %) is due to from two of the most important customers: Železničná spoločnosť Cargo Slovakia, a. s., Bratislava ("ZSSK CARGO") and Železničná spoločnosť Slovensko, a. s., Bratislava ("ZSSK"), whose only shareholder is the State represented by Ministry of Transport and Construction of the Slovak republic.

The following table shows Company's receivables by maturity period in brutto:

	31 December 2019	31 December 2018
Receivables within maturity	50,974	83,041
Up to 1 month	8,570	13,682
From 1 to 3 months	12,695	14,245
From 3 to 12 months	5,491	30,963
From 1 to 5 years	23,999	23,861
Over 5 years	219	290
Receivables overdue	7,845	5,262
Total receivables	58,819	88,303

The Company does not define the credit risk associated with liquid assets deposited with financial institutions because contracting parties are reputable banks with high credit rating assigned to them or to their mother companies by international rating agencies.

Liquidity risk

The Company manages liquidity to limit the risk that it will not have the resources to cover its debts and liabilities at maturity. The Company manages its liquidity risk by continuously monitoring of planned and actual cash flows that are subsequently evaluated by the Company.

With effect from 1 January 2019 in accordance with the new accounting standard IFRS 16 – Leases, as at 31 December 2019 lease liabilities are recorded in the amount of EUR 13,036 thousand.

The following table shows loans and Company's payables by maturity period (payables do not include accounts of subsidiaries):

	Loans and borrowings		Payables		of which: lease liability	
	31 December		31 December		31 December	
	2019	2018	2019	2018	2019	2018
Payables within maturity	107,741	62,741	283,946	244,421	13,036	0
On demand	0	0	0	0	0	0
Up to 1 month	1	1	58,084	53,987	6	0
From 1 to 3 months	0	0	22,910	20,254	98	0
From 3 to 12 months	10,750	62,740	37,451	22,106	3,456	0
From 1 to 5 years	49,000	0	65,084	53,736	9,476	0
Over 5 years	47,990	0	100,417	94,338	0	0
Payables overdue	0	0	571	202	0	0
Total payables	107,741	62,741	284,517	244,623	13,036	0

Interest rate risk

The Company has no significant interest bearing assets except for cash and cash equivalents. Company's current bank loans have a floating interest rate bound to the 6-month EURIBOR and fixed interest rate. The Company does not use derivative financial instruments for securing interest rate risks.

Sensitivity analysis to interest rate risk

Sensitivity analysis was prepared assuming that the amount of liability outstanding as at the reporting date will be settled at the maturity date of the loan. If the 6-month Euribor was at zero level, respectively with negative value, payables would bearing the interest rate equal to margin.

If the 6-month Euribor increased by 1% and all other variables remained constant, the profit of the Company would change as follows:

Increase (decrease) of interest rate in % p. a.	Impact on profit before tax for 1 year period in thousands of EUR
6ME + 1% / 6ME rate = 0% p. a.	-636 / no impact

Managing capital risk

The aim of the Company upon capital risk management is to ensure ability of the Company to continue as a going concern and keep reasonable capital structure while decreasing costs. Managing capital risk is directly ensured by top management.

The Company monitors indebtedness using gearing ratio with following values at year-end:

	31 December 2019	31 December 2018
Debt (Note 14)	107,741	62,741
Cash and cash equivalents (Note 12)	120,006	71,519
of which purposefully bound cash of CEF, SIH	60,058	28,827
Net debt	47,793	20,049
Equity	1,679,733	1,683,315
Ratio Net debt to Equity	2.85%	1.19%

4 PROPERTY, PLANT AND EQUIPMENT

	Buildings and infrastructure	Lands	Machinery, Equipment and other assets	Assets under construction	Total
Cost					
As at 1 January 2018	4,247,961	519,131	1,021,238	579,133	6,367,463
Additions	43,626	4,279	1,626	283,693	333,224
Disposals	-13,047	-2,224	-13,554	-68,075	-96,900
Transfers	152,640	5,835	39,838	-198,313	0
Transfer to investment property (Note 5)	-3,307	-2,166	0	0	-5,473
Transfer from investment property (Note. 5)	484	251	0	0	735
As at 31 December 2018	4,428,357	525,106	1,049,148	596,438	6,599,049
Accumulated depreciation / Impairment					
As at 1 January 2018	2,218,169	171	799,949	18,086	3,036,375
Additions	118,766	5	54,679	1,843	175,293
Disposals	-10,338	-2	-13,484	-4,857	-28,681
Transfers	6,212	0	6,051	0	12,263
As at 31 December 2018	2,332,809	174	847,195	15,072	3,195,250
Net book value					
As at 1 January 2018	2,029,792	518,960	221,289	561,047	3,331,088
As at 31 December 2018	2,095,548	524,932	201,953	581,366	3,403,799
Cost					
As at 1 January 2019	4,428,357	525,106	1,049,148	596,438	6,599,049
Additions	29,745	3,559	12,612	243,330	289,246
Disposals	-38,539	-2,106	-11,918	-44,849	-97,412
Transfers	218,415	3,192	42,087	-263,694	0
Transfer to investment property (Note 5)	-3,785	-1,081	0	0	-4,866
Transfer from investment property (Note 5)	213	2,285	0	0	2,498
As at 31 December 2019	4,634,406	530,955	1,091,929	531,225	6,788,515
Accumulated depreciation / Impairment					
As at 1 January 2019	2,332,809	174	847,195	15,072	3,195,250
Additions	95,487	0	53,876	1,252	150,615
Disposals	-16,823	-9	-9,511	-4,473	-30,816
Transfers	5,372	0	5,765	0	11,137
As at 31 December 2019	2,416,845	165	897,325	11,851	3,326,186
Net book value					
As at 1 January 2019	2,095,548	524,932	201,953	581,366	3,403,799
As at 31 December 2019	2,217,561	530,790	194,604	519,374	3,462,329

Part of non-current assets as at 31 December 2019 is railway infrastructure assets in use in original cost in the amount of EUR 5,878,176 thousand (as at 31 December 2018: EUR 5,627,889 thousand) and in carrying value in the amount of EUR 2,846,559 thousand (as at 31 December 2018: EUR 2,722,846 thousand) of which assets acquired from subsidies in carrying value in the amount of EUR 1,258,600 thousand (as at 31 December 2018: EUR 1,186,716 thousand) and assets held for sale as at 31 December 2019 in carrying value of EUR 294 thousand (as at 31 December 2018: EUR 236 thousand).

Acquisition cost of all fully written off property, plant and equipment that are utilized by the Company as at 31 December 2019 is in the amount of EUR 1,666,912 thousand (as at 31 December 2018: EUR 1,610,479 thousand). Temporary unused assets in original cost are in the amount of EUR 31,615 thousand (as at 31 December 2018: EUR 49,695 thousand) and in carrying value in the amount of EUR 19,648 thousand (as at 31 December 2018: EUR 33,995 thousand).

In 2019 the Company considered the useful life of asset and reassessed the depreciation period, due to this change, mainly the useful life of railway infrastructure buildings was extended. The change is incorporated in the new regulation „Sorting and depreciation of property, plant and equipment and intangible assets“ with effect from 1 January 2019. The change resulted in a decrease in depreciation of assets in comparison with year 2018 by EUR 35,661 thousand.

The Company administers land that is still subject to the resolution of title claims and which had an administrative value assigned to it by the State of EUR 26,577 thousand (as at 31 December 2018: EUR 35,615 thousand) and which is not reflected in the Company's statement of financial position. The Company is actively engaged in resolving these claims. During 2019 title to land with an administrative value of EUR 230 thousand was transferred to the Company and capitalized in its statement of financial position (as at 31 December 2018: EUR 201 thousand). In addition, administrative values assigned to land already reflected in the Company's statement of financial position were revised upward by an amount of EUR 1,515 thousand (as at 31 December 2018: EUR 2,415 thousand). These adjustments are recorded directly to Capital funds in Equity by calculating the general book value of land. This is the land acquired under the register of renewed land registration carried out by Land Register where the landowner has always been the Slovak republic, the land manager has always been the Company but the land has not been recorded in the Company's assets. The Company also manages land in the amount of EUR 27,555 thousand (as at 31 December 2018: EUR 30,625 thousand) reported on acquisition account and the Company is heavily involved with their transfer into use. During the year 2019, land were transferred into use in the amount of EUR 6,633 thousand (in 2018: EUR 8,765 thousand).

The Company reports on acquisition account constructions that are in use. The Company is intensively engaged in their reclassification into use, followed by applying depreciation. The Company considered reality of valuation of these assets and because of precautionary principle recorded allowance in the amount of expected depreciation of assets acquired from own resources in the amount of EUR 47 thousand (as at 31 December 2018: EUR 1,063 thousand), reported in table “Progress in allowances for property, plant and equipment“. The Company recorded capitalized borrowing costs due to financing of construction in the amount of EUR 1 thousand (in 2018: EUR 7 thousand).

Low-value tangible assets not included in the Statement of financial position as at the date of inventory of 2019 is in the amount of EUR 36,620 thousand (as at the date of inventory of 2018: EUR 37,400 thousand). These are asset items with a value of up to EUR 1,700 that are registered in the operational records of tangible assets in historical acquisition costs and are charged to costs at the time of acquisition.

The Company considered reality of valuation of assets and liabilities as at 31 December 2019. Following determined facts about reality of assets valuation that indicated assets impairment, recoverable amount has been determined. Recoverable amount (higher value of its fair value less costs to sell and value in use) was defined by the expert's opinion or assessment at individual assets.

Progress in allowances for property, plant and equipment:

	Buildings and infrastructure	Lands	Machinery, Equipment and other assets	Assets under construction	Total
Allowances					
As at 1 January 2018	4,197	171	16	18,086	22,470
Creation	759	5	2	1,843	2,609
Reversal	0	0	0	-70	-70
Reversal of impairment loss	-936	-2	-8	-4,787	-5,733
As at 31 December 2018	4,020	174	10	15,072	19,276
As at 1 January 2019	4,020	174	10	15,072	19,276
Creation	1,369	0	29	1,252	2,650
Reversal	0	0	0	-3,362	-3,362
Reversal of impairment loss	-635	-9	-3	-1,111	-1,758
Transfers	-8	0	8	0	0
As at 31 December 2019	4,746	165	44	11,851	16,806

Company's property insurance (real estate assets, movable property) is concluded in a reputable insurance company for various types of risks and for various insurance amounts (maximum annual insurance claim is in the amount of EUR 40,000 thousand for natural hazards with the exception of floods). ŽSR has also liability insurance (annual benefit limit is EUR 2,000 thousand). In 2019 the Company recorded claim against insurance company in the amount of EUR 4,593 thousand (in 2018: EUR 1,596 thousand).

5 INVESTMENT PROPERTY

	Buildings and infrastructure	Lands	Total
Cost			
As at 1 January 2018	38,273	12,031	50,304
Additions	0	0	0
Disposals	-27	-304	-331
Transfer from Property, Plant and Equipment (Note 4)	3,307	2,166	5,473
Transfer to Property, Plant and Equipment (Note 4)	-484	-251	-735
As at 31 December 2018	41,069	13,642	54,711
Accumulated depreciation / Impairment			
As at 1 January 2018	20,877	0	20,877
Additions	764	0	764
Disposals	-208	0	-208
Transfers	280	0	280
As at 31 December 2018	21,713	0	21,713
Net book value			
As at 1 January 2018	17,396	12,031	29,427
As at 31 December 2018	19,356	13,642	32,998
Cost			
As at 1 January 2019	41,069	13,642	54,711
Additions	0	0	0
Disposals	-55	-95	-150
Transfer from Property, Plant and Equipment (Note 4)	3,785	1,081	4,866
Transfer to Property, Plant and Equipment (Note 4)	-213	-2,285	-2,498
As at 31 December 2019	44,586	12,343	56,929
Accumulated depreciation / Impairment			
As at 1 January 2019	21,713	0	21,713
Additions	627	0	627
Disposals	-176	0	-176
Transfers	1,315	0	1,315
As at 31 December 2019	23,479	0	23,479
Net book value			
As at 1 January 2019	19,356	13,642	32,998
As at 31 December 2019	21,107	12,343	33,450

According to IAS 36 – Impairment of Assets, as at 31 December 2019 the Company recognized allowance in the amount of EUR 1,876 thousand (as at 31 December 2018: EUR 1,998 thousand).

Allowances for IAS 40	Year 2019	Year 2018
As at 1 January	1,998	2,180
Creation	0	0
Reversal	-122	-182
Reversal of impairment loss	0	0
As at 31 December	1,876	1,998

The following table presents assets disclosed at fair value.

Assets	Level 1	Level 2	Level 3
Hospital	0	26,970	0
Land	0	2,769	25,483
Building	0	1,494	13,352

Estate properties rented as a whole or offered for rent are recorded in investment property, for instance hospitals and clinics, apartment buildings and offices, hostels, guard houses, garages, stops and land related.

There were available expert valuations of property to determine fair value of hospitals, lands and buildings and therefore their fair values are reported at level 2 as at 31 December 2019.

The different levels have been defined as follows:

Level 1 – quoted prices (unadjusted) in active markets for identical assets and liabilities.

Level 2 – inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.

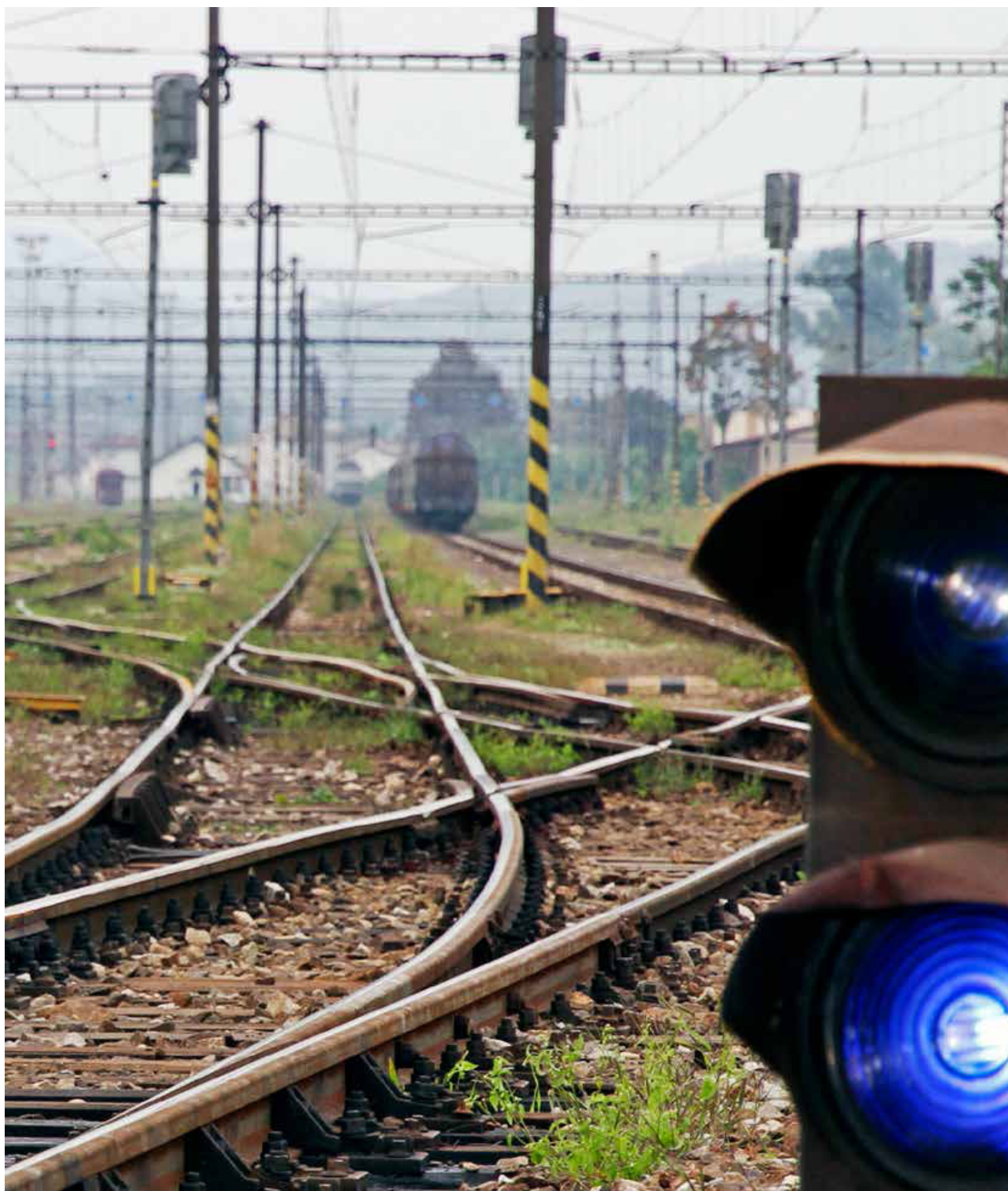
Level 3 – inputs for the asset or liability that are not based on observable market data.

Valuation techniques used to derive fair values at the level 2 and level 3

The fair value of real estate investment at level 2 and level 3 as at 31 December 2019 is in the amount of EUR 70,067 thousand (as at 31 December 2018: EUR 69,693 thousand). All appropriate method were used to determine the fair value of the investment, in the case of expert property valuation, objectification method expertly determined general value of the relevant assets was primarily used. In case of lands this method was used to determine fair value for a total 523 property items (as at 31 December 2018: 651), simplified method of positional differentiation was used for a total 1,410 items (as at 31 December 2018: 1,359), income method was used for a total 490 items (as at 31 December 2018: 525) and acquisition cost method was used for a total 375 items (as at 31 December 2018: 413).

The fair value of buildings was determined by time value method for a total 444 items (as at 31 December 2018: 438), simplified income method for a total 65 items (as at 31 December 2018: 84), objectification method expertly determined general value for a total 72 items (as at 31 December 2018: 81), acquisition cost method for a total 70 items (as at 31 December 2018: 74), and qualified estimate was used for a total 61 items (as at 31 December 2018: 56).

Costs related with investment property represent the amount of EUR 945 thousand (as at 31 December 2018: EUR 1,000 thousand) and revenues related with investment property represent the amount of EUR 3,003 thousand (as at 31 December 2018: EUR 3,109 thousand).



6 INTANGIBLE ASSETS

	Capitalized Development Cost	Software	Assets under construction	Right of use	Total
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Cost

As at 1 January 2018	52	28,292	6,032	0	34,376
Additions	0	3,411	6,425	0	9,836
Disposals	-40	-22	-3,114	0	-3,176
Transfers	0	5,146	-5,146	0	0
As at 31 December 2018	12	36,827	4,197	0	41,036

Accumulated depreciation / Impairment

As at 1 January 2018	51	17,961	29	0	18,041
Additions	0	5,030	292	0	5,322
Disposals	-40	-22	0	0	-62
Transfers	0	0	0	0	0
As at 31 December 2018	11	22,969	321	0	23,301

Net book value

As at 1 January 2018	1	10,331	6,003	0	16,335
As at 31 December 2018	1	13,858	3,876	0	17,735

Cost

As at 1 January 2019	12	36,827	4,197	*1,512	42,548
Additions	0	1,307	3,977	13,551	18,835
Disposals	-8	-35	-1,350	-65	-1,458
Transfers	0	3,483	-3,483	0	0
As at 31 December 2019	4	41,582	3,341	14,998	59,925

Accumulated depreciation / Impairment

As at 1 January 2019	11	22,969	321	0	23,301
Additions	0	5,060	0	2,221	7,281
Disposals	-8	-35	0	-67	-110
Transfers	0	0	0	0	0
As at 31 December 2019	3	27,994	321	2,154	30,472

Net book value

As at 1 January 2019	1	13,858	3,876	1,512	19,247
As at 31 December 2019	1	13,588	3,020	12,844	29,453

Non-current intangible asset has definite useful life except licence agreement on use of collected work "The History of ŽSR". Useful life on Property, Plant and Equipment is definite; it is specified according to real useful life and for various types of Property, Plant and Equipment in the range from 3 to 25 years.

The Company considered reality of valuation of assets and liabilities as at 31 December 2019. According to IAS 36 – Impairment of Assets, as at 31 December 2019 the Company recorded allowance for assets under construction in the amount of EUR 321 thousand (as at 31 December 2018: EUR 321 thousand).

The Company recognizes "Right of use" from lease in "Intangible assets". Right-of-use assets includes lease of buildings, structures, power and propulsion machinery and equipment, working machinery and equipment, means of transport and land.

	year 2019	year 2018
interest expense on lease liabilities	194	0
the expense relating to short-term leases	3	0
the expense relating to leases of low-value assets	2	0

The carrying amount of right-of-use assets and depreciation charge at the end of the reporting period by class of underlying asset:

Right-of-use assets	Carrying amount 31 December 2019	Carrying amount 1 January 2019	Depreciation 2019
Buildings	310	272	-32
Structures	508	589	-56
Power and propulsion machinery and equipment	28	31	-3
Working machinery and equipment	9	10	-1
Means of transport	11,478	15	-2,005
Land	511	595	-57
Right-of-use assets total	12,844	1,512	-2,154

Total cash outflow for leases for 2019 represents amount of EUR 2,705 thousand.

*The Company adopted a retrospective approach in the initial application of IFRS 16 and the comparative information for the previous period was not adjusted in accordance with the transitional provisions of the Standard. The Company recognized the cumulative effect of initial application as an adjustment to the opening balance at the date of initial application (Note 2.3).

7 FINANCIAL INVESTMENTS

	Subsidiaries	Associated companies	Other investments	Total 2019	Total 2018
Opening balance as at 1 January	1,009	4,489	151	5,649	5,662
Additions	0	0	0	0	0
Disposals	0	0	0	0	13
Closing balance as at 31 December	1,009	4,489	151	5,649	5,649

Structure of capital participation as at 31 December 2019 is as follows:

Name	Amount of Equity	Profit / Loss	Country of registration	Share of equity in %	Core business
Subsidiaries					
Stabilita, d. d. s., a. s., Košice (Note 40)	9,114	511	Slovakia	55.26	Management of supplementary pension funds
Associated companies					
ŽPSV, a. s., Čaňa (Note 40)	7,644	341	Slovakia	41.06	Manufacturing of concrete products, prefabricated components and structures for construction purposes
Breitspur Planungs GmbH, Wien	1,411	-1,138	Austria	25.00	The planning and continuation of rail infrastructure with gauge 1,520 mm from the borders of Ukraine through Slovakia to and in Austria
Other investments					
HIT RAIL, b. v., Amsterdam, Netherland	3,165	49	Netherland	4.00	Implementation of the interconnection of information systems within the UIC

The Company STABILITA, d. d. s., a. s. is the legal successor of the subsidiary STABILITA Servis, s. r. o. as a result of merger, in which held a 100% shareholding, and carried out technical and service activities and provides an economic asset management for the parent company. Other companies do not have any shares in other companies.

8 NON-CURRENT RECEIVABLES

	31 December 2019	31 December 2018
Non-current trade receivables	72	78
Advances given	5,651	5,551
Receivables from sale of flats	220	261
Other non-current receivables	28	22
Claims for subsidies	18,247	18,247
Allowances for receivables	-5,402	-5,402
Total non-current receivables	18,816	18,757

In non-current receivables the Company recorded claims for capital subsidies of Capital transfer, European Union, State budget to capital liabilities from constructions where there is certainty that the subsidies will be drawn in future periods in the amount of EUR 18,247 thousand (as at 31 December 2018: EUR 18,247 thousand). It is a claim for the modernization of railway track "Púchov – Žilina", phase I, track section "Púchov – Považská Teplá" in the amount withheld.

9 ZÁSoby

	Cost 2019	Book value 2019	Cost 2018	Book value 2018
Products of engineering and metal industry	6,613	4,578	4,525	4,244
Products of electro-technical industry	4,962	2,720	4,507	3,214
Products of steel industry	4,842	3,638	2,399	587
Products of chemical industry	1,284	1,065	1,483	1,210
Personal protective equipment and uniforms	527	503	525	502
Building materials and products of wood industry	3,098	2,905	692	470
Other materials	519	409	586	367
Total inventories	21,845	15,818	14,717	10,594

The Company recorded allowances for slow moving and obsolete inventories following comparison of valuation with net realizable value as at 31 December 2019.

Progress in allowances for inventories:	
Balance as at 31 December 2018	4,123
Creation	4,475
Disposal of inventories	-103
Dissolution of relevance	-2,468
Balance as at 31 December 2019	6,027

10 CURRENT TRADE RECEIVABLES

	31 December 2019	31 December 2018
Trade receivables	15,028	29,292
of which receivables from ZSSK CARGO for the year 2010	3,737	10,998
Advances given	223	253
Other trade receivables	1,785	2,134
Allowances for receivables	-2,826	-15,440
Total current receivables	14,210	16,239

Overdue receivables are in the amount of EUR 7,845 thousand (as at 31 December 2018: EUR 5,262 thousand). Trade receivables are interest-free and generally due from 14 to 60 days (Note 3).

Progress in allowances for bad and doubtful receivables:

	Allowances for bad and doubtful short-term receivables	Of which: Allowances for debtors in bankruptcy
Balance as at 31 December 2018	15,440	1,191
Creation	297	75
Reversal because of receivable write-off	-1,785	-30
Reversal because of full or partial collection	-11,126	-12
Balance as at 31 December 2019	2,826	1,224

11 OTHER RECEIVABLES AND ASSETS

	31 December 2019	31 December 2018
Other receivables	3,501	901
State receivables	11,729	29,270
Prepaid expenses	2,336	2,294
Allowances for receivables	-104	-112
Total other receivables	17,462	32,353

In state receivables the Company recorded claims for capital subsidies of Capital transfer, European Union, State budget to capital liabilities from constructions where there is certainty that the subsidies will be drawn in future periods in the amount of EUR 10,339 thousand (as at 31 December 2018: EUR 17,095 thousand). The highest claim is for the modernization of railway track "Púchov – Žilina", phase I., track section "Púchov – Považská Teplá" in the amount of EUR 9,487 thousand for invoiced work. Also in states receivables the Company recorded receivable from excess VAT in the amount of EUR 1,414 thousand (as at 31 December 2018: EUR 1,435 thousand).

Progress in allowances for other receivables:	
Balance as at 31 December 2018	112
Creation	22
Reversal because of receivables write-off	-25
Reversal because of full or partial collection	-5
Balance as at 31 December 2019	104

12 CASH AND CASH EQUIVALENTS

	31 December 2019	31 December 2018
Cash on hand	75	53
Cash in bank	119,931	71,466
Total cash and cash equivalents in statement of financial position	120,006	71,519
Credit cards	-1	-1
Total cash and cash equivalents in statement of cash flow	120,005	71,518

Cash and cash equivalents include drawn loan in the amount of EUR 30,000 thousand for the purchase of diagnostic vehicles and also advances purposefully bound for financing of Connecting Europe Facility („CEF“) projects in the amount of EUR 30,058 thousand (as at 31 December 2018: EUR 28,827 thousand). Projects are aimed at improving of transport, energy and telecommunication network of European Union.

The advance payments are used to continuous finance the work carried out on approved individual projects.

Zálohové platby k 31. decembru 2019 sú viazané na nasledovné projekty:

Modernization of railway track:	(in thousand EUR)
Devínska Nová Ves - state border Slovak republic / Czech Republic	16,656
“Žilina – Košice”, track section “Liptovský Mikuláš – Poprad Tatry (except) – phase 1 (Poprad – Lučivná)”	11,816
“Devínska Nová Ves - state border Slovak republic / Czech Republic”; track section “Malacky (except) – Kúty”, project documentation	1,580
Váh - Varín - Strečno	6

Interest rates on current accounts in banks ranged from 0.00 % p.a. to 0.15 % p.a. at the end of the reporting period. Temporarily free funds are recovered in banks and branches of foreign banks in the Slovak Republic.

13 EQUITY

Registered capital represents the State's investment in the Company in the form of cash and assets. Total capital is in the amount of EUR 800,170 thousand and there was no change in this area compared to previous accounting period.

Based on the Management Board Decision on 5 April 2019, profit from previous accounting period in the amount of EUR 172 thousand was used to retained earnings from previous years.

Capital funds includes capital contributions that do not increase share capital of the Company. The state studies the legal title and the value of the land managed by the Company and on the basis of which periodically adds assets to the Company and corrects administrative values. During the year 2019, ownership of lands was transferred and administrative value of lands were corrected in the amount of EUR 1,745 thousand (as at 31 December 2018: EUR 2,616 thousand). Capital funds also includes

re-measurements of post-employment benefits in accordance with IAS 19 based on projected actuarial valuation method and deferred tax related to re-measurements of post-employment benefits.

The legal reserve fund is created in accordance with Act No. 258/1993 Coll. § 15 as amended and supplemented by the amount of at least 5 % of earnings, up to a maximum of 5 % of the value of the assets the Company has right manage with, less the value of the railway infrastructure. The carrying value of the managed assets less the value of the railway infrastructure as at 31 December 2019 is in the amount of EUR 201,613 thousand (as at 31 December 2018: EUR 178,324 thousand). The legal reserve fund is in the amount of EUR 21,904 thousand (as at 31 December 2018: EUR 21,904 thousand), which represent more than 5 % of the value of assets less the value of railway infrastructure.

14 LOANS

	31 December 2019	31 December 2018
Short-term loans and current portion of long-term loans		
Euro		
Tatra banka - capital expenditure loan, maturity 31 December 2020	10,000	0
Tatra banka - capital expenditure loan, maturity 31 December 2020	750	0
Tatra banka - capital expenditure loan, maturity 3 October 2019	0	62,740
	10,750	62,740
Credit cards	1	1
Total Short-term loans and current portion of long-term loans	10,751	62,741
Loans		
Euro		
Tatra banka - capital expenditure loan, maturity 30 June 2026	52,740	0
Tatra banka - capital expenditure loan, maturity 31 December 2027	14,250	0
SIH, maturity 31 December 2042	30,000	0
Total Long-term loans	96,990	0
Total loans	107,741	62,741

The loan provided by Tatra banka, a. s. was due on 3 October 2019 in the amount of EUR 62,740 thousand. In October 2019 this loan was renewed by Appendix No. 3.

In 2019, the Company drew loan from National Development Fund II., a. s. (SIH) in the amount of EUR 30,000 thousand for funding the purchase of diagnostic vehicles for measuring track geometric position and rail flaw detection. The use of loan is in accordance with the delivery schedule of diagnostic vehicles until 30 December 2022.

In November 2019, the Company acquired capital expenditure loan from Tatra banka a. s. in the amount of EUR 30,000 thousand. In 2019 the loan was drawn in the amount of EUR 15,000 thousand for funding capital actions.

The interest costs for the year 2019 are in the amount of EUR 128 thousand (for the year 2018: EUR 127 thousand).

15 STATE AND EU SUBSIDIES

Operational Programme Integrated Infrastructure 2014 - 2020 (OPII)

Within the project Operational Programme Integrated Infrastructure 2014 – 2020, in 2019 the Company drew capital subsidies in total amount of EUR 65,622 thousand (2018: EUR 143,447 thousand) for the actions listed below.

	2019	2018
Priority axis No. 1		
Railway track “Púchov – Žilina”, phase I., track section “Púchov - Považská Teplá”	62,691	139,370
Railway track “Púchov – Žilina”, phase II., stage 2, track section “Dolný Hričov – Žilina”	0	2,193
Transport hub Bratislava - feasibility study	779	455
Finishing of Marshalling yard “Žilina Teplička” (Hub Žilina), PD	78	0
Priority axis No. 3		
Terminal of integrated passenger transport Trebišov, PD	0	42
Train stop Pezinok - parking lot for individual car transport, PD	1	8
Train stop Ivanka pri Dunaji - parking lot for individual car transport, PD	1	3
Train stop Pezinok - parking lot for individual car transport, realization	1,758	0
Priority axis No. 5		
Electrification of railway track “Bánovce nad Ondavou – Humenné”, PD	314	1,376
	65,622	143,447

In 2019 the Company returned EU and State budget funds for the action “Hub Žilina” in the amount of EUR 559 thousand due to correction.

Capital subsidies from state budget

In 2019 the Company drew capital subsidies from state budget under contract of category of budget of Ministry of Transport in the amount of EUR 65,635 thousand (as at 31 December 2018: EUR 65,822 thousand). From the above subsidy, investment projects were provided as follows:

	2019	2018
Construction and renovation of railway network	40,635	45,211
Co-financing beyond the financial gap (OPII)	25,000	20,611
Of which the most significant drawing to investment projects:		
Railway track “Púchov – Žilina”, phase I., track section “Púchov - Považská Teplá”	23,187	13,151
Railway track “Púchov – Žilina”, phase II., stage 2, track section “Dolný Hričov – Žilina”	0	5,350
Finishing of Marshalling yard “Žilina Teplička” (Hub Žilina), PD	890	1,340
	65,635	65,822

Within interministerial subprogram Support of defence, under Contract for provision of funds, funds in the amount of EUR 400 thousand were allocated from Ministry of Transport of the Slovak republic in 2019.

Claim for subsidies

The Company records claims for capital subsidies to capital liabilities from constructions where there is certainty that the subsidies will be drawn in future periods. The highest claim for subsidy is for project of modernization of railway track in track section "Púchov - Považská Teplá" in the amount of EUR 27,734 thousand.

Balance of state and EU subsidies

Balance as at 31 December 2018	1,602,392
Drawing on subsidies	
Operational Programme Integrated Infrastructure 2014-2020	65,622
Capital subsidies from state budget	65,936
Claim for subsidies (reduction)	17,496
Release of subsidy in the amount of depreciation	87,475
Balance as at 31 December 2019	1,628,979
Of witch short term portion	63,740
long term portion	1,565,239



16 ACCRUALS

	31 December 2019	31 December 2018
Received free of charge depreciable non-current asset	13,824	13,987
Other accrued income	190	192
Prepaid expenses	81	104
Total accruals	14,095	14,283

The most significant items of received free of charge depreciable non-current asset represent mainly received objects of induced investments from company Národná diaľničná spoločnosť, a. s. in carrying value of EUR 3,304 thousand (as at 31 December 2018: EUR 3,404 thousand), received donated adjustments of signalling systems from company Žilina Invest, s. r. o. in carrying value of EUR 2,191 thousand (as at 31 December 2018: EUR 2,421 thousand) and objects of induced modifications from Ministry of Transport in carrying value of EUR 876 thousand (as at 31 December 2018: EUR 908 thousand).

17 PROVISIONS

	31 December 2019	31 December 2018
Environmental burden – long-term portion	12,590	13,410
– short-term portion	206	206
Legal claims	2,039	2,455
Provisions for demolition of buildings	2,617	2,047
Total provisions	17,452	18,118

Progress in provisions:

	Environmental burden provision	Provision for legal claims	Provisions for demolition of buildings	Total provisions
Balance as at 31 December 2018	13,616	2,455	2,047	18,118
Creation	0	241	1,184	1,425
Interest expense	11	0	0	11
Cancellation as not justified	-626	-500	-69	-1,195
Reversal due to provision drawing	-205	-157	-545	-907
Balance as at 31 December 2019	12,796	2,039	2,617	17,452

Environmental burden provision

The Company recorded a provision for estimated costs relating to remedy former environmental damages caused by soil and underground water pollution. The amount of the provision has been determined on the basis of an estimate prepared by the Company's internal environmental team. Drawing of the provision is forecasted within a timeline of the next 1 – 10 years. In 2019, there has been continuation of the elimination of old environmental burdens in Čierna nad Tisou from the Company's resources. In compliance with environmental policy, the Company reviewed recorded provision. On that basis environmental burden in locality TNS Štúrovo was removed from the list of environmental burdens. Cancellation of provisions is in the amount of EUR 626 thousand. Long-term portion of provision is calculated by a fixed interest rate of 2.0 % as at 31 December 2019 (as at 31 December 2018: 2.0 %).

Interests from discounting as a result of the passage of time are in the amount of EUR 11 thousand (as at 31 December 2018: EUR 15 thousand).

Provision for legal claims

Reported amounts represent provision for certain legal claims raised against the Company. Management believes, after consultations with internal lawyers, that no significant liabilities will arise as a result of raising these legal claims, except for those for which the provision has been created. After reviewing of the evidence, the management of the Company presumes, it is probable as a result of settlement of legal claims, that the Company will have to incur financial resources in the amount of EUR 2,039 thousand (as at 31 December 2018: EUR 2,455 thousand).

Provision for legal claims is not discounted because the time of termination of proceedings is not known.

Provision for demolition of buildings

In accordance with the principles for provisions, as at 31 December 2019 the Company recorded provision in the amount of future costs for demolition of buildings and operating equipment, which are in poor technical condition.

The amount of provision has been determined on the basis of an expert estimate of costs to perform demolition, including related costs for landscaping. Provision as at 31 December 2019 is in the amount of EUR 2,617 thousand (as at 31 December 2018: EUR 2,047 thousand).

Provision relates to buildings - objects such as guard houses, railway stations, warehouses, signal boxes, traction lines and others whose poor technical conditions does not enable its operational use, moreover threatens public safety. Its disposal will be carried out by own activity (gradual dismantling, using the mechanism) or by supplier – authorized person providing professional leadership and hazardous waste disposal (e.g. asbestos etc.).

18 EMPLOYEE BENEFITS

	31 December 2019	31 December 2018
Employee benefit - long -term portion	44,432	40,727
- short-term portion	3,663	2,698
Total employee benefit	48,095	43,425

Progress in employee benefit:

	2019	2018
Balance as at 1 January	43,425	44,277
Creation	2,661	2,392
Reversal due to provision drawing	-1,914	-2,865
Re-measurement of post-employment benefit	3,923	-379
Balance as at 31 December	48,095	43,425

Employee benefit provision

As at 31 December 2019 the Company recognized provision in the amount of EUR 48,095 thousand (as at 31 December 2018: EUR 43,425 thousand) for covering an estimated liability relating to bonus upon retirement or disabled retirement, bonus upon life and work jubilees and compensating contribution due to decrease in health capability of an employee (Note 34).

The Company has defined benefit plans based on which pays out a one-off retirement bonus amounting to EUR 100 for each year worked. A jubilee bonus upon reaching age of 50 and 60 years is paid out depending on the number of years worked ranging from EUR 100 (up to 10 years) to EUR 700 (over 35 years).

None of these programs is financially independent. The amount of the provision has been determined by using projected unit credit method based on financial and actuarial variables and assumptions which are reflections of official statistical data and are in accordance with the Company's business plan assumptions.

The Company does not have prepared any detailed plan to reduce the number of employees as at the day of preparation of financial statements.

Main actuarial assumptions used:

Discount rate	1.15 % p. a.
Future salary increases	in 2020 by 4.60 % p. a., in 2021 and in subsequent years by 5.50 % p. a.
Mortality	Mortality of the Slovak population based on the mortality tables issued by the Statistical office of the Slovak Republic from 2008 – 2012

Description of the risks

The Company has no assets to cover liability and thus avoids the risk of investing funds, on the other hand, there is no valorisation of assets to cover liabilities.

Amount of sensitivity of „employment benefits“ to assumptions

- change in discount by +1 % for all subsequent years, provided that the other assumptions in calculation remain unchanged, results in decrease of liability by 9.61 %;
- change in wage by +1 % for all subsequent years, provided that the other assumptions in calculation remain unchanged, results in increase of liability by 4.51 %;
- decrease of fluctuation by 10 % for all subsequent years, provided that the other assumptions in calculation remain unchanged, results in increase of liability by 0.81 %;
- decrease in mortality assumptions by 10 % for all subsequent years, provided that the other assumptions in calculation remain unchanged, results in increase of liability by 1.25 %.

The structure of employee benefit costs

	Employment benefits	Post-employment benefits	Total
Balance as at 31 December 2018	6,406	37,019	43,425
Current and past service cost	319	1,155	1,474
current service cost	287	1,624	1,911
past service cost	32	-469	-437
Interest expense	126	729	855
Re-measurements (gains and losses of actuarial)	332	3,923	4,255
- changes in demographic assumptions	0	0	0
- changes in financial assumptions	295	3,346	3,641
- resulting from practice	37	577	614
Payments program (benefits paid)	-688	-1,226	-1,914
Balance as at 31 December 2019	6,495	41,600	48,095

The average maturity of employment benefits is 7.20 years, future benefits is 11.33 years and the average maturity of post-employment benefits is 10.56 years, future benefits is 16.51 years.

As at 31 December 2019, re-measurements of post-employment benefit (loss) in the amount of EUR 3,923 thousand are disclosed in equity and other comprehensive income (as at 31 December 2018: gains of EUR 379 thousand).

19 OTHER NON-CURRENT LIABILITIES

	31 December 2019	31 December 2018
Social fund liabilities	348	542
Other non-current liabilities	21,389	19,636
Lease liabilities	9,476	0
Rent received in advance	2,209	2,393
Advance payments of CEF	16,735	17,693
Total other non-current liabilities	50,157	40,264

Other non-current liabilities increased due to accounting for long-term amount withheld of investments and due to accounting for lease in accordance with new accounting standard IFRS 16 – Leases effective from 1 January 2019.

Structure of social fund:

	2019	2018
Balance of fund as at 1 January	542	826
Creation	1,713	1,586
Spending	1,907	1,870
Balance as at 31 December	348	542

20 CURRENT TRADE PAYABLES

	31 December 2019	31 December 2018
Trade payables	63,925	51,690
Advances received	1,883	1,620
Other payables	2,128	1,375
Total current payables	67,936	54,685

Of the total amount of current trade payables, the Company recorded investment payables in the amount of EUR 49,359 thousand (as at 31 December 2018: EUR 32,584 thousand) and operating payables in the amount of EUR 18,577 thousand (as at 31 December 2018: EUR 22,101 thousand). Advances received primarily represents received payments from future contracts.

21 PAYABLES TO PUBLIC INSTITUTIONS

	31 December 2019	31 December 2018
Payables to insurance companies	8,883	7,951
Payables to tax authorities	2,008	1,740
Total payables to public institutions	10,891	9,691

22 OTHER PAYABLES

	31 December 2019	31 December 2018
Employees	17,217	15,354
Advance payments of CEF	13,323	11,110
Other payables	2,830	654
Lease liabilities	3,560	0
Total other payables	36,930	27,118

23 SALES OF OPERATION OF RAILWAY INFRASTRUCTURE

Fees for access to railway infrastructure represent the allocation of infrastructure capacity for service of freight and passenger transport on railway network under Contract for access to railway infrastructure. Infrastructure capacity means the potential to schedule train paths for a certain period on certain section of railway track. Since 1 January 2019, under Decree No. 2/2018 of the Transport Authority, charges for places for sale of transport documents at passenger transport stations and for use of stabling tracks earmarked for temporary weaning of wagons between two tasks were introduced into charges for the access to the railway infrastructure.

	31 December 2019	31 December 2018
Fees for access to railway infrastruct. – cargo transport	21,626	25,474
– passenger transport	54,643	54,296
Total fees for access to railway infrastructure	76,269	79,770

In accordance with Appendix No. 5 dated 4 June 2019 to Contract on the operation of the railway infrastructure for year 2017 – 2021, additional services of shunting are part of economically eligible costs for year 2019, for which the Ministry of Transport, as the owner of the railway infrastructure, provides funds to ŽSR, as a manager of railway infrastructure. The services of the technical office are separated from the fee for access to railway infrastructure, i. e. unregulated price was charged separately to railway undertakings until 30 June 2019. From 1 July 2019, contracts with customers were terminated.

	31 December 2019	31 December 2018
Sales of additional services of railway infrastructure – cargo	22	5,343
Sales of additional services of railway infrastructure – passenger	32	4,505
Total sales of additional services of railway infrastructure	54	9,848

As at 31 December 2019, the total number of railway carriers is 51, herein the number of Slovak carriers is 28 and the number of foreign carriers is 23. In 2019, 6 carriers for passenger transport and 45 carries for freight transport operated on the railways of ŽSR.

24 SUBSIDY FOR RAILWAY INFRASTRUCTURE OPERATION

In accordance with Appendix No. 4 – 6 to the Contract on the Operation of the Railway Infrastructure for the years 2017 - 2021 concluded between Ministry of Transport and ŽSR, the Company received operational subsidy to cover economically eligible costs in the amount of EUR 290,950 thousand in 2019 (as at 31 December 2018: EUR 270,000 thousand) and will be evaluated within the half of 2020. Contract on the Operation of the Railway Infrastructure for the year 2018 was evaluated on 13 September 2019, resulted to return of funds in the amount of EUR 3 thousand to the account of Ministry of Transport.

Under the valid Contract on the Operation of the Railway Infrastructure, compensation of financial impact was provided to the Company, associated with reduction of charges for access to railway infrastructure for cargo carriers in the amount of EUR 26,397 thousand (as at 31 December 2018: EUR 26,479 thousand). The compensation was complied with the condition of application of non-discriminatory access to rail cargo carriers and cleared in accordance with the terms of the contract.

	31 December 2019	31 December 2018
Subsidies for railway infrastructure operation	290,950	270,000
Evaluation of Contract on the Operation of the Railway Infrastructure	-3	-3
Compensation from the reduction of fees for access	26,397	26,479
Total subsidies and compensation for railway infrastructure operation	317,344	296,476

25 OPERATION AND CONCESSIONS OF INTERMODAL TRANSPORT TERMINALS

Based on the government approval, on 21 December 2018 the Company concluded concession contract on operation of the Intermodal Transport Terminal Žilina. The contract was concluded with the company TIP Žilina, s. r. o., the concession period is 30 years.

TIP Lužianky is a public service facility in which the services will be provided to all customers on a non-discriminatory principle. The largest contractual partner that will use the capacity of TIP Lužianky is the company Jaguar Land Rover Slovakia s. r. o.. The railway terminal is connected to the superior railway network by a non-electrified single track, which leads to the railway station Lužianky. For the Company, the construction of TIP Lužianky represents an opportunity to increase its share in the transport market and expand its business activities in the area of long-term lease and provision of services related to vehicle loading.

	31 December 2019	31 December 2018
Sales of lease of TIP - Lužianky	1,022	0
Sales of operating performance - TIP Lužianky	537	0
Sales of fee for use of concession assets	1,600	0
Total operation and concessions of TIP	3,159	0

26 ELECTRIC ENERGY

ŽSR provides sales and distribution of electricity and gas for internal and external customers. The Company is also sole supplier of track energy for carriers using traction unit of electric traction.

	31 December 2019	31 December 2018
Sales of track energy	32,200	25,957
Sales of distribution of track energy	37,335	39,192
Sales of non-track energy	1,615	1,513
Sales of distribution of non-track energy	2,348	2,170
Sales of energy – national nuclear fund	1,583	1,565
Total sales of track energy	75,081	70,397

27 TELECOMMUNICATIONS SERVICES AND INFORMATICS

ŽSR provides data, voice, internet services and rental of digital circuits and network; operation of communication infrastructure including terminals, main and backup data centres, data warehousing, international data exchange and customer service.

	31 December 2019	31 December 2018
Sales of IT services	2,741	2,725
Sales of telecommunication services – data	1,705	1,734
Sales of telecommunication services – voice	387	396
Sales of telecommunication services – others	410	433
Total sales of telecommunication services and informatics	5,243	5,288

28 RENT OF PROPERTY

ŽSR provides the possibility of operating lease of buildings, premises, land and service facilities in the district of railway stations and tracks (i.e. places for information and commercial services, ramps, cranes, rail scales, etc.). Payments made under operating lease are recognized as revenue evenly throughout the period of the lease.

	31 December 2019	31 December 2018
Revenues from rental of non-residential premises	5,522	6,191
Revenues from rental – land	2,646	2,929
Revenues from rental – residential premises	609	622
Revenues from rental – movable assets	312	304
Profit from disposal of non-current assets	3,093	3,510
Profit from sale of material	206	320
Total revenues from rental	12,388	13,876

29 OTHER REVENUES

	31 December 2019	31 December 2018
Sales of trailers turned out and other technical services	1,907	2,240
Sales for heat and steam	1,370	1,523
Sales for training, education	1,342	1,295
Sales of water and sewage charges	688	730
Sales of accommodation services	865	817
Sales of works canteens and catering services	337	350
Own work capitalized	8,734	8,397
Re-earned material	1,326	1,823
Others revenues	3,178	2,733
Total sales of other services	19,747	19,908

30 NET SALES

	31 December 2019	31 December 2018
Sales of services	176,244	183,169
Sales of goods	69	57
Subsidy in accordance with the Contract on the Operation of the Railway Infrastructure	317,344	296,476
Total net sales	493,657	479,702

31 MATERIALS AND CONSUMABLES

	31 December 2019	31 December 2018
Consumption of materials and consumables	-22,373	-25,382
Fuel consumption	-4,410	-4,399
Consumption of fixed asset	-1,671	-1,651
- Creation / + Reversals of allowances for inventories	-1,903	547
Total materials and consumables	-30,357	-30,885

32 ENERGIES

	31 December 2019	31 December 2018
Electricity	-79,539	-73,191
Gas	-2,047	-2,066
Steam and heat	-3,973	-3,739
Water	-1,420	-1,074
Total energies	-86,979	-80,070

33 SERVICES

	31 December 2019	31 December 2018
Repairs and maintenance	-21,074	-27,532
Others	-5,057	-4,244
Costs of cleaning	-4,931	-4,216
Cost of flaw detection and diagnosis	-2,868	-2,419
Costs of information technology	-1,647	-1,909
Guarding, security and investigation services	-1,602	-1,269
Costs of diagnostics, metrology, project documentation, experts opinions	-1,394	-1,313
Costs for sewage, sludge disposal	-1,256	-1,084
Costs of telecommunication services	-1,134	-1,133
Costs for machineries performance with operator	-745	-1,163
IT support and consulting costs	-737	-1,413
of which costs of auditing services	-70	-67
Paid rent and remuneration	-535	-788
Transportation if not included in the cost	-469	-513
Costs of waste disposal	-380	-1,829
Costs of software and software licences	-185	-116
Total services	-44,014	-50,941

34 PERSONNEL COSTS

	31 December 2019	31 December 2018
Salary costs	-186,076	-172,294
Social security costs	-71,044	-65,904
Employee benefit provision	-746	473
Other personnel costs	-15,606	-14,775
Total personnel costs	-273,472	-252,500

Average number of employees during the financial year as at 31 December 2019 was 13,623.01 (as at 31 December 2018: 13,693.69) and the Company employed 13,716 employees as at 31 December 2019 (as at 31 December 2018: 13,665 employees) of which manager employees directly responsible of general director is 34 (as at 31 December 2018: 36).

35 DEPRECIATION, AMORTIZATION AND IMPAIRMENT

	31 December 2019	31 December 2018
Depreciation and amortization and residual value of disposed assets	-168,713	-194,269
Release of accruals in the amount of depreciation	87,955	98,442
Impairment	2,592	3,084
Total depreciation, amortization and impairment	-78,166	-92,743

36 OTHER OPERATING COSTS, NET

	31 December 2019	31 December 2018
Fare	-4,410	-4,343
Taxes and fees	-2,832	-2,994
Property insurance	-3,348	-2,402
Other costs and revenues	921	-78
Reversal of allowances for receivables	12,622	8,305
- Creation / + Reversal of legal claims provision	416	-8
Settlement of provision for environmental burden	831	18,892
Total other operating costs, net	4,200	17,372

37 OTHER FINANCIAL COSTS AND INCOME

	31 December 2019	31 December 2018
Bank charges	-7	-5
Interest expense on lease liabilities	-194	0
Other financial expenses	-12	-16
Interest income	11	7
Other financial income	5	14
Total other financial costs and income	-197	0

38 CORPORATE INCOME TAX

	31 December 2019	31 December 2018
Profit before tax according to Slovak accounting standards	7	5,418
of which theoretical tax at	21%	21%
	2	1,138
Tax effect of		
Items increasing profit or loss	82,975	56,910
Items decreasing profit or loss	-62,692	-99,999
Tax base (+) / Tax loss (-)	20,291	-37,671
Tax base less tax loss deduction	0	-37,671
Deferred tax	-55,184	-53,611
Tax expense	0	0
Temporary differences arising between the tax bases of assets and their carrying amounts, of which:	376,174	387,672
Deductible	-32,138	-45,481
- allowances for property, plant and equipment	-19,003	-21,594
- allowances for receivables	-7,108	-19,763
- allowances for inventories	-6,027	-4,124
Taxable	408,312	433,153
- Property, Plant and Equipment	406,950	424,490
- Income recognized after payment	1,362	8,663
Temporary differences arising between the tax bases of liabilities and their carrying amounts, of which:	-67,721	-63,440
Deductible	-67,721	-63,440
- provisions recorded as expenses	-63,450	-63,560
- provisions recorded in equity	-3,923	379
- costs recognized after payment	-348	-259
Taxable	0	0
Possibility to carry forward tax losses in future	45,671	68,943
Tax rate	21%	21%
Deferred tax (+ assets / - liabilities):		
- deferred tax at valid tax rate, net	-65,599	-68,009
- deferred tax recorded in equity	824	-80
- deferred tax from possibility to carry forward tax losses in future	9,591	14,478
Total deferred tax (+ assets / - liabilities)	-55,184	-53,611
Change in deferred tax liability	-1,574	-5,464
recorded in income statement	-2,477	-5,495
recorded in equity	903	31

In the period of taxation 2019 the Company amortized the cumulative tax losses in the amount of EUR 20,291 thousand and disclosed tax base in the amount of EUR 0 (as at 31 December 2018: tax loss of EUR 37,671 thousand).

Withholding tax on interest in the amount of EUR 2 thousand was deducted in the period of taxation 2019 (as at 31 December 2018: EUR 2 thousand).

At the reporting date, the Company recorded deferred tax asset in equity from re-measurement of post-employment benefit in the amount of EUR 903 thousand (as at 31 December 2018: deferred tax asset in the amount of EUR 29 thousand) and deferred tax liability in the income statement in the amount of EUR 2,477 thousand (as at 31 December 2018: EUR 5,495 thousand).

39 COMMITMENTS AND CONTINGENCIES

Capital commitments

The Company is engaged in a continuous capital investment program, including projects for modernization, replacement and expansion, environmental improvements, whereby the majority of these objectives is associated with the reduction of regional differences within the EU. The Company's capital expenditure budget for each of the years 2020 – 2022 is set out in the table below:

Year	Track and infrastructure	IT and telecom	Total
2020	199,001	1,551	200,552
2021	147,662	0	147,662
2022	118,707	0	118,707
Total	465,370	1,551	466,921

40 CONTINGENT ASSETS AND CONTINGENT LIABILITIES

ŽSR registers legal claims in the amount of EUR 52,692 thousand, for which is not recorded a provision, where termination of the proceedings not in favor of the Company is less than probable.

If legal conditions are met, ŽSR may be obliged to pay compensation for easements in the amount of EUR 2,191 thousand.

41 RELATED PARTY TRANSACTIONS

Based on the volume of realized transactions in 2019, the most significant related parties were Železničná spoločnosť Slovensko, a. s., and Železničná spoločnosť Cargo Slovakia, a. s., whose the sole shareholder is the State. Fees for access to railway infrastructure from Železničná spoločnosť Slovensko, a. s., represent 12.91 % (as at 31 December 2018: 14.23 %) and from Železničná spoločnosť Cargo Slovakia, a. s., represent 3.34 % (as at 31 December 2018: 5.71 %) of the total revenues for rendered services (Note 23, Note 24).

Prehľad záväzkov a pohľadávok:

	ZSSK CARGO		ZSSK	
	31 December 2019	31 December 2018	31 December 2019	31 December 2018
Liabilities	36	49	83	74
Receivables	6,293	16,185	807	3,329
Allowances	3	11,014	19	1

In accordance with the Contract on the Operation of the Railway Infrastructure as amended, the Company received subsidy to cover economically eligible costs in the amount of EUR 290,950 thousand in 2019 and will be evaluated within the half of 2020. Based on this Contract, compensation of financial impact in the amount of EUR 26,500 thousand was provided to the Company, associated with reduction of charges for access to railway infrastructure for cargo carriers (Note 24). The actual compensation drawing was EUR 26,397 thousand. Contract on the Operation of the Railway Infrastructure for the year 2018 was evaluated on 13 September 2019, resulted to return of funds in the amount of EUR 3 thousand to the account of Ministry of Transport.

The Company draws capital subsidies from the state budgeted under contract of category of budget of Ministry of Transport to modernization and development of railway property (Note 15).

ŽSR executes pension retirement additional insurance via pension funds managed by the subsidiary Stabilita, d. d. s., a. s., with which the employment contract was closed (Note 7). As at 31 December 2019 11,850 employees of the Company is involved (as at 31 December 2018: 11,971). Based on the Collective Labor Agreement, ŽSR contributes for employee's additional insurance from 2 % up to 5 % from the base of assessment for the calculation of insurance premium. Costs of additional insurance are recorded monthly in personnel costs – total for year 2019 are in the amount of EUR 4,521 thousand (as at 31 December 2018: EUR 4,195 thousand). As at 31 December 2019, the Company records liabilities in the amount of EUR 540 thousand (as at 31 December 2018: EUR 501 thousand).

As at 31 December 2019, the Company records receivables from associated company Železničná priemyselná stavebná výroba, Čaňa in the amount of EUR 1 thousand (as at 31 December 2018: EUR 0). Revenues for the year 2019 were in the amount of EUR 16 thousand (as at 31 December 2018: EUR 20 thousand). As at 31 December 2019, the Company records no liabilities from the acquisition of material (as at 31 December 2018: EUR 20 thousand) (Note 7).

In 2019 the Company paid out employee benefits in the amount of EUR 693 thousand (in 2018: EUR 653 thousand) to the key management of the Company, of this Management Board in the amount of EUR 118 thousand (as at 31 December 2018: EUR 118 thousand).

The Company as other legal entity (Note 1) is part of the summary financial statements of public accounts of Slovak republic, compiled by Ministry of Finance of Slovak republic (Note 2). Transactions within the consolidation of public accounts are not material, respectively are included in this financial statements (Note 3, Note 8, Note 10, Note 11, Note 15, Note 21, Note 22, Note 24).

42 EVENTS AFTER THE REPORTING PERIOD

There were no material events in the Company between the end of the reporting period and the date that the financial statements are authorised for issue except events stated in Section X. of Annual Report.

43 APPROVAL OF FINANCIAL STATEMENTS

Financial statements in notes 1 to 43 were prepared and signed on behalf of the Company on 9 March 2020:



Ing. Igor Polák
Director General

List of signs and abbreviations

a. s.	joint-stock company
CEF	Connecting Europe Facility
CER	Community of European Railway and Infrastructure Companies
Coll.	Collection of Laws
ERA	European Union Agency for Railways
EU	European Union
GSM-R	Global System for Mobile Communications – Railway – is an international standard for wireless communications designed for railway applications
GySEV	Hungarian-Austrian railway company (Győr-Sopron-Ebenfurti Vasút)
IAS	International Accounting Standards
IFRS	International Financial Reporting Standards
grtkm	gross tonne kilometre
km	kilometre
m	metre
MÁV	Hungarian State Railways (Magyar Államvasutak)
No.	number
OPII	Operational Programme Integrated Infrastructure
OSŽD	Organisation for Co-operation between Railways
pc	piece
PD	project documentation
RNE	Rail Net Europe
sj	switch unit
SR	Slovak republic
SŽDC	Railway Infrastructure Administration (Správa Železnični Dopravní Cesty)
TIOP	Intermodal Passenger Transport Terminal
TIP	Intermodal Transport Terminal
trkm	train kilometre
UIC	International Union of Railways
UZ	Ukrainian Railways (Ukrzaliznycja)
VAT	Value added tax
ŽSR	Railways of Slovak republic (Železnice Slovenskej republiky)

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