

ŽELEZNICE SLOVENSKEJ REPUBLIKY

ANNUAL REPORT 2021





INDEPENDENT AUDITOR'S REPORT
**For the Management Board of Železnice Slovenskej republiky, General Director
and Audit Committee**

I. REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited Financial Statements of the company Železnice Slovenskej republiky, with the registered office in Bratislava, IČO (company registration number): 31 364 501, which consists of the statement of financial position as at 31 December 2021, statements of comprehensive income, changes in equity and cash flows for the year ending as at the above mentioned date as well as the notes to the Separate Financial statements, which comprise a summary of significant accounting principles and accounting methods and other explanatory comments.

In our opinion, enclosed Financial Statements give a true and fair view of the Železnice Slovenskej republiky company's financial position as at 31 December 2021, business results for the year ending as at the above mentioned date 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 and as amended 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, 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 on some facts

Without qualifying our opinion we draw attention to the following facts:

1. As stated in section 1 of the Notes to the Separate 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 stated in sections 2.1 and 17 of the Notes to the Separate Financial Statements, Environmental Burden provision amounting to EUR 12,421 thousand as at 31 December 2021, 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.

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.

When planning or during audit, we identified the following most significant risks:	Our auditor's reaction to those risks was as follows:
<p><i>Correctness and timeliness of putting non-current assets into use</i></p> <p>Additions to non-current assets amounted to EUR 228.2 million. The key matter of the audit is therefore the correct valuation of the acquired assets, the correct depreciation and the timeliness of putting the non-current assets into use.</p>	<p>We tested the additions of non-current assets in connection with concluded contracts and supplier invoices, in connection with the fulfilment of the definition of non-current assets and the value of their initial valuation. As for the significant additions to non-current assets, we verified the correctness of their depreciation in connection with the expected operating life of the assets as well as the timeliness of putting fixed assets into use.</p>
<p><i>Assessment of impairment of non-current assets</i></p> <p>Non-current assets represent a significant part of the Company's total assets. During the audit, we therefore also focused on assessing whether the value of fixed assets was impaired and, if so, whether it was correctly recognized.</p>	<p>We tested adjustments for non-current assets that reduce their residual value. We verified the correctness of booking and recognition of adjustments in the Company's financial statements. Therefore, in the area of assets under construction, we performed audit procedures aimed at identifying whether there is a significant reduction in the value of assets in the expected amount of missing depreciation in connection with the delayed putting of assets into use.</p>
<p><i>Correctness of presentation of received investment subsidies</i></p> <p>The decisive part of non-current assets is financed from external sources in the form of investment subsidies received from the state budget or from the European Union. Received subsidies for the acquisition of non-current assets are recognized as deferred income and are released in income in proportion to the related costs of the subsidized assets.</p>	<p>We verified the recognition of received investment subsidies in deferred income in connection with concluded contracts. We tested the release of the subsidy in connection with the costs related to non-current assets, which were financed from the received subsidies. We tested the eligibility of accounting for the subsidy and its compliance with International Accounting Standard 20.</p>

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

The company management is responsible for the preparation and true and fair presentation of the financial statements in accordance with International Financial Reporting Standards (IFRS) adopted by the European Union and for such internal control as 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 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.

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 if 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

The 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 by 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 2021 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 28 August 2020 based on the approval by the Management Board of the Company on 25 June 2020. The overall continuous period of our audit, including the previous renewals of audit and our repeated appointments for statutory auditors is of 14 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 issued on the same date as the date of 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, verification of economically eligible costs and revenues reported in accordance with the Contract on the Operation of Railway Infrastructure and issuance of a Report on the factual findings in connection with the performance of the INEA grant agreement, we have not provided any other services to the Company nor to the entities in which the Company exercises control.

Banská Bystrica, 21 March 2022

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M.M.Hodžu 3, 974 01 Banská Bystrica
Licence 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!

From the beginning of the year, the biggest problem for ŽSR was the insufficient amount of funds from the state to ensure the operation of the railway infrastructure. The allocated amount of funds was not sufficient for the timely elimination of failures and operating restrictions, which subsequently signed under the long-term lowest performance of Line Timetable. The scope of traffic restrictions - temporary limitations of track speed, was the most critical in June, when we registered a total of 191 cases in the main and traffic tracks with a total length of 147.087 km. Thanks to the increase in the operating subsidy for ŽSR in the amount of EUR 57 millions and the efforts of operating employees, at the end of the year we managed to eliminate a number of failures and operating restrictions (temporary limitations of track speed) and stabilize the operating situation, also taking into account the need for forthcoming change in Line Timetable 2021/2022. At the end of the year, subsidy was increased by EUR 78.1 million to ensure of the financing of investment constructions on the basis of Memorandum between Ministry of Finance of Slovak republic and Ministry of Transport and Construction of Slovak republic, which has a significant impact on the smooth continuation of the ongoing investment constructions of the year 2021 and their continuation in year 2022.

The greatest impact on the development of revenues in 2021 had the situation in connection with COVID-19, which caused a drop in revenues from charges for the access to railway infrastructure and the related sale of traction energy, as well as shortfalls in revenues from other business activities. This shortfall was significantly lower compared to previous year.

The most significant constructions in 2021 included the modernization of railway tracks in track sections Poprad - Lučivná, Bratislava Devínska Nová Ves - Kúty - state border, the completion of the Žilina Node and adjacent infrastructure, as well as the renewal of the rack-rail Štrba - Štrbské Pleso and electrification in the track section Moldava nad Bodvou - Haniska pri Košiciach. At the end of the year, a new section of the railway track was put into early use through the Miločov tunnel and it is expected completion one of the most difficult constructions - modernization of railway tracks in the track section Púchov - Považská Bystrica by finishing and activation of the ETCS system to ensure train safety in the second quarter of 2022. ŽSR remains one of the largest and stable employers in Slovakia. In the area of human resources, we recorded a decrease in the registered number of employees by 205 due to a higher number of terminations by retirement and early retirement. At the same time, the decline was also affected by recruitment restrictions in the first half of the year due to pandemic measures for positions, the performance of which is conditioned by the acquisition of professional competence through full-time training. At the turn of the year, collective bargaining on the amendment to the Collective Agreement for the year 2022 took place intensively. The management of ŽSR is fully aware of the current difficult situation related to rising prices not only for energy, but also for necessities. Related to this, there is need for wage growth not only in the railway sector but also in other sectors of the economy. However, our current options are based on the Approved Public Administration Budget for the year 2022 in the area of wages and the set economic options.

ŽSR is being prepared to draw funds from the Recovery Plan program, which will significantly help improve the quality of railway infrastructure in Slovakia. Together with the Ministry of Construction of the Slovak Republic and the Value for Money Department, ŽSR determined the scope of investment projects that



were included in the list of the Recovery Plan. Approximately 550 million euros will go to the railways from this European package.

I believe that in this year the situation will improve not only in the fight against the coronavirus, but also in the proclaimed emphasis on the need to improve the state of railway infrastructure, co-finance the deferred maintenance, realization of simple reproduction and ongoing projects of modernization of railway tracks and stations will become reality in the year 2022.

Ing. Miloslav Havrila
Director General



Company profile

Železnice Slovenskej republiky (“ŽSR” or “the Company”) was formed pursuant to Act No. 258/1993 Coll. on Railways of the 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 Railroads 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, development plans in terms of European and Slovak transport in order to improve the position of the railway infrastructure manager in the national and international arena.

In 2021, an extensive update of the ŽSR Strategy was processed, which was mainly related to several factors in the external environment. A significant influencing factor was adopted “Recovery and Resilience Facility” under the NextGenerationEU instrument and the associated creation of the so-called national recovery and resilience plans. By the Resolution of the Government of the Slovak republic No. 221/2021, the Recovery and Resilience Plan of the Slovak Republic was approved on 28 April 2021, which was submitted to the European Commission and approved in Brussels on 21 June 2021 by Council Implementing Decision No. 2021/0163 on the approval of the assessment of the recovery and resilience plan of Slovakia. Subsequently, the Ministry of Transport and Construction of the Slovak Republic, in close cooperation with the Value for Money Department of the Ministry of Finance of the Slovak Republic, prepared a strategic document containing the methodology and list of Priorities in Renewal and Development of Railway Infrastructure, which will guide the department in preparing and implementing infrastructure projects.

Vision of ŽSR

Modern, interoperable, safe, accessible, competitive and environmentally friendly railway infrastructure with efficient operation.

Mission of ŽSR

Operation and development of railway infrastructure in accordance with legal provisions and requirements of the railway owner.

Basic strategic goal

A stabilized company with a renewed and sustainable infrastructure by 2030 and its gradual modernization by 2050.

The basic strategic goal is defined **in the time horizons until 2030 and prospectively until 2050**:

Target state by 2030 - stabilized company, renewed and sustainable infrastructure:

- *renewed infrastructure equipments that are after its service life, other equipment brought into the required standard condition and removed temporary limitations of track speed, permanent limitations of track speed (introduced due to failures on railway infrastructure);*
- *modernized signalling systems and remote traffic introduced on all prioritized railway lines;*
- *TEN-T core railway lines equipped with ERTMS;*
- *railway lines equipped with GSM-R radio communication;*
- *revitalized and energy efficient railway stations and stops;*
- *ensured accessibility for people with reduced mobility at railway stations and stops;*
- *stabilized employment structure with regard to the required professional knowledge,*
- *established modern and efficient human resources management;*
- *modern information systems adapted to the needs and requirements of users.*

Target state by 2050 - modernized infrastructure:

- *modernized all TEN-T railway lines and optimized main and secondary railway lines - minimized number of permanent limitations of track speed (significant permanent limitations of track speed removed);*
- *modernized signalling systems and remote traffic introduced on all railway lines;*
- *TEN-T aggregate railway lines and main railway lines equipped with ERTMS;*
- *electrified railway lines of the TEN-T aggregate network and main railway lines;*
- *minimized number of level crossings;*
- *sustainable circular economy.*

In creating the strategy, ŽSR is based on currently valid legal regulations of the EU and the Slovak Republic, transport policy of the EU and the Slovak Republic, governmental and departmental strategic documents of the Slovak Republic, railway owner requirements, customer requirements (carriers and traveling public), development plans of higher territorial units, position of railway transport in the national economy and its position in a competitive market and, last but not least, from its own vision and mission.



Company bodies

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

Management Board is the supreme body of ŽSR.

Composition as at 31 December 2021

Management Board

Ing. Ladislav BARIAK	<i>Chairman of the Management Board</i>
Ing. Radovan MAJERSKÝ, PhD.	<i>Deputy Chairman of the Management Board</i>
Prof. Ing. Jozef GAŠPARÍK, PhD.	<i>Member of the Management Board</i>
Ing. Juraj HORSKÝ, CPA	<i>Member of the Management Board</i>
Mgr. František ZAPARANIK	<i>Member of the Management Board</i>

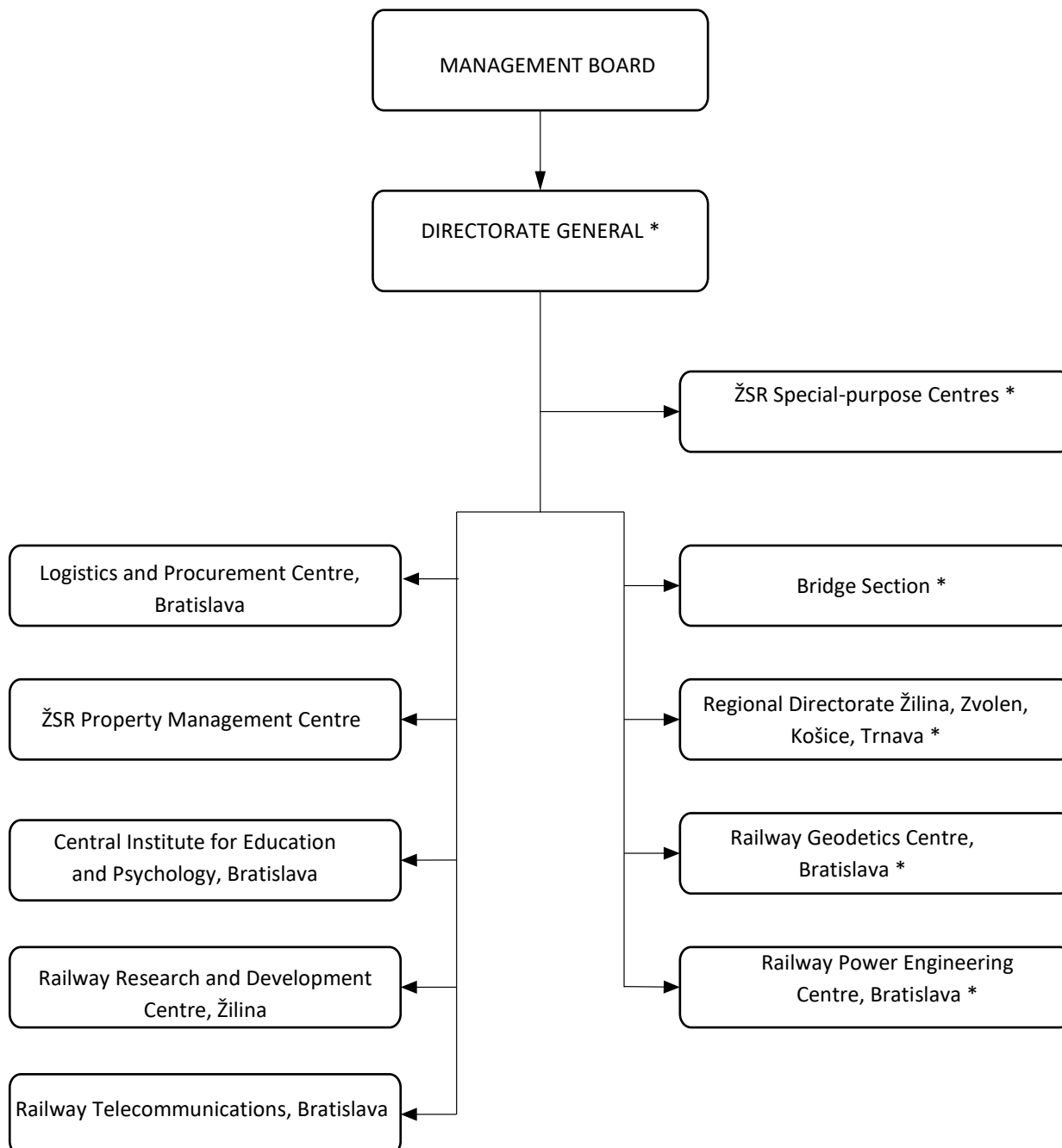
Statutory body

Ing. Miloslav HAVRILA	<i>Director General</i>
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Board of Directors

Ing. Jozef VESELKA	<i>Deputy Director General for Development and IT</i>
Ing. Peter BAGIN	<i>Deputy Director General for Economics</i>
Bc. Milan KUBIČEK	<i>Deputy Director General for Operation</i>
Ing. Pavol KOMARŇANSKÝ, PhD.	<i>Deputy Director General for Human Resources</i>
Mgr. Alexander ZAVACKÝ	<i>Director of the Office of Director General</i>

Organizational structure of ŽSR



* Internal Organizational Units of ŽSR not registered in Commercial Register

Railway infrastructure

Operating of 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 power engineering installations and signalling systems. The Company takes care of railway infrastructure maintenance and development in accordance with technical progress and requirements for safety and the fluidity of railway traffic. 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 2021	31 December 2020
Construction length of operated lines	km	3,580	3,580
Construction length of managed lines	km	3,626	3,627
Construction length of lines	km	6,820	6,866
Number of crossings	pc	2,071	2,079
Number of switches	pc	8,243	8,372
Number of bridges	pc	2,326	2,326
Total length of bridges	m	52,244	52,244
Number of tunnels	pc	76	76
Total length of tunnels	m	45,007	45,007

The differences compared to 2020 are due to the reconstruction and the modernization of railway infrastructure.

Data on “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 46.301 km are as follows:

- *Turňa nad Bodvou – MÁV* 3.139 km;
- *Komárno – Kolárovo* 25.908 km;
- *Žabokrecká spojka* 1.279 km;
- *Plavecký Mikuláš – Plavecké Podhradie including operating control point Plavecký Mikuláš* 5.004 km;
- *Breznička – Katarínska Huta* 9.823 km;
- *Strážčanská spojka* 1.148 km.

Comparison of performances realized within the main activity:

LINE REPAIR WORK	unit	31 December 2021	31 December 2020
Correction of track geometric position	km	782.771	517.223
Correction of geometric position of switches	sj	665	391
Repair of rail bed of track	km	26.348	20.853
Repair of rail bed of switches	sj	15	1
Establishment and renewal of non-contact track	km	6.151	12.044
Welding of switches	sj	10	0
Replacement of tracks	km	75.529	69.107
Replacement of sleepers	pc	21,775	8,661

The total volume of line repair work in 2021 was higher compared to 2020, which positively resulted in decrease in temporary limitations of track speed.

BUILDINGS	unit	31 December 2021	31 December 2020
Number of buildings	pc	4,802	4,861
Built-up area	m ²	1,182,976	1,200,218
Useful area	m ²	1,376,546	1,391,407

The dimensions of built-up areas and usable area in the previous period as at 31 December 2020 were updated on the basis of data from the ongoing audit of buildings in comparison with the data reported in the Annual Report for 2020.



SIGNALLING SYSTEM	unit	31 December 2021	31 December 2020
Track signalling systems			
Automatic block	<i>km</i>	482	478
Automatic block system	<i>km</i>	374	370
Semi-automatic block	<i>km</i>	708	714
Line with telephone communication system	<i>km</i>	1,807	1,793
Station signalling system	<i>pc</i>	513	513
Remote controlled signalling systems operated by dispatcher	<i>km</i>	396	396
Train signalling system	<i>km</i>	727	753
Crossing signalling systems	<i>pc</i>	2,071	2,079
of which:			
Passive crossings - unsecured	<i>pc</i>	1,001	1,003
Active crossings - secured	<i>pc</i>	1,070	1,076
of which:			
light crossings	<i>pc</i>	1,025	1,029
mechanical crossings	<i>pc</i>	45	47
Hump signalling systems	<i>pc</i>	218	218
GSM-R			
GSM-R Control Centre	<i>pc</i>	1	1
GSM-R Base Transceiver Station	<i>pc</i>	64	64
Communication technology			
Voice and visual information system	<i>pc</i>	82	82
Electrical fire alarm system	<i>pc</i>	217	217
Intrusion alarm system	<i>pc</i>	159	159
ELECTRICAL INSTALLATIONS	unit	31 December 2021	31 December 2020
Electrified lines	<i>km</i>	1,585	1,585
Developed length of traction lines	<i>km</i>	5,112	5,014
Supply and distributing substations	<i>pc</i>	94	94
OPERATING CONTROL POINTS ON THE NETWORK OF ŽSR	unit	31 December 2021	31 December 2020
Operating control points total	<i>pc</i>	1,022	1,024
Operating control points manned/unmanned	<i>pc</i>	362/660	364/660
of which:			
Railway stations	<i>pc</i>	293	294
Border stations	<i>pc</i>	22	22
Other operating control points (<i>blocks, branching-off, turn-out, stops, transshipment yards, gatekeeper post, operating control points under Regulation ŽSR Z1 and others</i>)	<i>pc</i>	707	708

The year-on-year changes in "Operating control points on the network of ŽSR" results from changes in the organization of transport operations of ŽSR within the systematization of operating control points.

LINE TIMETABLE PERFORMANCE

Percentage performance of absolute Line Timetable was 89.37% (planned limit 93.00 %). 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, inclement weather, malfunctions of mobile means of railway undertakings, incidents, infrastructure breakdowns, as well as closing of a line to traffic and traffic restrictions of neighbouring infrastructure managers. The reason of low percentage is mainly the effects of unclassified causes, the consequences of which could not be eliminated by the actions of ŽSR, which represented up to 5.78 %.

Performance of relative Line Timetable was 97.13 % (planned limit 97.50 %). This quality indicator expresses the degree of ŽSR's culpability on the train delays on the rail network. Performance of this indicator has been influenced mainly by infrastructure equipment failures, numerous temporary limitations of track speed and closing of lines. Closings of lines to traffic with the impact on the train delays included mainly modernization closings of lines, as well as closings of lines focused on maintenance and renewal:

- in the track section Púchov – Považská Bystrica, closing of a line took place throughout the year and ended on 15 December 2021;
- in the track section Žilina – Dolný Hričov trains ran on a single track in the months of March and May,
- in the track section Žilina – Kysucké Nové Mesto, the insertion of switches was realized and the trains ran on a single track section in the months of May - June,
- between Poprad a Svit, as a result of closings of line, trains ran on single track,
- between Kraľovany - Ľubochňa, closing of a line was realized focused on elimination of temporary limitations of track speed,
- in the track section Párnica – Kraľovany, remediation of the rock wall took place and bridge sleepers replacement, works were carried out 13 times in two-day continuous blocks from August to October,
- in the track section Rača – branching-off Vinohrady, complex reconstruction of the track took place in the period from 10 to 16 July 2021 with measures in passenger transport and the use of a diverted traffic,
- in the track section branching-off Vinohrady – Bratislava hlavná stanica, continuous closing of a line took place on 1st railway track from 20 - 29 September 2021 and on 2nd railway track from 4 to 13 October 2021,
- in the track section Bratislava hlavná stanica – Branching-off Močiar, continuous closing of a line took place on 2nd railway track from 18 – 27 October 2021 and on track No. 1 from 3 to 12 November 2021 with use of a diversion traction and measures in passenger transport,
- in months September, October and November, eight-hours closings of lines in working days took place on Tatra Electric Railway to modify catenary gradually on all sections.

During 2021, the interplay of negative factors was repeatedly recorded, which could not be eliminated by the coordinated action of the infrastructure manager's employees.



TRAIN PATHS BY TYPE OF TRAIN		unit	31 December 2021	31 December 2020
Passenger transport	Passenger trains	pc	501,416	498 440
	Express trains	pc	23,221	20 660
	Fast trains	pc	27,718	29 211
	Liner trains	pc	27,416	24 701
	Locomotive trains	pc	6,896	6 585
Passenger transport total			586,667	579,597
Freight transport	Locomotive trains	pc	87,796	83 068
	Running freight trains	pc	78,008	68 335
	Express freight trains	pc	39,750	35 391
	Handlers trains	pc	25,800	25 765
	Work-siding trains	pc	3,684	3 248
	Staff trains	pc	80	0
Freight transport total			235,118	215,807

TRAIN PATHS BY CATEGORY OF TRACK		unit	31 December 2021	31 December 2020
Passenger transport	Main lines	pc	345,881	332,740
	Other main lines	pc	171,747	167,240
	Secondary lines of regional importance	pc	115,357	113,803
	Secondary lines with simplified traffic management	pc	31,244	30,314
	Narrow-gauge lines	pc	27,095	33,385
	Special lines	pc	304	230
Freight transport	Main lines	pc	185,453	169,622
	Other main lines	pc	76,501	69,127
	Secondary lines of regional importance	pc	12,253	12,946
	Secondary lines with simplified traffic management	pc	3,882	3,623
	Narrow-gauge lines	pc	5	0

SUMMARY OF TEMPORARY LIMITATIONS OF TRACK SPEED BY CATEGORY OF TRACK

	Category	Year 2021		Year 2020	
		<i>pc</i>	<i>m</i>	<i>pc</i>	<i>m</i>
The most important main tracks	I. a	406	188,731	440	227,505
	I. b	14	3,652	26	5,444
Main tracks	II.	73	49,391	56	42,745
Regional tracks	III.	153	111,129	173	152,838
Local tracks	IV.	4	1,635	1	136
Total		650	354,538	696	428,668

The categorization of the Company's railway tracks being used in the record of temporary limitations of track is given by the ŽSR Regulation "Measurement and evaluation of railway track geometry position by ŽSR track geometry car".

SUMMARY OF PERMANENT LIMITATIONS OF TRACK SPEED BY CATEGORY OF TRACK

	Category	Year 2021		Year 2020	
		<i>pc</i>	<i>m</i>	<i>pc</i>	<i>m</i>
The most important main tracks	I. a	5	12,180	1	4,363
	I. b	0	0	1	187
Main tracks	II.	1	54	0	0
Regional tracks	III.	9	8,355	1	50
Local tracks	IV.	0	0	1	18,784
Total		15	20,589	4	23,384

These permanent limitations of track speed have been introduced as a replacement for long-term temporary limitations of track speed due to the unsatisfactory technical condition of the railway tracks and structures for the operation of the rail transport at the specified line speed. Incorporating the permanent limitations of track speed into the line timetable eliminates train delays, thus improving its performance.

Charges for the access to railway infrastructure

The railway infrastructure was operated on a non-discriminatory basis to all railway undertakings. In 2021, the railway infrastructure services were provided to 54 railway undertakings, to 8 undertakings in passenger transport and to 44 undertakings in freight transport, to 2 undertakings in freight and passenger transport.

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

Charge (in thousands of EUR)	<i>31 December 2021</i>	<i>31 December 2020</i>
	101,238	95,224
herein: Železničná spoločnosť Slovensko, a. s.	50,409	48,127
Železničná spoločnosť Cargo Slovakia, a. s.	33,865	30,700
Other railway undertakings	16,964	16,397
herein: Passenger transport	1,439	2,611
Freight transport	15,525	13,786
Charges include compensation from reduction of charges for railway undertakings in freight transport provided by Ministry of Transport and Construction of the Slovak Republic	27,760	24,146

Charges for the access to railway infrastructure for the year 2021 are higher by EUR 850 thousand compared to revenues from operation of railway infrastructure (Note 23). Ministry of Transport and Construction of Slovak republic issued instruction No. 37/2021 dated 16 August 2021, which ordered to ŽSR to reimburse the carriers for the fee of allocated but unused capacity for the period from 1 March 2020 to 31 December 2020.



RAILWAY UNDERTAKING'S PERFORMANCE

From the year-on-year perspective, a total increase by 1,770 thousand train-km was recorded in transport performance. The increase in total performance was largely on the side of freight transport where we record a year-on-year increase of 1,194 thousand train-km. The largest increase of 602 thousand train-km reported Železničná spoločnosť Cargo Slovakia. For other railway undertakings, there was a year-on-year increase in transport performance by 592 thousand train-km.

In passenger transport, we record a year-on-year increase by 576 thousand train-km. The largest increase of 1,604 thousand train-km reported Železničná spoločnosť Slovensko, a. s.. This increase was due to an increase of ordered train-km. The largest decrease of 1,300 thousand train-km in transport performance recorded RegioJet.

Performance	unit	31 December 2021	31 December 2020	Year-on-year change in %
Passenger transport	<i>(thousand train-km)</i>	34,722	34,146	1.69
	<i>(million grtkm)</i>	9,352	9,002	3.89
Freight transport	<i>(thousand train-km)</i>	15,273	14,079	8.48
	<i>(million grtkm)</i>	18,599	16,447	13.08
Total	<i>(thousand train-km)</i>	49,995	48,225	3.67
	<i>(million grtkm)</i>	27,951	25,449	9.83

Contract on the operation of railway infrastructure

The operation of railway infrastructure in 2021 was carried out in accordance with the Contract on the operation of railway infrastructure for 2017 – 2021 as amended by Appendices No. 10 - 13 concluded between ŽSR as the railway infrastructure manager and the Slovak Republic as the railway infrastructure owner represented by Ministry of Transport and Construction of the Slovak Republic.

Comparison of parameters of the Contract on the operation of railway infrastructure:

	31 December 2021*	31 December 2020
Contract Balance (in thousands of EUR)		
Costs (Economically Eligible Costs total)	434,538	420,335
therein:		
Costs of services provided under minimum access package	392,038	379,486
Costs of services provided under track access to service facilities	40,885	39,199
Costs of TIP Žilina, TIP Lužianky and TIOP Moldava nad Bodvou	1,615	1,650
Revenues (Economically Eligible Revenues total)	407,263	406,591
therein:		
Reimbursement from the railway infrastructure owner	298,600	302,495
Payment for the access to railway infrastructure from undertakings	72,628	71,078
Compensation of financial impact	27,760	24,146
Revenues from other business activities	8,275	8,872
Business result for services	-27,275	-13,744
Coverage of losses by retained earnings	27,275	13,744
Total business result	0	0

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

Reimbursement from the railway infrastructure owner – the Slovak Republic represented by Ministry of Transport and Construction of the Slovak Republic to cover economically eligible costs related to ensuring the administration and the operation of railway infrastructure was in the amount of EUR 298,600 thousand, which represented a year-on-year decrease in the amount of EUR 3,895 thousand. To ensure compensation of financial impact associated with reduction of charges for access to railway infrastructure for railway undertakings that provide freight transport services in 2021, allocated funds were recorded to revenues in 2021 in the amount of EUR 27,760 thousand, which there has been year-on-year increase by EUR 3,614 thousand.

Modernization and development of railway infrastructure

Investment actions realized in 2021 amounted to EUR 221,955 thousand. Investments represent modernized components of railway infrastructure – railway stations, railway substructure, railway superstructure, overhead contact lines, signalling systems, supporting walls and construction of railway bridges.

Overview of investment actions implemented in 2021:

Modernization, reconstruction and construction of railway infrastructure	203,129
Safety of operation	9,887
Improving of services for railway undertakings	8,308
Automation of traffic management	185
Other	446
Total	221,955

Investment actions were financed mainly from capital subsidies in the total amount of EUR 177,958 thousand, own resources in the amount of EUR 27,173 thousand, credit resources in the amount of EUR 16,379 thousand and others.

Investments from own resources

The most significant investment actions realized in 2021 from own resources include:

Reconstruction of rack-rail Štrba - Štrbské Pleso	8,095
Rail flaw defection diagnostics vehicle	6,324
Railway station "Bratislava východ", track No. 10S and 11S	2,985
Replacement of risk components of the catenary in the Košice Regional Directorate	2,908
Reconstruction of railway tracks No. 1,2 in track section Kraľovany - Ľubochňa	1,809
Starý Smokovec, Traction rectifies substation, reconstruction of the building	1,447
Railway station Košice – reconstruction of platforms No. 1, 2, 3 and tracks No. 11,9,8,7,6,5,3a,1	1,200

❖ *Reconstruction of rack-rail Štrba - Štrbské Pleso*

Substantial volumes of work in 2021 were work on the railway superstructure, laying the rail grate, including the rack rail, graveling, lining and levelling of the tracks. The paving was laid on the platforms and in the Štrba boarding hall. Test runs began on 26 July 2021, and the entire building was handed over for early use on 4 October 2021.

❖ *Rail flaw deflection diagnostics vehicle and measuring devices*

Within the schedule to the Contract for work No. 330/3/2019/DV NDT, milestone II. aimed at taking over, approving and completing the "Vehicle" part was fulfilled in the scope of:

- external parts of the vehicle (frame, box, windows, doors), chassis, including brakes
- interior spaces
- main technological equipment (traction motor, gearbox, compressors, power plant, air conditioning)
- water management
- wiring and power distribution
- surface treatment

❖ *Railway station "Bratislava východ", reconstruction of track No. 10S and 11S*

Railway station "Bratislava východ", as a freight yards, is located in the railway track "Bratislava Rača - Bratislava Vajnory" in the track section 2704. The railway station has several dozen tracks for the marshalling of freight train traffic. The reconstruction consisted of a complete replacement of the railway superstructure of both tracks, modifications of the railway substructure with drainage of both tracks in the total length of 1,943 metres and modifications of the equipments of cable lines of the signalling and security apparatus.

❖ *Replacement of risk components of the catenary in the Košice Regional Directorate*

The current state of the traction line and its components is after the lifetime and there is a real risk of performance limitation of traffic realized by dependent traction (freight traffic) and the subsequent introduction of Tables E for electrical interval. The replacement of traction line components also includes the replacement of damaged and unsuitable carrier cables and extensions, auxiliary carrier cables, machine cables, contact wires, droppers, clamps, anchor springs, holders.

❖ *Starý Smokovec, Traction rectifies substation, reconstruction of the building*

Reconstruction of the historic listed building of the traction rectifier substation consisted of thermal insulation of the building, replacement of roofing with gutters and downspouts, replacement of windows and doors, changes in heating, stripping the entire building, replacement of water distribution, wiring, sewerage and modification of all interior walls and ceilings with new plaster and replacement all floors in the building. Part of the reconstruction of the building was the reconstruction of social and hygienic premises for ŽSR employees in emergency rooms and a separate housing unit. The traction rectifier substation was equipped with an intrusion alarm system and a camera system.

❖ ***Railway station Košice – reconstruction of platforms No. 1, 2, 3 and complex reconstruction of railway superstructure tracks No. 11,9,8,7,6,5,3a,1***

The subject of the construction was a complex reconstruction of the railway superstructure tracks No. 1, 3a, 5, 6, 7, 8, 9 and 11, including drainage and remediation of the railway substructure. The extension of the platform at track No. 6 was also realized.

Elements such as real estate, railings, lighting, external elements of information and notification equipment were dismantled, as well as dismantling of the external dispatcher's building and a non-functional elevator shaft in the luggage underpass and dismantling of tracks No. 7 and 9.

In the field of electrical engineering and energy, an electrical connection was set up to supply the future container house for the security equipment, and preparatory work has started on the lighting of the underpasses and the electrical installation of platform No. 2. Work is being continued in 2022 as part of the continuous closing of the platform and adjacent tracks.

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.

The aim of Priority Axis No. 3 is realization of intercepting car parks projects, to build parking lots for cars and bicycles with all its supportive features as camera system surveillance, information system equipment, which will ultimately contribute to changing the behaviour 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.

During the year 2021, Non-Repayable financial contribution Agreements were concluded for these OPII projects with a total amount of eligible expenses of EUR 125,088 thousand:

Modernization of corridor - state border Slovak republic / Czech Republic - Čadca - Krásno nad Kysucou (except), railway track, section Svrčinovec – state border Slovak republic / Czech Republic	34,860
Implementation of the technical specification for interoperability in the conditions of ŽSR	12,776
Train stop Nové Košariská - parking lot for individual car transport, PD (DZD, DBPCR)	124
Intermodal Passenger Transport Terminal in Bratislava, section Devínska Nová Ves – Bratislava hlavná stanica – Podunajské Biskupice, TIOP No. 6 - project documentation	485
Electrification of railway track Haniska pri Košiciach - Moldava nad Bodvou, realization	65,298
Intermodal Passenger Transport Terminal Trebišov, realization	11,545

In 2021, funds were received from the OPPII, mainly for construction projects:

Railway track “Púchov – Žilina”, stage I., track section “Púchov - Považská Teplá”	19,714
Communication infrastructure of telematics services of ŽSR	5,296
Implementation of the technical specification for interoperability in the conditions of ŽSR	621

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

It is the most investment and technically demanding construction since the ŽSR's autonomy. Modernization of railway track consisted 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. Total length of the modernized track section including stops, turn-out and railway stations is 15.921 km. The new track shortened the track section by 2.821 km.

The dominant elements are the tunnels Diel (length 1,082 metres) and Milochovo (length 1,861 metres). On 15 December 2021, single-track operation of the Milochovo tunnel has started by early use on track No. 1. The operation of track No. 2 in the part from flyover bridge to Považská Bystrica is on old track. The operation of the new track No. 2 will be possible after the end of stage A3 (10 January 2022 to 12 April 2022), when railway superstructure and substructure, retaining wall, traction line and security apparatus for railways are completed. An integral part of construction 44 will be completed and the whole section will be operated on the new track, including ETCS by May 2022.

On 15 December 2021, operation on the road has also started, which is being carried out on the original - abandoned railway body of the A branch (section Púchov - Milochovo) and the road is in early use. In 2022, implementation will continue with the termination of branch B by May 2022.

❖ **Communication infrastructure of telematics services of ŽSR**

The project of Communication infrastructure of telematics services of ŽSR ensured the modernization of communication equipment (routers and switches) in localities on the southern route of Slovakia in the section Bratislava – Nové Zámky – Zvolen – Plešivec – Košice and in the section Bratislava – Komárno. The implementation of the project improved the technical parameters of the ŽSR communication network, increased network transmission capacity and security. Last but not least, the implementation of the project ensures the full rounding of the northern and southern routes of Slovakia, which ensures higher reliability of the network. In accordance with the Non-repayable financial contribution Agreement, the realization of the work was completed in November 2021.

❖ **Implementation of the technical specification for interoperability in the conditions of ŽSR**

The subject of the project is the supply of new modules, interfaces and services, modifications of existing information systems in order to meet the requirements of the Commission regulation No. 1305/2014 of 11 December 2014 on the technical specification for interoperability relating to the telematics applications for freight subsystem of the rail system in the European Union and Commission regulation No. 454/2011 of 5 May 2011 on the technical specification for interoperability relating to the subsystem ‘telematics applications for passenger services’ of the trans-European rail system.

Information stands were installed in 40 railway stations, which will serve to inform the traveling public about the train's operation, the current delay, the reason for the delay and the composition of the train.

Capital transfer from state budget

Based on the Contract No. 353/AD00/2021 dated 21 July 2021 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 104,453 thousand. These funds were allocated as follows:

In subprogram *Construction and renewal of railway network* were funds in the amount of EUR 15,475 thousand allocated mainly to the following investment projects:

Reconstruction of railway tracks No. 1, 2 in track section Kraľovany - Ľubochňa	2,790
Remediation of the rock wall in km 3.150 - 3.750 of track Kraľovany - Párnica	2,691
Reconstruction of avalanche barriers in km 2.450 - 2.710 of track Kraľovany - Párnica	1,907
Púchov - Lúky pod Makytou - state border Czech Republic / Slovak republic, complex reconstruction of traction line and signalling apparatus for railways	1,857

❖ ***Reconstruction of railway tracks No. 1, 2 in track section Kraľovany - Ľubochňa***

As part of the construction, a complex reconstruction of the railway superstructure, railway substructure, construction of platforms at the railway stop Stankovany, modifications of culverts and bridges, modifications of the traction line, modifications of the security apparatus for railways, including remediation of the rock cliff with construction of the frame wall were carried out. A standard infrastructure has been built at the railway stop Stankovany, providing access to the platforms, equipped with an orientation system for passengers with shelters and outdoor lighting. The investment project was also financed from own resources.

❖ ***Remediation of the rock wall in km 3.150 – 3.750 of track Kraľovany - Párnica***

In the solved section, the rock wall above the track was formed by a strongly cracked and crushed rock. Securing the rock mass after removing the overgrown vegetation and loose rock blocks consisted mainly in remediation with steel high-strength geocomposite nets in combination with anchoring elements. These measures have been supplemented in certain positions by protective fences and dynamic barriers.

❖ ***Reconstruction of avalanche barriers in km 2.450 - 2.710 of track Kraľovany - Párnica***

In km 2.450 - 2.710 of track Kraľovany - Párnica, the slope above the railway track is affected by geodynamic phenomena such as avalanches and the fall of rock fragments, boulders and blocks, which are moved by gravity to the track. The subject of remediation consisted of cleaning the slopes from overgrowth and unwanted vegetation, reconstruction of existing avalanche barriers and addition of other dynamic capture structures.

❖ ***Púchov - Lúky pod Makytou - state border Czech Republic / Slovak republic, complex reconstruction of traction line and signalling apparatus for railways***

The purpose of the reconstruction is to replace the existing physically and morally worn traction line in the interstation section Púchov - Lúky pod Makytou. The traction system will be changed from 3 kV to 25 kV, AC 50 Hz. The change of the traction system invokes the modification of security and signalling devices, dismantling of unnecessary technology. Reconstruction of the traction line and signalling apparatus for railways will ensure and simplify the vehicle technology in the direction of the Czech Republic.

In subprogram *Outside Co-financing beyond the financial gap + ineligible costs (above GAP) of OPII* were funds in the amount of EUR 60,074 thousand allocated mainly to the following investment projects:

	<i>In thousands of EUR</i>
Modernization of railway track Púchov - Žilina, for track speed up to 160 km/hour – stage I. (Púchov - Považská Teplá)	33,608
Finishing of Marshalling yard “Žilina Teplička” and the related railway infrastructure at Hub Žilina - realization; as temporary funding until the time of the OPII refund	23,542
Finishing of Marshalling yard “Žilina Teplička” and the related railway infrastructure at Hub Žilina - project documentation of Building permit documentation, Construction documentation and Contractor selection documentation	2,006

❖ ***Finishing of Marshalling yard “Žilina Teplička” and the related railway infrastructure at Hub Žilina***

The modernization consists of the reconstruction of the existing railway infrastructure in order to increase its technical equipment and usability - increase track speed up to 120 km / hour, vehicle throughput for UIC C kinematic gauge and UIC GC gauge, load capacity of the railway superstructure and railway substructure for load class D4 UIC, throughput of railway bridges for the UIC - 71 load train, peronization with off-level access of passengers and modification of pedestrian roads in the areas of stations and stops for people with reduced mobility, exclusion of level crossings on the main line, construction of new overpasses, underpasses with related roads, complex reconstruction of the traction line, reconstruction of power lines, new track and station security apparatus for railway and new telecommunications technology.

In subprogram *CEF projects – co-financing from the state budget/ineligible costs in the amount of EUR 15,605 thousand and temporary financing – EU part* in the amount of EUR 13,300 thousand were funds allocated mainly to the following investment projects:

Modernization of railway track Žilina - Košice, track section Liptovský Mikuláš - Poprad Tatry (except), stage I. (Poprad - Lučivná)	15,773
Modernization of railway section Váh - Varín - Strečno (section 1)	10,982

❖ ***Modernization of Railway track Žilina - Košice, track section Poprad Tatry (except) – Krompachy, stage I. (Poprad – Spišská Nová Ves), project preparation and realization***

The purpose of the construction is to modernize the technical infrastructure of the track on the given section, which is part of the TEN-T network and the European railway corridor No. V in order to achieve the parameters in terms of European Community legislation, European standards, legislation and standards of the Slovak Republic and the AGC and AGTC agreements. The main task is to enable better

access to the Trans-European Transport Network and to the transport network of neighbouring countries. The total length of the modernized section of the track, including the railway stop Lučivná and the railway station Svit, will be 12.700 km. The new route will shorten the track section by 0.157 km. Construction works are being carried out on the track sections Poprad - Svit, Railway station Svit and on the track section Svit – Štrba.

❖ *Modernization of railway section Váh - Varín - Strečno (section 1)*

The construction is part of the ŽSR construction, Finishing of Marshalling yard “Žilina Teplička” and the related railway infrastructure at Hub Žilina. It is divided into separately realizable integral parts, where, Section 1 is financed from CEF and Section 2 is financed from OPII. Section 1 includes integral parts of construction 54 - track section Váh - branching-off and rail stop Varín and integral parts of construction 55 - Varín - Strečno branching-off and rail stop.

Capital transfer - Support of defence

In interministerial subprogram Support of defence, under Contract No. 212/A410/2021 on provision of funds from the category of budget of Ministry of Transport and Construction of the Slovak republic were allocated in the amount of EUR 375 thousand, intended for the construction of loading and unloading spaces in railway station Sása Pliešovce and in railway station Kamenica nad Cirochou.

Connecting Europe Facility – CEF

The CEF program 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 2021, ŽSR received from the European Union payments in the amount of EUR 17,951 thousand. As at 31 December 2021, the total amount of all provided payments for investment projects is in the amount of EUR 53,846 thousand.

Advance payments are bound to following projects:

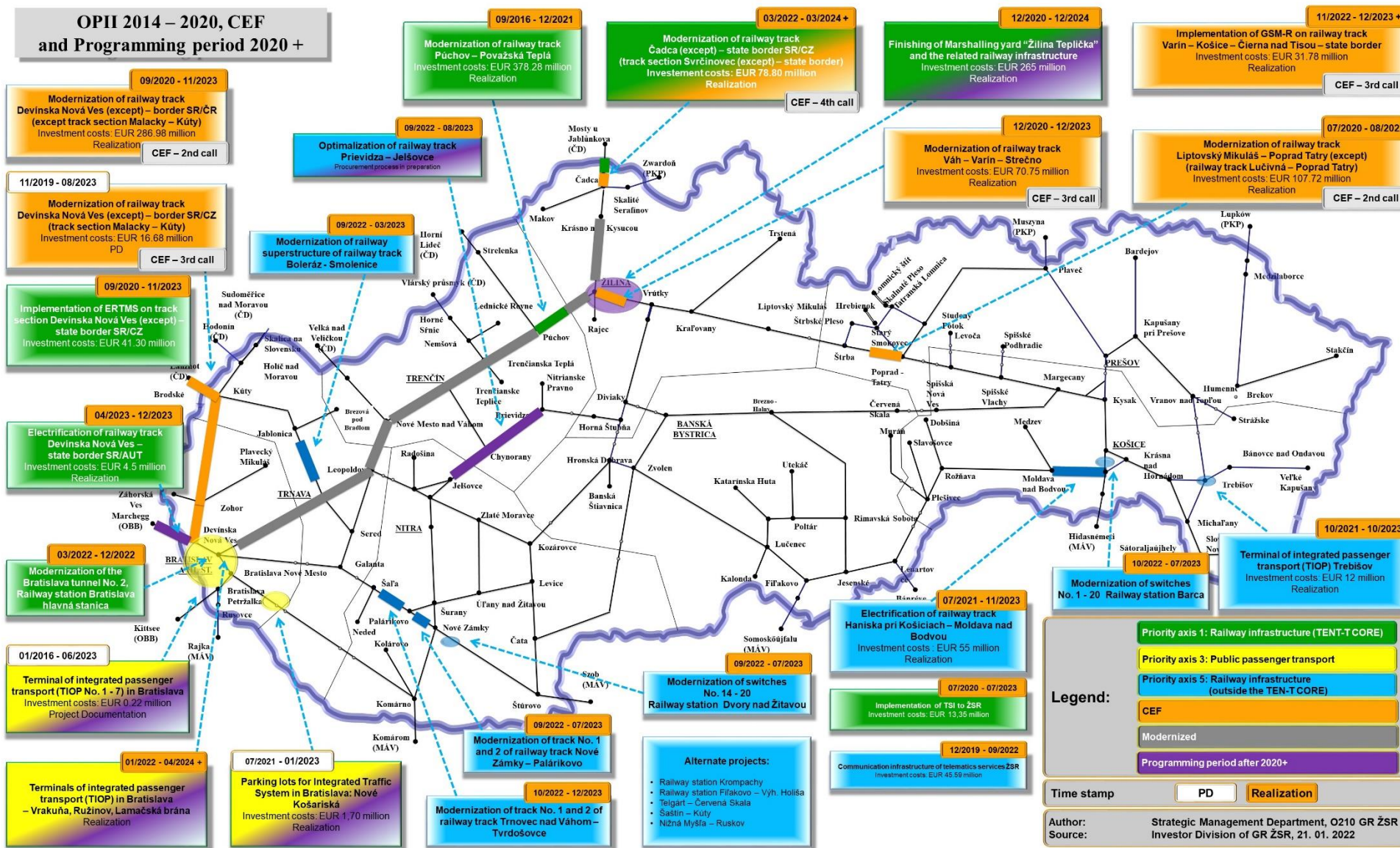
- Modernization of railway track Devínska Nová Ves – state border Slovak republic / Czech Republic
- Modernization of railway track Žilina – Košice, track section Liptovský Mikuláš – Poprad Tatry (except) – stage I. (Poprad - Lučivná)
- Modernization of railway track Devínska Nová Ves – state border 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
- Modernization of railway section Čadca - Svrčinovec railway stop (including)

In 2021, received payments from Connecting Europe Facility funds were spent mainly on projects:

Railway track Žilina – Košice, track section Liptovský Mikuláš – Poprad Tatry (except) – stage I. (Poprad - Lučivná)	23,564
Modernization of railway track Váh – Varín – Strečno (section No. 1)	5,821
Modernization of railway track Devínska Nová Ves – state border Slovak republic / Czech Republic (Construction A)	2,343



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:



Economic and financial indicators

Business result of the Company

In 2021, ŽSR achieved a negative business result. The year-on-year development of costs was significantly influenced by higher costs of consumed purchases, especially repairs and maintenance and payroll costs, where the increase is 2.70%.

<i>Costs and revenues (in thousands of EUR)</i>	31 December 2021	31 December 2020
Costs	536,136	516,326
<i>herein</i>		
Payroll costs	294,259	286,533
Depreciation, amortization and impairment of non-current assets	78,406	81,338
Consumed purchases	72,676	60,006
Revenues	516,507	501,150
<i>herein</i>		
Payment for the access to railway infrastructure	72,659	71,106
Operating subsidy of the Contract on the Operation of the Railway infrastructure	326,360	326,641
Sales of track energy	66,370	61,985
<i>Profit / Loss before tax</i>	<i>-23,698</i>	<i>-16,788</i>
Profit / Loss	-19,629	-15,176
Other comprehensive income	-545	1,349
Comprehensive profit / loss for the period	-20,174	-13,827

Settlement of ŽSR's business result for the year 2021 will be additionally incorporated in accordance with the decision of the Management Board of ŽSR after the submission of audited financial statements for the year 2021.

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 2,975,120 thousand.

<i>Assets (in thousands of EUR)</i>	31 December 2021	31 December 2020
Non-current assets	3,616,344	3,574,494
<i>herein</i>		
Property, Plant and Equipment	3,565,248	3,494,813
Current assets	185,152	149,509
<i>herein</i>		
Trade receivables	11,723	13,749
Inventories	14,481	11,220
Cash and cash equivalents	107,217	102,066



Total Assets	3,801,496	3,724,003
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Equity represents 43 % of total equity and liabilities. Non-current liabilities increased by EUR 63,064 thousand mainly due to the receipt of investment subsidies for non-current assets.

Equity and Liabilities (in thousands of EUR)	31 December 2021	31 December 2020
Equity	1,646,350	1,665,678
<i>herein</i>		
Registered capital	800,170	800,170
Capital funds	519,912	519,611
Non-current liabilities	1,933,070	1,870,006
<i>herein</i>		
Loan, state and EU subsidies	1,800,002	1,698,868
Current liabilities	222,076	188,319
<i>herein</i>		
Short-term loan	12,000	11,500
Current trade liabilities	83,388	54,999
Total Equity and Liabilities	3,801,496	3,724,003

Financial indicators

	unit	31 December 2021	31 December 2020
Profit / Loss	<i>In thousands of EUR</i>	-19,629	-15,176
Liquidity Indicators			
Current liquidity		1.07	1.15
Total liquidity - average		1.25	1.34
Expenditure Indicators			
Expenditures	%	103.80	103.03
Salary expenditures	%	38.79	39.18
Indebtedness Indicators			
Self-financing indicator	%	81.59	81.41
Total indebtedness	%	18.41	18.59
Debt to equity ratio	%	22.56	22.84
Labour Productivity Indicator			
From revenues	<i>EUR/empl.</i>	38,304	36,767
From performance	<i>trkm/empl.</i>	3,708	3,538



Financial investments

Company	Share (%)
STABILITA, d. d. s., a. s. Košice	55.26
ŽPSV, a. s. Čaňa	41.06
Breitspur Planungs GmbH Wien (Austria)	27.74
HIT RAIL, b. v. Amsterdam (Netherlands)	4.00

- Stabilita is a complementary pension insurance administration company,
- ŽPSV Čaňa is a company active in production of concrete products, precast units and structures for construction purposes,
- Breitspur Planungs is a company engaged in the preparation of a broad-gauge railway connection project,
- HIT RAIL, b. v. is a company managing international data infrastructure.

Sustainable development

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. In 2021, in terms of control activities, anti-pandemic measures within the spread of the COVID-19 virus also continued. 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	31 December	Difference Total /ŽSR
	2021 Total /ŽSR	2020 Total /ŽSR	
Train collision	20/8	19/4	+1/+4
Train derailment	5/2	4/2	+1/0
Collision with level crossings users	32/0	36/0	-4/0
Rolling stock fire accidents	8/0	11/0	-3/0
Injuries by rolling stock	80/1	94/1	-14/0
Shunting accidents	16/6	14/6,5	+2/-0,5
Consequences of accidents			
Level crossing fatalities	12	8	+4
Unauthorized persons fatalities	67	72	-5
Staff fatalities	2	1	+1
Passenger fatalities	0	0	0
Fatalities - another person on the platform	1	0	+1
Fatalities - another person off the platform	1	0	+1

* Total number of accidents on the ŽSR network / accidents caused by a facility or employee of ŽSR

Type of occupational injuries	31 December 2021	31 December 2020	Difference
Total occupational injuries	41	41	0
of which major occupational injuries:	2	4	-2
Fatal injuries	1	3	-2
Severe injuries	1	1	0
Number of missed calendar work days	4,596	3,562	1,034
Number of injuries per 1,000 employees	3.041	3.008	0.033
Average number of employees	13,484.52	13,630.52	-146.00

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.

A necessary step to reduce the adverse impact of ŽSR on the country's ecology in 2021 was the fulfilment of the objectives of currently valid legal regulations, transport policy of the EU and the Slovak Republic, government and departmental strategic documents aimed at environmental protection.

The Environmental Impact Assessment (EIA) process is one of the important tools for protecting the environment and ensuring sustainable development. Therefore, the EIA process is an integral part of ŽSR projects within the development and sustainability of railway infrastructure. In an effort to achieve a comprehensive evaluation of the expected impacts of projects on the environment, ŽSR also in 2021 ensured a qualitatively better preparation of its own EIA projects, through internal professional units. As part of the EIA process, surveys aimed at better clarifying the environmental impacts of projects were also ensured. The surveys include, for example, climate assessment, the aim of which is to prepare

planned projects for the expected level of action of possible risk factors resulting from changing climatic conditions. The assessment results in adaptation and mitigation measures that contribute to better environmental transport options and a strong transport system that can withstand the potential negative effects of climate change.

ŽSR also participated in the Strategic Environmental Assessment (SEA) process during the preparation of many external strategic documents before their approval.

From the environmental point of view, the application of the assessment process (EIA / SEA) leads in particular to:

- rational and efficient use of natural resources,
- identification of key impacts and measures to eliminate them respectively mitigation,
- prevention of serious and irreversible damage to the environment,
- protection of the health and safety of people and their property.

In 2021, the EIA process was completed for the following projects:

- Modernization of railway track Žilina – Košice, track section Liptovský Mikuláš – Poprad-Tatry (except), stage V.;
- Modernization of railway track Bratislava hlavná stanica – Kúty – Lanžhot CZ, track section Devínska Nová Ves (except) – Kúty – Lanžhot CZ;
- Railway station Krompachy, renewal of switches No. 23, 24, 25, 26, 27, 28, 29, 30;
- Railway station Dvory nad Žitavou, reconstruction of switches No. 14, 15, 16, 17, 18, 19, 20;
- Railway station Nové Zámky and Railway station Palárikovo – reconstruction of track No. 1 and 2;
- Boleráz – Smolenice, complex reconstruction of railway superstructure of track No. 1, cadastral area Boleráz, Bíňovce, Smolenice;
- Šaštín - Kúty, complex reconstruction of railway superstructure, track No. 1;
- Railway station Trnovec nad Váhom – Railway station Tvrdošovce, reconstruction of track No. 1 and track No. 2;
- Railway station Barca, renewal of switches No. 1 - 20.

For the project "Complex reconstruction of the bridge object at the rail kilometre of 37.910 of track state border (Marchegg) - Devínska Nová Ves, track section 2805, definition section 02, state border ÖBB Devínska Nová Ves" and "Railway station Fiľakovo - turn-out Holiša, reconstruction of the railway superstructure and railway substructure", a decision from the investigation procedure was issued in 2021.

Environmental impact assessment is also part of feasibility studies, in which the possible impacts of individual proposed alternatives are identified. This evaluation was also carried out in 2021 as part of the currently being prepared study "Double track of the railway track Devínska Nová Ves - Marchegg".

ŽSR also contributes to improving the quality of the environment by implementing important measures, such as:

- introduction of new structural elements, which in addition to increasing the driving comfort of rolling stock and passengers, will also ensure the minimization of negative impacts of railway traffic on the environment (noise, vibration control, etc.). ŽSR in accordance with the valid legislation of the Slovak Republic (Act No. 2/2005 Coll. on the assessment and control



of environmental noise and on the amendment of the Act of the National Council of the Slovak Republic No. 272/1994 Coll. on people health protection as amended) carry out noise map studies at regular intervals and, subsequently, action plans to eliminate or minimize the negative impacts of railway operations on the environment,

- ongoing companywide collection system of hazardous types of waste in accordance with the applicable legislation on waste management,
- remediation of the bedrock as removal of old environmental burdens,
- continuation of the solution of the geological task "Rehabilitation of the bedrock and groundwater in the premises of the former pumping complex 24/24" and also in the operation of groundwater protection in Čierna nad Tisou,
- replacement in facilities with a high GWP greenhouse F gas for low GWP F gas, which contributes to the reduction of air emissions, which the Company reports to the relevant state administration bodies in accordance with the applicable legislation,
- removal and subsequent biodegradation of hazardous waste, which was generated after reconstruction work and was included in the category of hazardous waste in accordance with Act No. 223/2001 Coll. on waste as amended,
- efforts to reuse some of the recovered raw materials and materials.

Air protection

In accordance with the legal obligations, ŽSR calculated charges for air pollution by medium sources for the monitored period and submitted them to the relevant air protection authorities, which subsequently approved them in the form of decisions. The emission limits for medium sources of air pollution determined by the district authorities were complied with by ŽSR in 2021.

Overview of ecological accidents

In 2021, a total of 5 releases of pollutants were recorded within the scope of ŽSR, which were removed on site.

Human resources

The development of employment in 2021 was mainly influenced by the consequences of the COVID-19 pandemic. The registered number of employees is declining compared to the previous period; the average recalculated registered number of employees in 2021 is also declining.

Development of employment	31 December 2021	31 December 2020	Difference (2021 - 2020)	Difference in %
Number of employees as at 31 December	13,490	13,704	-214	-1.56
Average number of employees	13,484.52	13,630.52	-146	-1.07

The male employees represent 76 % and the female employees represent 24 % of total number of ŽSR employees. In 2021, 783 employees terminated their employment with ŽSR and 671 employees were recruited. In the most cases, employees were terminating their employment by an agreement and or retirement. The employee turnover rate in 2021 represented 2.16 %.

Age structure	31 December 2021	% share	31 December 2020	% share
up to 20 years of age	25	0.19	33	0.24
20 - 29 years of age	1,138	8.44	1,185	8.65
30 - 39 years of age	1,987	14.73	1,991	14.53
40 - 49 years of age	3,673	27.23	3,883	28.33
50 - 59 years of age	5,196	38.52	5,228	38.15
over 60 years of age	1,471	10.90	1,384	10.10
Total	13,490	100.00	13,704	100.00

The average age of all ŽSR's employees was 47.9 years of age. Slight increased number of employees over 50 and over 60 years of age is a consequence of increase of retirement age in the Slovak Republic.

Education structure	31 December 2021	% share	31 December 2020	% share
Elementary education	253	1.88	278	2.03
Secondary education	3,231	23.95	3,332	24.31
Complete secondary education	7,435	55.11	7,515	54.84
University education	2,571	19.06	2,579	18.82
Total	13,490	100.00	13,704	100.00

In education structure of employees, there were no significant change in percentage comparison of individual levels of education. Under the "Adaptation programme for graduates of selected schools", 26 absolvant graduates were recruited. The low number of accepted graduates is also related to their direct placement in vacant type positions.

As at 31 December 2021, ŽSR employed 454 employees with disabilities over 40% up to 70% and 61 employees with disabilities over 70%. In 2021, ŽSR fulfilled the obligation of the employer to employ citizens with disabilities in accordance with Act No. 5/2004 Coll. on employment services.



Recruitment of employees

Due to pandemic measures, the recruitment of new staff was limited in the spring, as well as participation in job fairs and presentations at schools. The recruitment was focused on the promotion of type positions, especially in the form of print advertising. After the release of the measures, full-time training was relaunched in May, which opened up opportunities for recruitment, especially critical job positions.

Within the ŽSR Graduate Program, 110 graduates were planned to be accepted. In order to fill vacant operational type positions, information on the possibility of employing graduates to ŽSR was sent to selected secondary vocational schools of transport, electrical engineering and other technical specialization throughout the Slovak Republic. At the same time, job offers requiring university education were published or sent electronically to graduates of specific faculties and departments of the University of Žilina in Žilina, the Slovak University of Technology in Bratislava and the Technical University in Košice.

The Facebook group Career of ŽSR was established, within which videos and information about selected type positions are published.

Large-format advertisements and clips with posters were installed for the traveling public at 17 selected railway stations, which inform about job opportunities at ŽSR and provide contacts for job seekers.

In connection with the effort to increase interest in the position of station inspector, especially among operational employees at workplaces, ŽSR provides a contribution for professional growth and a contribution for accommodation and housing, which is aimed at obtaining employees willing to migrate for work.

Dual Education and Scholarship Program

In 2021, 21 students completed their studies in the dual education system, of which 17 concluded an employment contract with ŽSR and four students returned financial costs in accordance with the obligation under the Learning Agreement, as they opted for full-time university studies.

In 2021, ŽSR received a contribution of EUR 54,600 from the state on the basis of an application for a financial contribution as a partial compensation for the costs of vocational training for a student in the dual education system.

Since 2017, ŽSR has been implementing a scholarship program as an alternative to the dual education system, especially for secondary school students. In the school year 2020/2021, three students who concluded an employment contract with ŽSR in accordance with the obligation from the Scholarship Agreement completed their education in the scholarship program.

The pandemic situation limited the activities of recruiting students for ŽSR educational programs. The period of distance education caused that the learning outcomes of the students who applied to us were significantly weaker than in previous years. These facts caused that half of the number of students met the set criteria in 2021. In these conditions, we concluded 20 contracts (15 for the dual education system and 5 for the scholarship program) with students who met the requirements of the study average and successfully completed a medical examination and psychological interview.



Since 2016/2017, students of the Department of Railway Transport in the University of Žilina have the opportunity to acquire professional competence for the position of station inspector during their bachelor's studies. ŽSR offers this opportunity to all students, but also to pedagogical staff free of charge after fulfilling their mental and medical qualifications. The scholarship program for universities was created with the aim of attracting promising experts in the field of railway transport.

Despite activities to attract new applicants for the scholarship program, we are increasingly encountering disinterest on the part of students at technical universities, including the University of Žilina in Žilina.

In ŽSR's educational programs, 126 pupils and students of secondary vocational schools and the University of Žilina have been studying at present.

Remuneration and Employee Benefits

Collective Agreement of ŽSR for the period 2021-2023 was agreed by the contracting parties. In connection with the situation with COVID-19, Appendix No. 1 to the Collective Agreement dated 15 January 2021 solved obstacle in work on the part of the employer with wage compensation in the amount of 75% of average earnings. Appendix No. 2 to the Collective Agreement dated 9 July 2021 supplements the relations of the contracting parties concerning trade union membership fees. Appendix No. 3 signed on 18 November 2021 defined in particular the possibility of providing a contribution for reconditioning stay for selected type positions.

In accordance with point 47 of the Collective Agreement of ŽSR for the period of 2021 - 2023, the annual volume of bonuses for ŽSR in the amount of bonuses actually paid in 2019 was agreed for employees remunerated by the tariff wage in 2021. The growth of the tariff wage for 2021 was not agreed. The average wage for 2021 amounted to EUR 1,238.02, which is in EUR 45.93 more than for 2020, in which the average wage after retirement was EUR 1,192.09.

The year 2021, as 2020 was affected by pandemic measures. In 2021, the number of hours not worked due to an obstacle to work on the part of the employer decreased by 303.1 thousand hours, but at the same time the number of hours not worked increased due to temporary incapacity for work and treatment of a family member by 179.5 thousand hours.

Employees were provided with cash and non-cash benefits to strengthen employees' stabilization and motivation. ŽSR provide a wide range of benefits:

- reduction of weekly working time fund to 36 hours without wage reduction (for selected type 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 beyond the Labour Code according to the Collective Agreement of ŽSR,
- 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, supplement for recondition stay in the period of suspension of provision of recondition stays,
- Jubilee and increased retirement bonuses depending on the number of years worked,
- accommodation and housing allowance for selected type positions,
- Recreation allowance for employees in accordance with the Labour Code.

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 trade union organizations.

Employee Awards

In 2021, 28 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 Slovak republic	13 awarded
Degree of the Minister of Transport of the Slovak republic - Merited transport employee	14 awarded
Appreciation of the Minister of Transport of the Slovak republic for a deserved act	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.

Research and Development

Expenditure on research and development

Operational processes (in thousands of EUR)	31 December 2021	31 December 2020
- Research expenditures	0	283
- Development expenditures	12	27
Total	12	310

The most significant assignments completed and resolved in 2021:

- studies of the operational concept of the unification of traction electric networks of ŽSR and the related power supply concept,
- elaboration of a regulation for verification (testing) operation of infrastructure equipment in the conditions of ŽSR,
- update of regulation SR 103-3 (TS) - Drawings of materials for railway superstructure - track,
- determination of the estimated value of the contract for studies, project documentation in various stages of execution,
- regulation Maintenance of ŽSR Powered orbital vehicle,
- application of new calibration methodologies for calibration laboratory 1 Vrútky in the metrology system for calibration of pressure and length gauges,
- Wireless transmission of operating conditions of relay crossing signalling installations on secondary lines,
- limitation of the adverse effect of high-voltage discharges during storms on the functionality of the electronic encoders of the automatic block,
- revision of STN P 34 2651: 1999 - Railway crossing equipment,
- elaboration of regulation TS3-7 Categorization of obtained material of railway superstructure.

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

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 already a national problem.

Despite the fact that 3,389 job-seekers were registered in 2021, 618 job-seekers were hired in the operational positions. Most of the applicants did not meet occupational psychological and medical fitness. Some of them has resigned when they learned about high demands and responsibilities of ŽSR's operational working positions compared to the provided salary.

Risks in Information Technology and Cyber Security

Current risks in the field of information technology and cyber security are identified within the framework of the elaborated and approved initial Risk Analysis and Risk Management Plan in ŽSR. In the Company, which is the operator of Basic Services in accordance with Act No. 69/2018 Coll. on cyber security, an independent third party carried out a cyber-security audit.

Significant IT risks include for instance misuse, corruption, loss of data, and possible disruption to important information systems.

Significant risks in the area of cyber security include, in particular, the restriction of the provision of basic services of ŽSR in terms of disrupting the continuity of confidentiality, integrity and availability of key components of information and industrial technologies.

These risks are eliminated by various measures such as monitoring, antivirus updates, operating system updates, managed applications, servers and networks, security patches, external penetration tests at regular intervals and in terms of the application of security measures resulting from Decree No. 362/2018 Coll.

Risks in the field of information technology and cyber security are reduced at least through:

- monitoring the state of information and communication technologies by their operators and administrators,
- continuous control of compliance with the adopted security measures by management staff,
- control of compliance with the adopted security measures by performing control activities and audits,
- reviewing the security measures taken and evaluating their effectiveness,
- security audits performed by independent third parties,
- security risk assessment,
- assessing the cause of security incidents.



From the point of view of cyber security, critical elements of the network are also information systems, which in accordance with the Cyber Act, directly or indirectly support the operation of the identified basic services of ŽSR:

- signalling and security apparatus (signalling and security apparatus for railways area),
- railway power engineering (electrical and energetics area),
- operation of critical infrastructure in relation to information systems (networks supporting the operation of the basic service of ŽSR),
- networks and information systems (data networks and Internet exchange).

In accordance with the organizational rules of ŽSR, cyber and information security is managed by Internal Organizational Unit of ŽSR - Railway Telecommunications, which provide methodical management and control of cyber and information security, strategy and development of information systems, information technologies and electronic communication systems at ŽSR. Comprehensive data protection and system protection of communication, information systems and technologies in accordance with applicable laws and standards.

Anti-Corruption Measures and Code of Conduct

The **Anti-Corruption Programme of ŽSR** was adopted in accordance with the Resolution of the Government of the Slovak Republic No. 585/2018 of 12 December 2018, which approved the Anti-Corruption Policy of the Slovak Republic for the years 2019 - 2023 (hereinafter referred to as the "Anti-Corruption Policy of the Slovak Republic"), with the intention of:

- improving anti-corruption prevention,
- improving the fight against corruption,
- increase the effectiveness of anti-corruption measures.

The Anti-Corruption Programme of ŽSR is a part of the Anti-Corruption Policy of the Slovak Republic. The Anti-Corruption Programme of ŽSR is also included in the Departmental Anti-Corruption Program of the Ministry of Transport and Construction of the Slovak Republic so that the added value is to increase the measurable effectiveness of the adopted anti-corruption measures.

The Anti-Corruption Programme of ŽSR was conceived as open and flexible and aimed at helping to fulfill the purpose of Anti-Corruption Policy of the Slovak Republic, which is to improve anti-corruption prevention and the fight against corruption, taking into account current dynamics of corruption phenomena, conditions and opportunities, emergence of new corruption situations, identified corruption risks and causes of corruption. The Anti-Corruption Programme of ŽSR takes into account the specifics, respectively the context of the scope, environment, relations, circumstances and context of the performed activities, procedures and obligations of ŽSR, but especially the identified corruption risks.

Based on the analysis of the current situation, the following **priorities of Anti-Corruption Policy of ŽSR** were determined in the Anti-Corruption Programme of ŽSR:

- preventing the causes of possible corrupt behavior,
- an effective way of reporting manifestations and risks of possible corrupt behavior and investigating the received complaints,
- continuous evaluation of the functionality and effectiveness of the measures already in place or the appropriateness of introducing the intended new measures in order to combat and prevent corrupt practices in the future.

The goal in enforcing Anti-Corruption Policy of ŽSR is, to the widest possible extent:

- create an environment in which the protection of the public interest is emphasized and corruption is rejected,
- identify and eliminate corruption risks, including the detection of corruption schemes and improve awareness of corruption risks,
- raise awareness of corruption, activate anti-corruption behavior and employee action,
- respect the principles of transparency, economy, efficiency, non-discrimination, equal treatment, proportionality, in particular,
- to build and strengthen the public's confidence (including its own employees, business partners, third parties - candidates, bidders in the public procurement process and especially each notifier of corrupt behavior) that ŽSR perceives the fight against corruption not only as a formal commitment to solving a societal problem,

- prevent the emergence of corruption risks, reduce them and eliminate them in the management of subsidies, in the use of EU funds and in the field of public procurement,
- reduce the ability of individual employees to make decisions based on their own discretion and eliminate the identified opportunities to make decisions based on their own will,
- reduce corruption risks through a fair assessment of the proportionate responsibility of employees.

In order to achieve the above-mentioned goals and priorities, specific anti-corruption measures and ŽSR departments, which are responsible for their implementation, were identified in the Anti-Corruption Programme of ŽSR.

The Anti-Corruption Programme of ŽSR also contains a mechanism for evaluating the success rate of the implementation of the adopted anti-corruption measures.

In 2020, ŽSR adopted a new ŽSR Code of Ethics, which replaced the Code of Ethics of ŽSR Employee dated 29 January 2005. The ŽSR Code of Ethics is a summary of ethical principles, standards and requirements that are binding on members of ŽSR bodies as well as ŽSR's employees. It can be stated that the set goals and priorities in the Anti-Corruption Program of ŽSR are being fulfilled on an ongoing basis, as evidenced by the measures taken in the past year.

In the ŽSR Code of Ethics, ŽSR undertakes to act in accordance with legal regulations, good morals and the principles of fair trade in all legal relations within ŽSR, as well as in relations with the external environment. ŽSR considers compliance with legal regulations, internal rules and ethical principles to be the basis for successful and sustainable operation and achievement of ŽSR's goals. ŽSR undertakes to comply with the ŽSR Code of Ethics all members of their bodies as well as their employees and its contractual partners. In the second half of 2021, the preparation of the ŽSR gift policy concept began, which represents a significant move in the fight against corruption. The gift policy as a part of the ŽSR Code of Ethics will significantly contribute to the reduction of potential corruption risk, at the same time it is easier to identify or reveal possible corrupt behavior in negotiations with potential contractual partners, as well as in concluding and fulfilling contracts.

The ŽSR Code of Conduct also sets out an effective way of reporting a suspicion of a breach of this Code, subsequently evaluating the validity of this suspicion and taking follow-up action if the suspicion is substantiated.

Violation of the ŽSR Code of Conduct may result in sanctions under employment law regulations, including termination of employment or other legally approved consequence.

In 2021, the "Code of Ethics for Procurement" entered into force, the main objective of which is to establish basic rules and principles of conduct not only for ŽSR employees but also for candidates / tenderers / concessionaires / members of the supplier group, including their subcontractors who participate in any way or are interested in participating in procurement processes. The aim of the Code is to support as much as possible compliance with the established rules, values and principles of the entities concerned at all stages of the procurement process and thus prevent inefficient use of public funds, taking into account the obligations arising from applicable legislation and internal regulations of ŽSR.

International cooperation

ŽSR is a member of several international organizations and groupings:

- CER – Community of European Railway and Infrastructure Companies

CER develops activities aimed at supporting the development of railways and promoting modal shift towards more environmentally friendly transport modes, minimizing external costs and improving the economic performance of railways. Membership in the CER is important as it creates conditions for railway cooperation in the submission, drafting and commenting on European railway legislation.

- UIC – International Union of Railways

The longest ŽSR's membership is in the UIC, which maintains and develops the overall interconnection of the railway system and allows its interoperability to improve rail competitiveness. UIC is currently actively involved in matters of standardization and preparation of International Railway Standards – IRS (IRSs are gradually replacing UIC Leaflets), global and regional project activities, digitalization initiatives, research and innovation activities and quality management system activities.

- RNE – RailNetEurope – European Infrastructure Managers Association

Another important organization is RNE, which in the framework of international cooperation develops IT tools that are used in rail transport. RNE 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.

- OSJD – Organization for Cooperation between Railways

Organization for Cooperation between Railways creates the basis of cooperation between member countries. It is an organization bringing together the relevant transport ministries of the member states. OSJD together with the UIC are currently preparing common leaflets 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 associations provide cooperation between railway organizations within concerned regions.

- RFC – Rail Freight Corridors

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

ŽSR is a member of four Rail Freight Corridors with active participation in their management structures and in working groups:

- Rail Freight Corridor No. 5 – “Baltic - Adriatic “
- Rail Freight Corridor No. 7 – “Orient/East Mediterranean “
- Rail Freight Corridor No. 9 – “Rhine-Danube “,
- Rail Freight Corridor No. 11 – “Amber “

- PRIME – Platform of Rail Infrastructure Managers in Europe

The platform is focused to improve cross-border cooperation among rail infrastructure managers, support implementation of European rail policy, establish a single railway area, improve the deployment of ERTMS, compare performance parameters and exchange best practices between infrastructure managers. For ŽSR, membership in the platform in 2021 meant new challenges in international cooperation. In addition to the two plenary sessions, working groups have largely developed.

In 2021, the Funding Subgroup continued its research for an in-depth study, the main aim of which is to describe the existing structures and mechanisms for funding railways and charging for access to railway infrastructure in each EU Member State. The study will offer an overview of the structure of financial resources, flows, volumes and development of each infrastructure manager and the implementation of EU regulations in accordance with Regulation 2012/34.

International events and activities in 2021

In 2021, restrictions continued in relation to the implementation of foreign business trips due to a global pandemic, so a large part of international negotiations took place through conference video calls.

The most important international negotiations with the participation of Železnice Slovenske republike included:

- Telemost to the cooperation strategy of Russian Railways – Ministry of Transport and Construction of Slovak republic, ZSSK Cargo, ŽSR (19 January 2021),
- CER General Assembly (26 January 2021),
- RFC 5 General Assemblies (23 February 2021, 22 April 2021, 28 June 2021, 29 September 2021, 1 December 2021, 14 December 2021),
- RFC 7 Administrative Board (23 February 2021, 27 May 2021, 7 October 2021, 23 November 2021),
- RFC 9 Administrative Board (8 February 2021, 24 March 2021, 5 May 2021, 7 June 2021, 15 June 2021, 28 June 2021, 23 and 30 July 2021, 30 September 2021, 22 and 29 November 2021, 16 December 2021),
- RFC 11 Administrative Board (25 February 2021, 1 June 2021, 17 September 2021, 30 November 2021),
- Video Conference of the General Directors of OSJD (19 – 23 April 2021),
- Border video conference with Ukrainian Railways (18 – 20 May 2021),
- RNE General Assembly (19 May 2021, 7 December 2021),
- RFC 9 Opening Ceremony (8 June 2021),
- PRIME Plenary Session (24 June 2021, 18 November 2021),
- Celebration of the 25th anniversary of the founding of the Hungarian Railways in Budapest (10 September 2021),
- Connecting Europe Express, which travelled to some EU countries and visited Bratislava (10 – 11 September 2021) and Košice (19 September 2021),
- CER General Assembly and TRAKO Exhibition in Gdańsk (20 and 21 September 2021),
- Meeting for cooperation in the development of a high-speed track in Central Europe in Vienna (9 September 2021),
- Technical day of the traction line in Brno (30 September – 1 October 2021).

Key events in 2021

January

Based on the Resolution of the Government of the Slovak Republic No. 453/2020 in order to limit the movement of the population as much as possible, the conditions of the lockdown and the restriction of the mobility of citizens were tightened, which also affected ŽSR. The methodological instructions enabled work from home to employees to whom the nature of the work enables this performance, of course with ensuring operation and other activities. By the measure of the Chief Hygienist of the Ministry of Transport and Construction of the Slovak Republic, all trainings and educational activities were suspended until further notice.

February

In February, the Report on the State of Railway Safety, Occupational Safety and Health Protection, Fire Protection and Environmental Protection on the ŽSR Network for 2020 was approved. The report provides a deeper overview of railway safety and presents its current state of safety and health protection at work, fire protection and environmental protection.

March

ŽSR announced a tender in the form of an electronic auction for the sale of real estate of railway polyclinic in Žilina. ŽSR's long-term intention in the area of real estate management is to rationalize its scope and reduce its management costs. At the same time, it is necessary to effectively capitalize other assets that are not related to the main activity of ŽSR (i.e. the administration and maintenance of railway infrastructure). Such permanently unnecessary assets are also the properties of ŽSR medical facilities, the process of gradual decommissioning of which began in 2005 in the form of leasing of these properties to a licensed healthcare provider.

April

In April and May, the European Railway Safety Climate Survey took place at ŽSR, the issue of which is addressed in the document Railway Safety Policy. The European Railway Safety Climate Survey was developed by ERA with the support of a special working group composed of experts from railway organizations and authorities from all over Europe.

May

On 6 May, the General Director of ŽSR Miloslav Havrila and representatives of the Ministry of Transport and Construction of the Slovak Republic signed a contract for the processing of project documentation of the Integrated Passenger Transport Terminal of Ružinov in Bratislava. The realization of Integrated Passenger Transport Terminal of Ružinov is expected by the end of 2023.

The Government of the Slovak Republic approved an amendment to the Act on the State Budget for 2021. This amendment provided for the co-financing of ŽSR. The primary goal of ŽSR is to maintain the safety and reliability of railway operations, which requires its co-financing. The second goal is to realize significant investment projects of track modernization in the track sections Poprad - Lučivná, Devínska Nová Ves - Kúty - state border, reconstruction of the Žilina junction and completion of the sections under construction between Bratislava and Žilina.

June

ŽSR together with the Ministry of the Interior of the Slovak Republic and the Railway Police launched the Stop by Pocket Thieves campaign at stations where more frequent thefts occur.

With the participation of the President of the National Council of the Slovak Republic Boris Kollár, the Minister of Transport Andrej Doležal, the State Secretary of the Ministry of Transport Jaroslav Kmeť, representatives of ŽSR, ZSSK and Cargo Slovakia, a symbolic memorial to the railway workers who lost their lives in the course of their profession was unveiled on 22 June.

The pandemic situation in 2020 did not allow after 40 years to hold the planned event called "The Queen of the Railways has not left". The event finally took place on June 26. The ceremonial ride of the steam train from Bratislava via Galanta and Trnava to Leopoldov, pulled by steam locomotive 556.036, ended the regular operation of steam locomotives in Slovakia.

On 30 June, ŽSR signed a contract with a successful tenderer for the national project "Electrification of the railway track Haniska pri Košiciach - Moldava nad Bodvou, realization". The electrification of the track will enable the connection of the train transport of the mentioned section to the Integrated Transport System of Košice. Optimization should lead to the modernization of security apparatus for railways with the possibility of remote control. The railway station and railway stops will also be modified.

July

Based on the increasing volume of accidents on railway tracks, ŽSR launched the "Railway track is not a playground" campaign in cooperation with organizations providing psychological assistance in difficult life situations. Railway safety is one of the priorities of ŽSR. Inattention and unnecessary gambling are long-term the most common cause of serious injuries and deaths on the railway tracks.

August

ŽSR announced a tender in the form of an electronic auction for the sale of real estate of railway polyclinic in Zvolen. After the polyclinic in Žilina, it is the second railway building to be offered for sale as part of the rationalization of the scope of real estate and the reduction of railway management costs.

September

Year 2021 was the year of the railways in Europe. The European Year of Railways has been declared by the European Commission to support and promote passenger and freight rail transport in Europe. On this occasion, a special 'Connecting Europe Express' train set out from Lisbon train station on 2 September. After eight days, he arrived in Bratislava Hlavná stanica and subsequently in the Museum of Transport of the Slovak Republic, where a ceremonial welcome of the train took place with the participation of representatives of the European Commission, the state and representatives of railway companies and carriers.

On 23 September, a contract for the construction of the Integrated Passenger Transport Terminal was signed in Trebišov, which is to bring about the modernization of the bus and railway station premises. The project, worth more than ten million euros, will improve the quality of travel, allow passengers to switch between modes of transport with a focus on the bearing railway transport system. The contract for the construction of Integrated Passenger Transport Terminal Trebišov with the participation of the State



Secretary of the Ministry of Transport of the Slovak Republic Jaroslav Kmeť and the Mayor of Trebišov Marek Čižmár was signed by the Director General of ŽSR Miloslav Havrila together with representatives of Chemkostav Michalovce. The contractor undertook to hand over the construction within 24 months of handing over the construction site.

In September, the reconstruction of Railway Station Košice began. The reason for the renewal is also to increase security, reduce restrictions in the creation and implementation of the time schedule and reduce costs. The renewal also concerns the debarrierization of the station.

On 27 September, the State Secretary of the Ministry of Transport and Construction of the Slovak Republic Jaroslav Kmeť together with the Director General of ŽSR Miloslav Havrila ceremoniously cut the trolley on the occasion of the electrification of the almost twenty-kilometer track section Haniska pri Košiciach - Moldava nad Bodvou. The project will enable the connection of train transport to the Integrated Transport System of self-governing region Košice and will also include the reconstruction of railway stations and railway stops.

October

ŽSR participated in the organization of the anniversary of the operation of the track Michalany - Humenné, which has been 150 years since.

The Ministry of Finance of the Slovak Republic provided ŽSR with funds in the amount of EUR 57 million, which ŽSR used for infrastructure repairs, repairs of elevators and escalators at railway stations, station lighting and ensuring barrier-free access and safety for passengers. It was also necessary to use funds to repair roofs and boiler rooms and designated technical equipment. In addition to infrastructure repairs, the funds provided were used to ensure the replenishment of permanent advances in the amount of EUR 1.5 million and the purchase of material in the amount of EUR 2.5 million, such as rails, switch components, switches, contact wire, sleepers, which can be used next year during repairs.

Following the release of this volume of funds from the Ministry of Finance of the Slovak Republic, ŽSR removed 54 temporary limitations of track speed on main tracks of more than 67 kilometres, which has a positive effect on reducing passenger train delays not only in Slovakia but also on international trains.

November

The Minister of Transport and Construction of the Slovak Republic Andrej Doležal dismissed and subsequently appointed new members of the Management Board of ŽSR. The members of the Management Board of ŽSR are Ing. Ladislav Bariak, Prof. Ing. Jozef Gašparík, PhD., Ing. Juraj Horský CPA, Ing. Radovan Majerský, PhD., Mgr. František Zaparanik. The position of the Chairman of the Management Board of ŽSR is held by Ing. Ladislav Bariak, deputy chairman Ing. Radovan Majerský, PhD.

December

By putting into early use, on 15 December, the first train passed through the Milochovo tunnel on track No.1. Subsequently, on 16 December, the operation was launched to the public. There is a two-way railway traffic in the Diel tunnel. Operation of track No. 2 in the part from the Milochovo tunnel to the flyover bridge is on old track, until the beginning of the next stage of modernization.



Event that occurred after 2021

On 24 February 2022, there was an armed conflict in the territory of Ukraine. In this connection, the Slovak Republic on 26 February 2022 from 12:00 hour declared an emergency in relation to the mass influx of foreigners.

The Ministry of Transport and Construction of the Slovak Republic applied to ŽSR for recognition of a 100% discount on access to railway infrastructure for a new transport service implemented in the regime of humanitarian and evacuation trains intended for transport of goods and passengers from the moment of the declared emergency until further notice on a non-discriminatory principle for all railway undertakings provided these transport services. ŽSR will request the Ministry of Transport and Construction of the Slovak Republic to financially cover the loss of these revenues.

ŽSR is currently unaware of the direct risks to its activities in connection with the conflict in Ukraine and sanctions against the Russian Federation. However, the conflict will affect the development of the world economy, and this situation, among other effects, is already having a negative effect on the growth of oil and other commodity prices, especially energy. We are currently unable to reliably quantify the impacts of these potential future risks for 2022.



Separate financial statements

Prepared in accordance with International Financial Reporting Standards
as adopted by the EU for the year ended 31 December 2021



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STATEMENT OF FINANCIAL POSITION

	<i>Note</i>	<i>31 December 2021</i>	<i>31 December 2020</i>
ASSETS			
NON-CURRENT ASSETS			
Property, Plant and Equipment	4	3,565,248	3,494,813
Investment property	5	27,914	31,089
Intangible Assets	6	15,159	22,364
Financial Investment	7	7,624	7,624
Non-Current receivables	8	399	18,604
Total Non-Current Assets		3,616,344	3,574,494
CURRENT ASSETS			
Inventories	9	14,481	11,220
Trade receivables	10	11,723	13,749
Other receivables and assets	11	51,731	22,474
Cash and Cash Equivalents	12	107,217	102,066
Total Current assets		185,152	149,509
TOTAL ASSETS		3,801,496	3,724,003
EQUITY AND LIABILITIES			
EQUITY			
Registered capital		800,170	800,170
Capital funds		519,912	519,611
Legal reserve fund		19,597	19,597
Earnings from previous periods		326,300	341,476
Loss for accounting period		-19,629	-15,176
Accumulated earnings		306,671	326,300
Total Equity	13	1,646,350	1,665,678
NON-CURRENT LIABILITIES			
Loans	3,14	98,477	100,477
State and EU subsidies	15	1,701,525	1,598,391
Provisions and accruals	16,17,18	68,341	69,209
Deferred tax liability	38	50,181	54,754
Other non-current liabilities	19	14,546	47,175
Total Non-Current Liabilities		1,933,070	1,870,006
CURRENT LIABILITIES			
Short-term loans and current portion of long-term loans	3,14	12,000	11,500
Short-term state and EU subsidies	15	68,832	65,619
Trade liabilities	20	83,388	54,999
Payables to the public institutions	21	12,844	11,238
Other liabilities	22	37,258	37,401
Provisions and accruals	16,17,18	7,754	7,562
Total Current liabilities		222,076	188,319
TOTAL EQUITY AND LIABILITIES		3,801,496	3,724,003

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

STATEMENT OF COMPREHENSIVE INCOME

	<i>Note</i>	<i>31 December 2021</i>	<i>31 December 2020</i>
REVENUES			
Railway infrastructure operation	23	72,659	71,106
Subsidies for railway infrastructure operation	24	326,360	326,641
Operation and concessions of intermodal transport terminals	25	5,541	5,049
Electric energy	26	70,404	65,620
Telecommunication services and IT services	27	5,239	5,258
Property revenues	28	14,230	9,642
Other revenues	29	18,005	15,926
Total revenues		512,438	499,242
OPERATING COSTS			
Materials	31	-26,636	-23,666
Energy	32	-81,893	-77,090
Services	33	-46,040	-36,340
Payroll costs	34	-294,259	-286,533
Depreciation, amortization and impairment	35	-78,406	-81,338
Other operating costs, net	36	-8,575	-11,359
Total operating costs		-535,809	-516,326
LOSS FROM OPERATIONS		-23,371	-17,084
FINANCIAL COSTS / INCOME			
Interest from loans	14	-127	-139
Other financial costs / income	37	-200	435
Total financial costs / income		-327	296
LOSS before tax		-23,698	-16,788
Income tax	38	4,069	1,612
LOSS after tax		-19,629	-15,176
Other comprehensive income:			
Items that will not be reclassified to profit or loss:			
Re-measurements of post-employment benefit obligations	18	-690	1,708
Deferred tax related to re-measurements	38	145	-359
COMPREHENSIVE LOSS FOR PERIOD		-20,174	-13,827

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 2020	800,170	518,490	21,904	339,169	1,679,733
Loss for the period	0	0	0	-15,176	-15,176
Non-cash increase in capital	0	596	0	0	596
The use of legal reserve fund to cover loss	0	0	-2,307	0	-2,307
Other comprehensive income	0	525	0	2,307	2,832
As at 31 December 2020	800,170	519,611	19,597	326,300	1,665,678
As at 1 January 2021	800,170	519,611	19,597	326,300	1,665,678
Loss for the period	0	0	0	-19,629	-19,629
Non-cash increase in capital	0	487	0	0	487
Other comprehensive income	0	-186	0	0	-186
As at 31 December 2021	800,170	519,912	19,597	306,671	1,646,350

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

STATEMENT OF CASH FLOWS

	<i>31 December</i>	<i>31 December</i>
	2021	2020
Profit before tax	-23,698	-16,788
<i>Adjustments by non-cash transactions</i>	49,957	58,948
Depreciation, amortization and impairment	151,436	151,455
Dividends and other profit sharing recorded against revenues	-2	-701
Interest recorded against expenses	299	387
Interest recorded against revenues	-4	-3
- Gain / + Loss from the sale of property, plant and equipment	-4,351	-492
+ Increase / - Decrease in provisions	-693	-2,818
Amortization of state subsidies	-73,030	-70,117
Other non-monetary items	0	-1,975
<i>Effect on changes in working capital</i>	-11,222	-8,998
- Increase / + Decrease in receivables and other assets	-9,026	-4,339
+ Increase / - Decrease in liabilities	1,065	-9,257
- Increase / + Decrease in inventories	-3,261	4,598
Cash flow from operating activities	38,735	49,950
Expenditure on income tax	0	-1
Interest received	4	3
Interest paid	-367	-426
Net cash flows from operating activities	38,372	49,526
Property, plant and equipment and non-current intangible assets	-212,337	-174,866
Subsidies for acquisition of non-current assets	179,377	105,148
Revenue from the sale of property, plant and equipment and non-current intangible assets	5,498	1,465
Net cash flows from investment activities	-27,462	-68,253
Cash receipts from dividends and other profit sharing	2	701
Cash receipts from loans and borrowings	10,000	14,987
Spending for loans and borrowings	-11,500	-10,751
Repayment of liabilities related to leasing	-4,261	-4,149
Net cash flows from financial activities	-5,759	788
Net increase / decrease in cash and cash equivalents	5,151	-17,939
Cash and cash equivalents at the beginning of the year	102,066	120,005
Exchange differences on cash and cash equivalents	0	-1
Cash and cash equivalents at the end of the year	107,217	102,066

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 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 2021:

Ing. Ladislav BARIAK	chairman
Ing. Radovan MAJERSKÝ, PhD.	deputy chairman
Prof. Ing. Jozef GAŠPARÍK, PhD.	member
Ing. Juraj HORSKÝ, CPA	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 2021 composed of

Ing. Jana KRUPCOVÁ	chairman
Ing. Miroslav GARAJ	member
Ing. Štefan SEDLÁČEK	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 2020 were approved by Management Board of ŽSR on 29 April 2021 in Bratislava.

For the year ended 31 December 2021 the Company reported loss of EUR 19,629 thousand (for the year ended 31 December 2020 loss of EUR 15,176 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 2021 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.

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 Value added tax 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 2021, 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):

- Amendments to IFRS 16 „Leasing“ - Covid-19-related Rent Concessions - prolongation until 30 June 2022, effective from 1 April 2021,
- Interest Rate Benchmark Reform (IBOR) - Phase 2 Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16, effective from 1 January 2021.

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

The Company has not applied any standards issued after 31 December 2021 in preparing the financial statements:

- Amendment to IAS 16 „Property, Plant and Equipment“, amendment prohibits an entity from deducting from the cost of an item of property, plant and equipment any proceeds received from selling items produced while the entity is preparing the asset for its intended use. It also clarifies that an entity is “testing whether the asset is functioning properly” when it assesses the technical and physical performance of the asset. The financial performance of the asset is not relevant to this assessment. Entities must disclose separately the amounts of proceeds and costs relating to items produced that are not an output of the entity's ordinary activities, effective from 1 January 2022
- Amendment to IAS 37 „Provisions, Contingent Liabilities and Contingent Assets“, amendment clarifies that the direct costs of fulfilling a contract include both the incremental costs of fulfilling the contract and an allocation of other costs directly related to fulfilling contracts. Before recognising a separate provision for an onerous contract, the entity recognises any impairment loss that has occurred on assets used in fulfilling the contract, effective from 1 January 2022.
- Amendment to IAS 1 „Presentation of Financial Statements“, amendment clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period, effective from 1 January 2023 (deferred from 2022)
- Amendment to IAS 1 and IFRS Practice Statement 2: The amendments define what is “material accounting policy information” and explain how to identify when accounting policy information is material. They further clarify that immaterial accounting policy information does not need to be disclosed. If it is disclosed, it should not obscure material accounting information. To support this amendment, the IASB also amended IFRS Practice Statement 2 to provide guidance on how to apply the concept of materiality to accounting policy disclosures, effective from 1 January 2023
- Amendment to IAS 8 „Accounting policies, changes in accounting estimates and errors“, amendment clarifies how companies should distinguish changes in accounting policies from changes in accounting estimates. The distinction is important, because changes in accounting estimates are applied prospectively to future transactions and other future events, but changes in accounting policies are generally applied retrospectively to past transactions and other past events as well as the current period, effective from 1 January 2023



- Amendment to IAS 12 „Income Taxes“, amendment requires companies to recognise deferred tax on transactions that, in initial recognition, give rise to equal amounts of taxable and deductible temporary differences. They will typically apply to transactions such as leases of lessees and decommissioning obligations and will require the recognition of additional deferred tax assets and liabilities, effective from 1 January 2023

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 17.50 % of trade receivables as at 31 December 2021 (as at 31 December 2020: 22.37 %) 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 2021	31 December 2020
Receivables within maturity	68,966	59,045
Up to 1 month	7,571	9,876
From 1 to 3 months	3,055	13,972
From 3 to 12 months	52,337	10,998
From 1 to 5 years	5,863	24,002
Over 5 years	140	197
Receivables overdue	4,331	6,534
Total receivables	73,297	65,579

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.

The armed conflict in Ukraine and the imposition of sanctions on the Russian Federation could have a negative impact on customers, especially freight carriers, due to reduced performance, which would reduce revenues from the access to railway infrastructure or affect the solvency of customers.



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.

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

	Loans and borrowings		Payables		<i>of which: lease liability</i>	
	31 December		31 December		31 December	
	2021	2020	2021	2020	2021	2020
Payables within maturity	110,477	111,977	258,362	266,233	5,856	9,558
On demand	0	0	0	0	0	0
Up to 1 month	0	0	59,484	47,375	100	105
From 1 to 3 months	0	0	31,762	22,468	2	0
From 3 to 12 months	12,000	11,500	47,833	39,698	3,435	3,511
From 1 to 5 years	46,740	50,500	25,519	58,594	2,319	5,942
Over 5 years	51,737	49,977	93,764	98,098	0	0
Payables overdue	0	0	739	226	0	0
Total payables	110,477	111,977	259,101	266,459	5,856	9,558

Interest rate risk

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.

Due to the development of interest rates on the banking markets, since January 2020, banks have been introducing fees / negative interest rates above a certain amount of deposits in bank accounts. The company monitors conditions in banks and manages the balances of funds in bank accounts so that negative interest rates affect the Company as little as possible.



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	Impact on profit before tax
in % p. a.	for 1 year period in thousands of EUR
6ME + 1 %/6ME rate = 0 % p. a.	-427/ 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 2021	31 December 2020
Debt (Note 14)	110,477	111,977
Cash and cash equivalents (Note 12)	107,217	102,066
of which purposefully bound cash of CEF, SIH and others	38,502	57,211
Net debt	41,762	67,122
Equity	1,646,350	1,665,678
Ratio Net debt to Equity	2.54%	4.03%

4 PROPERTY, PLANT AND EQUIPMENT

	<i>Buildings and infrastructure</i>	<i>Lands</i>	<i>Machinery, Equipment and other assets</i>	<i>Assets under construction</i>	<i>Total</i>
Cost					
As at 1 January 2020	4,634,406	530,955	1,091,929	531,225	6,788,515
Additions	32,441	1,253	4,719	193,359	231,772
Disposals	-13,673	-501	-21,000	-57,461	-92,635
Transfers	107,507	3,730	35,802	-147,039	0
Transfer to investment property (Note 5)	-94	-363	0	0	-457
Transfer from investment property (Note 5)	2,145	1,146	0	0	3,291
As at 31 December 2020	4,762,732	536,220	1,111,450	520,084	6,930,486
Accumulated depreciation / Impairment					
As at 1 January 2020	2,416,845	165	897,325	11,851	3,326,186
Additions	91,360	0	45,225	2,920	139,505
Disposals	-12,222	0	-20,896	-485	-33,603
Transfers	2,108	0	1,477	0	3,585
As at 31 December 2020	2,498,091	165	923,131	14,286	3,435,673
Net book value					
As at 1 January 2020	2,217,561	530,790	194,604	519,374	3,462,329
As at 31 December 2020	2,264,641	536,055	188,319	505,798	3,494,813
Cost					
As at 1 January 2021	4,762,732	536,220	1,111,450	520,084	6,930,486
Additions	36,770	1,162	3,276	226,470	267,678
Disposals	-12,063	-991	-21,226	-56,212	-90,492
Transfers	145,712	3,665	28,526	-177,903	0
Transfer to investment property (Note 5)	-27	-192	0	0	-219
Transfer from investment property (Note 5)	3,801	738	0	0	4,539
As at 31 December 2021	4,936,925	540,602	1,122,026	512,439	7,111,992
Accumulated depreciation / Impairment					
As at 1 January 2021	2,498,091	165	923,131	14,286	3,435,673
Additions	94,111	6	41,763	2,598	138,478
Disposals	-10,386	-2	-21,161	-1,939	-33,488
Transfers	2,875	0	3,206	0	6,081
As at 31 December 2021	2,584,691	169	946,939	14,945	3,546,744
Net book value					
As at 1 January 2021	2,264,641	536,055	188,319	505,798	3,494,813
As at 31 December 2021	2,352,234	540,433	175,087	497,494	3,565,248



Part of non-current assets as at 31 December 2021 is railway infrastructure assets in use in original cost in the amount of EUR 6,222,767 thousand (as at 31 December 2020: EUR 6,032,937 thousand) and in carrying value in the amount of EUR 2,975,120 thousand (as at 31 December 2020: EUR 2,890,657 thousand) of which assets acquired from subsidies in carrying value in the amount of EUR 1,364,250 thousand (as at 31 December 2020: EUR 1,300,713 thousand) and assets held for sale as at 31 December 2021 in carrying value of EUR 629 thousand (as at 31 December 2020: EUR 324 thousand).

Acquisition cost of all fully written off property, plant and equipment that are utilized by the Company as at 31 December 2021 is in the amount of EUR 1,817,168 thousand (as at 31 December 2020: EUR 1,777,267 thousand). Temporary unused assets in original cost are in the amount of EUR 34,758 thousand (as at 31 December 2020: EUR 33,853 thousand) and in carrying value in the amount of EUR 22,201 thousand (as at 31 December 2020: EUR 21,064 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 25,278 thousand (as at 31 December 2020: EUR 26,517 thousand) and which is not reflected in the Company's statement of financial position. Company is engaged in resolving these claims. During the year 2021, title to land was transferred to the Company and capitalized in its statement of financial position in the amount of EUR 13 thousand (as at 31 December 2020: EUR 0 thousand). Administrative values assigned to land already reflected in the Company's statement of financial position were revised upward by an amount of EUR 499 thousand (as at 31 December 2020: EUR 595 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 21,240 thousand (as at 31 December 2020: EUR 23,323 thousand) reported on acquisition account and the Company is heavily involved with their transfer into use. During the year 2021, land were transferred into use in the amount of EUR 3,999 thousand (in 2020: EUR 4,131 thousand).

The Company recorded capitalized borrowing costs due to financing of constructions in the amount of EUR 84 thousand (in 2020: EUR 60 thousand).

Low-value tangible assets not included in the Statement of financial position as at 31 December 2021 is in the amount of EUR 38,869 thousand (as at the date of inventory of 2020: 38,801 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 2021. 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:

	<i>Buildings and infrastructure</i>	<i>Lands</i>	<i>Machinery, Equipment and other assets</i>	<i>Assets under construction</i>	<i>Total</i>
As at 1 January 2020	4,746	165	44	11,851	16,806
Creation	734	0	1	2,920	3,655
Reversal	0	0	0	-390	-390
Reversal of impairment loss	-983	0	-12	-95	-1,090
Transfers	3	0	-3	0	0
As at 31 December 2020	4,500	165	30	14,286	18,981
As at 1 January 2021	4,500	165	30	14,286	18,981
Creation	1,500	6	645	2,598	4,749
Reversal	0	0	0	-224	-224
Reversal of impairment loss	-735	-2	-27	-1,715	-2,479
Transfers	0	0	0	0	0
As at 31 December 2021	5,265	169	648	14,945	21,027

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 - the annual indemnity limit in the case of natural disaster insurance for all insured events, except for catastrophic damages, is EUR 10,000 thousand and the annual indemnity limit for all insured events for catastrophic damages risks is EUR 6,000 thousand. Catastrophic damage is: landslide, vehicle impact, floods and inundations, storm, hail, earthquake, falling objects. In the case of insurance of machinery, equipment and electronics, the annual limit of indemnity for all insured events is EUR 2,000 thousand. ŽSR has also liability insurance (the annual limit of indemnity for all insured events is EUR 2,000 thousand). The Company records received and claimed insurance claims in the amount of EUR 1,267 thousand (in 2020: EUR 1,680 thousand).

5 INVESTMENT PROPERTY

	<i>Buildings and infrastructure</i>	<i>Lands</i>	<i>Total</i>
Cost			
As at 1 January 2020	44,586	12,343	56,929
Additions	0	0	0
Disposals	-11	-7	-18
Transfer from Property, Plant and Equipment (Note 4)	94	363	457
Transfer to Property, Plant and Equipment (Note 4)	-2,145	-1,146	-3,291
As at 31 December 2020	42,524	11,553	54,077
Accumulated depreciation / Impairment			
As at 1 January 2020	23,479	0	23,479
Additions	650	0	650
Disposals	-133	0	-133
Transfers	-1,008	0	-1,008
As at 31 December 2020	22,988	0	22,988
Net book value			
As at 1 January 2020	21,107	12,343	33,450
As at 31 December 2020	19,536	11,553	31,089
Cost			
As at 1 January 2021	42,524	11,553	54,077
Additions	0	0	0
Disposals	-45	-123	-168
Transfer from Property, Plant and Equipment (Note 4)	27	192	219
Transfer to Property, Plant and Equipment (Note 4)	-3,801	-738	-4,539
As at 31 December 2021	38,705	10,884	49,589
Accumulated depreciation / Impairment			
As at 1 January 2021	22,988	0	22,988
Additions	457	0	457
Disposals	-869	0	-869
Transfers	-901	0	-901
As at 31 December 2021	21,675	0	21,675
Net book value			
As at 1 January 2021	19,536	11,553	31,089
As at 31 December 2021	17,030	10,884	27,914



According to IAS 36 – Impairment of Assets, as at 31 December 2021 the Company recognized allowance in the amount of EUR 922 thousand (as at 31 December 2020: EUR 1,754 thousand).

Allowances for IAS 40	Year 2021	Year 2020
As at 1 January	1,754	1,876
Creation	0	0
Reversal	-832	-122
As at 31 December	922	1,754

The following table presents assets disclosed at fair value.

Assets	Level 1	Level 2	Level 3
Hospital	0	27,710	0
Land	0	1,358	22,652
Building	0	1,401	8,517

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 2021.

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 2021 is in the amount of EUR 61,638 thousand (as at 31 December 2020: EUR 65,826 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 422 property items (as at 31 December 2020: 465), simplified method of positional differentiation was used for a total 1,369 items (as at 31 December 2020: 1,383), income method was used for a total 426 items (as at 31 December 2020: 474) and acquisition cost method was used for a total 319 items (as at 31 December 2020: 362) and a comparative method was used (determination of fair value by comparison with a similar type of land in a given locality for which an expert valuation was available) for 33 items.

The fair value of buildings was determined by time value method for a total 407 items (as at 31 December 2020: 427), simplified income method for a total 55 items (as at 31 December 2020: 60), objectification method expertly determined general value for a total 71 items (as at 31 December 2020:



68), acquisition cost method for a total 52 items (as at 31 December 2020: 66), and qualified estimate was used for a total 51 items (as at 31 December 2020: 60).

Costs related with investment property represent the amount of EUR 684 thousand (as at 31 December 2020: EUR 794 thousand) and revenues related with investment property represent the amount of EUR 3,078 thousand (as at 31 December 2020: EUR 2,977 thousand).

6 INTANGIBLE ASSETS

	<i>Capitalized Development Cost</i>	<i>Software</i>	<i>Assets under construction</i>	<i>Right of use</i>	<i>Total</i>
Cost					
As at 1 January 2020	4	41,582	3,341	14,998	59,925
Additions	0	1,017	1,471	15	2,503
Disposals	0	-1,820	-551	-62	-2,433
Transfers	0	1,736	-1,736	0	0
As at 31 December 2020	4	42,515	2,525	14,951	59,995
Accumulated depreciation / Impairment					
As at 1 January 2020	3	27,994	321	2,154	30,472
Additions	0	5,227	252	3,590	9,069
Disposals	0	-1,820	0	-90	-1,910
Transfers	0	0	0	0	0
As at 31 December 2020	3	31,401	573	5,654	37,631
Net book value					
As at 1 January 2020	1	13,588	3,020	12,844	29,453
As at 31 December 2020	1	11,114	1,952	9,297	22,364
Cost					
As at 1 January 2021	4	42,515	2,525	14,951	59,995
Additions	0	794	1,779	12	2,585
Disposals	0	-624	-230	-233	-1,087
Transfers	0	1,476	-1,476	0	0
As at 31 December 2021	4	44,161	2,598	14,730	61,493
Accumulated depreciation / Impairment					
As at 1 January 2021	3	31,401	573	5,654	37,631
Additions	0	5,865	476	3,495	9,836
Disposals	0	-624	-509	0	-1,133
Transfers	0	0	0	0	0
As at 31 December 2021	3	36,642	540	9,149	46,334
Net book value					
As at 1 January 2021	1	11,114	1,952	9,297	22,364
As at 31 December 2021	1	7,519	2,058	5,581	15,159



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.

According to IAS 36 – Impairment of Assets, the Company recorded allowance for assets under construction in the amount of EUR 476 thousand (as at 31 December 2020: EUR 252 thousand). As at 31 December 2021 the Company recognized allowance for assets under construction in the amount of EUR 540 thousand (as at 31 December 2020: EUR 573 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 2021	year 2020
interest expense on lease liabilities	156	227
the expense relating to short-term leases	4	2
the expense relating to leases of low-value assets	2	2

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 2021	Carrying amount 31 December 2020	Depreciation 2021
Buildings	253	288	-36
Structures	395	451	-56
Power and propulsion machinery and equipment	22	25	-3
Working machinery and equipment	7	8	-1
Means of transport	4,504	8,069	-3,342
Land	399	455	-57
Right-of-use assets total	5,580	9,296	-3,495

In accordance with the concluded amendments to the lease of vehicles (269 pieces), the lease payments were reduced in 2021 in the total amount of EUR 223 thousand (increase in installments in the amount of EUR 5 thousand and decrease in installments in the amount of EUR 228 thousand).

Total cash outflow for leases for 2021 represents amount of EUR 4,261 thousand (as at 31 December 2020: EUR 4,149 thousand).



7 FINANCIAL INVESTMENTS

	Subsidiaries	Associated companies	Other investments	Total 2021	Total 2020
Opening balance as at 1 January	1,009	6,464	151	7,624	5,649
Additions	0	0	0	0	1,975
Disposals	0	0	0	0	0
Closing balance as at 31 December	1,009	6,464	151	7,624	7,624

Structure of capital participation as at 31 December 2021 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 41)	10,700	1,422	Slovakia	55.26	Management of supplementary pension funds
Associated companies					
ŽPSV, a. s., Čaňa (Note 41)	6,161	61	Slovakia	41.06	Manufacturing of concrete products, prefabricated components and structures for construction purposes
Breitspur Planungs GmbH, Wien	3,086	-2,098	Austria	27.74	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	3,505	374	Netherland	4.00	Implementation of the interconnection of information systems within the UIC

There was a transfer of shareholder interest in the company Stabilita, d. d. s., a. s.. From 22 February 2022, the shareholders of Stabilita, d. d. s., a. s. are IAD Investment with a share of 44.69%, Marek Szabo with a share of 0.05% and ŽSR with a share of 55.26%. As a result of transfer of shareholder interest and due to method of decision-making of General Meeting of Stabilita, there has been change of control over the company, jointly exercised by ŽSR and IAD Investment.

With regard to the current situation of the conflict in Ukraine, the continuation of activities in Brietspur Planungs GmbH is at the stage of negotiations at the level of the Slovak Republic.

8 NON-CURRENT RECEIVABLES

	31 December 2021	31 December 2020
Non-current trade receivables	51	56
Advances given	5,703	5,642
Receivables from sale of flats	152	194
Other non-current receivables	98	24
Claims for subsidies	0	18,283
Allowances for receivables	-5,605	-5,595
Total non-current receivables	399	18,604

Non-current receivables decreased due to reclassification of claims for capital subsidies to capital liabilities from construction funded from Operational Programme Integrated Infrastructure to current portion of claims for subsidies.

Progress in allowances for non-current receivables:

As at 31 December 2020	5,595
Creation	14
Reversal	-4
As at 31 December 2021	5,605

Allowances are recorded for advances given for the acquisition of non-current assets.

9 INVENTORIES

	Cost 2021	Book value 2021	Cost 2020	Book value 2020
Products of engineering and metal industry	7,793	5,758	5,301	3,329
Products of electro-technical industry	3,608	2,730	4,414	2,349
Products of steel industry	2,807	2,459	3,015	2,700
Products of chemical industry	1,212	1,093	1,139	947
Personal protective equipment and uniforms	786	770	490	472
Building materials and products of wood industry	1,415	1,191	1,227	1,035
Other materials	601	480	522	387
Total inventories	18,222	14,481	16,108	11,220

The Company recorded allowances for slow moving and obsolete inventories following comparison of valuation with net realizable value as at 31 December 2021.

Progress in allowances for inventories:

Balance as at 31 December 2020	4,888
Creation	2,269
Disposal of inventories	-116
Dissolution of relevance	-3,300
Balance as at 31 December 2021	3,741

The Company registers off balance sheet records inventories of material of mobilization reserves - program 222 in the amount of EUR 11,231 thousand (as at 31 December 2020: EUR 11,231 thousand) and material in civil defence warehouses in the amount of EUR 736 thousand (as at 31 December 2020: EUR 743 thousand).

10 CURRENT TRADE RECEIVABLES

	<i>31 December 2021</i>	<i>31 December 2020</i>
Trade receivables	12,006	15,656
Advances given	207	206
Other trade receivables	1,627	1,351
Allowances for receivables	-2,117	-3,464
Total current receivables	11,723	13,749

Overdue receivables are in the amount of EUR 2,536 thousand (as at 31 December 2020: EUR 4,815 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	<i>Of which: Allowances for debtors in bankruptcy</i>
Balance as at 31 December 2020	3,464	1,065
Creation	461	28
Reversal because of receivable write-off	-484	-83
Reversal because of full or partial collection	-1,324	-2
Balance as at 31 December 2021	2,117	1,008



11 OTHER RECEIVABLES AND ASSETS

	<i>31 December</i> 2021	<i>31 December</i> 2020
Other receivables	3,294	8,887
State receivables	49,509	14,059
Prepaid expenses	651	1,221
Allowances for receivables	-1,723	-1,693
Total other receivables	51,731	22,474

In state receivables the Company recorded claims for capital subsidies to capital liabilities from constructions where there is certainty that the subsidies will be drawn in future periods in the amount of EUR 46,435 thousand (as at 31 December 2020: EUR 10,568 thousand). The highest claim is for the modernization of railway track "Púchov – Žilina" in the amount of EUR 28,821 thousand, Finishing of Marshalling yard "Žilina Teplička" (Hub Žilina) in the amount of EUR 10,122 thousand, modernization of railway track "Liptovský Mikuláš – Poprad" in the amount of EUR 3,328 thousand, comprehensive interoperable system in the amount of EUR 1,069 thousand. State receivables also includes claim for compensation of financial impact associated with reduction of charges for access to railway infrastructure for cargo carriers in the amount of EUR 1,165 thousand. The claim relates to granting of discounts to carriers until 31 December 2021 (Note 24). Also in states receivables the Company recorded receivable from excess Value added tax in the amount of EUR 1,909 thousand (as at 31 December 2020: EUR 1 845 thousand).

Progress in allowances for other receivables:

Balance as at 31 December 2020	1,693
Creation	67
Reversal because of receivables write-off	-12
Reversal because of full or partial collection	-25
Balance as at 31 December 2021	1,723



12 CASH AND CASH EQUIVALENTS

	<i>31 December</i> 2021	<i>31 December</i> 2020
Cash on hand	56	35
Cash in bank	107,161	102,031
Total cash and cash equivalents in statement of financial position	107,217	102,066
Credit cards	0	0
Total cash and cash equivalents in statement of cash flow	107,217	102,066

Cash and cash equivalents include received loan in the amount of EUR 19,733 thousand (as at 31 December 2020: EUR 25,714 thousand) for the purchase of diagnostic vehicles and advances purposefully bound for financing of Connecting Europe Facility („CEF“) projects in the amount of EUR 16,639 thousand (as at 31 December 2020: EUR 31,497 thousand).

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

	<i>(in thousands of EUR)</i>
Advance payments as at 31 December 2021 are bound to following projects:	
Modernization of railway track:	
Devínska Nová Ves - state border Slovak republic / Czech Republic	14,314
Modernization of corridor - state border Slovak republic / Czech Republic - Čadca - Krásno nad Kysucou	2,325

Interest rates on deposits on current accounts in banks ranged from -0.7 % p. a. to 0.01 % p. a..



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 29 April 2021, loss from previous accounting period in the amount of EUR 15,176 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 2021, administrative value of lands were corrected in the amount of EUR 487 thousand (as at 31 December 2020: EUR 596 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 2021 is in the amount of EUR 196,987 thousand (as at 31 December 2020: EUR 212,254 thousand). The legal reserve fund is in the amount of EUR 19,597 thousand (as at 31 December 2020: EUR 19,597 thousand), which represent more than 5 % of the value of assets less the value of railway infrastructure.

14 LOANS

	<i>31 December 2021</i>	<i>31 December 2020</i>
Short-term loans and current portion of long-term loans		
Euro		
Tatra banka - capital expenditure loan, maturity 31 December 2022	10,000	10,000
Tatra banka - capital expenditure loan, maturity 31 December 2022	1,500	1,500
SLSP - capital expenditure loan, maturity 31 December 2022	500	0
	12,000	11,500
Total Short-term loans and current portion of long-term loans	12,000	11,500
Loans		
Euro		
Tatra banka - capital expenditure loan, maturity 30 June 2026	32,740	42,740
Tatra banka - capital expenditure loan, maturity 31 December 2027	26,250	27,750
SLSP - Tatra banka - capital expenditure loan, maturity 31 December 2041	9,500	0
SIH, maturity 31 December 2042	29,987	29,987
Total Long-term loans	98,477	100,477
Total loans	110,477	111,977

In 2021, capital expenditure loan was obtained and drawn from Slovenská sporiteľňa a. s. in the amount of EUR 10,000 thousand for funding capital projects – reconstruction of rack railway Štrba – Štrbské Pleso in the amount of EUR 6,141 thousand and reconstruction of railway tracks in track section “Kraľovany – Ľubochňa” in the amount of EUR 3,859 thousand.

From the drawn loan National Development Fund II., a. s. (SIH) intended for the financing of diagnostic vehicles for measuring track geometric position and rail flaw detection, an invoice was paid in the amount of EUR 5,980 thousand.

The amount of interest for the year 2021 is in the amount of EUR 211 thousand (for the year 2020: EUR 199 thousand), of which interest expenses are in the amount of EUR 127 thousand (for the year 2020: EUR 139 thousand). Interest recorded within acquisition cost of investments is in the amount of EUR 84 thousand (in 2020: EUR 60 thousand) (Note 4).

The Company has the opportunity, if necessary, through the concluded short-term credit facilities to draw loans for the purpose of bridging period between maturity of liabilities to suppliers and the date of drawing of capital transfers, which are budgeted for the relevant year.

15 STATE AND EU SUBSIDIES

Operational Programme Integrated Infrastructure 2014 - 2020 (OPII)

Within the project Operational Programme Integrated Infrastructure, in 2021 the Company drew capital subsidies in total amount of EUR 25,826 thousand (in 2020: EUR 54,572 thousand) for the actions listed below.

	2021	2020
Priority axis No. 1		
Railway track "Púchov – Žilina", stage I., track section "Púchov - Považská Teplá"	19,713	36,206
Transport hub Bratislava - feasibility study	49	0
Implementation of the technical specification for interoperability in the conditions of ŽSR	621	0
Priority axis No. 3		
Intermodal Passenger Transport Terminal in Bratislava, section "Devínska Nová Ves - Bratislava hlavná stanica - Podunajské Biskupice", PD	147	0
Train stop Pezinok - parking lot for individual car transport, PD	0	1
Train stop Ivanka pri Dunaji - parking lot for individual car transport, PD	0	4
Train stop Pezinok - parking lot for individual car transport, realization	0	185
Train stop Ivanka pri Dunaji - parking lot for individual car transport, realization	0	1,637
Priority axis No. 5		
Communication infrastructure of telematics services	5,296	16,510
Electrification of railway track "Bánovce nad Ondavou – Humenné", PD	0	29
	25,826	54,572

In 2021, due to corrections and irregularities the Company became obliged to return EU and Slovak funds for OPII projects in total amount of EUR 566 thousand. An installment schedule has been signed for the payment of liabilities.

Capital subsidies from state budget

In 2021 the Company drew capital subsidies from state budget under contract of category of budget of Ministry of Transport in the amount of EUR 104,453 thousand (as at 31 December 2020: EUR 43,054 thousand). From the above subsidy, investment projects were provided as follows:

	2021	2020
Construction and renovation of railway network	15,475	20,330
Of which:		
Reconstruction of railway tracks No. 1,2 in track section Kraľovany - Ľubochňa	2,790	0
Remediation of the rock wall in km 3.150 – 3.750 of track Kraľovany - Párnica	2,691	0
Reconstruction of rack-rail Štrba - Štrbské Pleso	0	12,010
Co-financing beyond the financial gap (OPII)	60,074	22,724
<i>Of which the most significant drawing to investment projects:</i>		
Railway track "Púchov – Žilina", stage I., track section Púchov - Považská Teplá	33,608	15,979
Finishing of Marshalling yard "Žilina Teplička" (Hub Žilina), realization	23,542	0
Communication infrastructure of telematics services	0	4,626



Railway track Púchov - Žilina, stage II., phase II, track section Dolný Hričov - Žilina	0	0
Finishing of Marshalling yard "Žilina Teplička" (Hub Žilina), PD	0	1,250
CEF projects - co-financing from the state budget/ineligible costs and the temporary EU	28 904	0
<i>Of which the most significant drawing to investment projects:</i>		
Modernization of Railway track Žilina - Košice, track section Liptovský Mikuláš - Poprad Tatry (except), stage I. (Poprad - Lučivná)	15 773	0
Modernization of railway section Váh - Varín - Strečno (section 1)	10 982	0
	104 453	43 054

Funds in the amount of EUR 23,542 thousand were drawn as a temporary financing on project Finishing of Marshalling yard "Žilina Teplička", where in 2022 the conclusion of Non-repayable financial contribution Agreement is expected, refund by EU/co-financing from state budget and settlement in relation to the capital transfer.

Funds in the amount of EUR 13,300 thousand were drawn as a temporary financing of CEF projects – EU part, where in 2022 refund by EU and settlement in relation to the capital transfer is expected.

Within interministerial subprogram Support of defence, under Contract for provision of funds, funds in the amount of EUR 374 thousand were allocated from Ministry of Transport of the Slovak republic in 2021 (in 2020: EUR 400 thousand). From drawn transfers, funds in the amount of EUR 12 thousand were used for the construction of loading and unloading spaces and access roads in railway station Sása Pliešovce. Unused funds in the amount of EUR 362 thousand intended for the construction of loading and unloading spaces and access roads in railway station Kamenica nad Cirochou were transferred to the following period. At the same time in 2021, funds from Ministry of Transport and Construction of the Slovak republic from previous years in total amount of EUR 39 thousand were used for construction of loading and unloading spaces and access roads in railway station Sása Pliešovce.

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 mainly for modernization of railway track "Púchov - Považská Teplá" in the amount of EUR 28,821 thousand, Finishing of Marshalling yard "Žilina Teplička" (Hub Žilina) in the amount of EUR 10,122 thousand, modernization of railway track Liptovský Mikuláš – Poprad in the amount of EUR 3,328 thousand, Comprehensive interoperable system in the amount of EUR 1,069 thousand.

Balance of state and EU subsidies

Balance as at 31 December 2020	1,664,010
Drawing on subsidies	
Operational Programme Integrated Infrastructure 2014-2020	25,826
Used and received investment subsidy from state budget	103,009
Claim for subsidies (increase)	17,585
Release of the subsidy in the amount of depreciation and refunds	-72,883
Use of the advance payment of CEF (increase)	32,810
Balance as at 31 December 2021	1,770,357
Of which short term portion	1,701,525
long term portion	68,832



16 ACCRUALS

	<i>31 December</i> 2021	<i>31 December</i> 2020
Received free of charge depreciable non-current asset	13,167	13,651
Received free of charge material – COVID 19	12	12
Other accrued income	189	190
Prepaid expenses	34	10
Total accruals	13,402	13,863

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 3,104 thousand (as at 31 December 2020: EUR 3,204 thousand), received donated adjustments of signalling systems from company Žilina Invest, s. r. o. in carrying value of EUR 1,732 thousand (as at 31 December 2020: EUR 1,962 thousand) and objects of induced modifications from Ministry of Transport in carrying value of EUR 812 thousand (as at 31 December 2020: EUR 844 thousand).

17 PROVISIONS

	<i>31 December</i> 2021	<i>31 December</i> 2020
Environmental burden – long-term portion	12,215	12,404
– short-term portion	206	206
Legal claims	1,401	1,842
Provisions for demolition of buildings	1,883	2,125
Total provisions	15,705	16,577

Progress in provisions:

	Environmental burden provision	Provision for legal claims	Provisions for demolition of buildings	Total provisions
Balance as at 31 December 2020	12,610	1,842	2,125	16,577
Creation	0	0	289	289
Interest expense	16	0	0	16
Reversal due to provision drawing	-205	-157	-519	-881
Cancellation as not justified	0	-284	-12	-296
Balance as at 31 December 2021	12,421	1,401	1,883	15,705

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 2021, 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 no environmental burden had to be removed from the list. Long-term portion of provision is calculated by a fixed interest rate of 2.0 % as at 31 December 2021 (as at 31 December 2020: 2.0 %).

Interests from discounting as a result of the passage of time are in the amount of EUR 16 thousand (as at 31 December 2020: EUR 20 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 1,401 thousand (as at 31 December 2020: EUR 1,842 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 2021 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 2021 is in the amount of EUR 1,883 thousand (as at 31 December 2020: EUR 2,125 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

	<i>31 December</i>	<i>31 December</i>
	2021	2020
Employee benefit - long -term portion	42,783	42,543
- short-term portion	4,205	3,788
Total employee benefit	46,988	46,331

Progress in employee benefit:

	2021	2020
Balance as at 1 January	46,331	48,095
Creation	2,587	3,162
Reversal due to provision drawing	-2,620	-3,218
Re-measurement of post-employment benefit	690	-1,708
Balance as at 31 December	46,988	46,331

Employee benefit provision

As at 31 December 2021 the Company recognized provision in the amount of EUR 46,988 thousand (as at 31 December 2020: EUR 46,331 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).

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	1.23 % p. a.
Future salary increases	in 2022 by 2.30 % p. a. and in subsequent years by 2.50 % 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 8.58 %;
- change in wage by +1 % for all subsequent years, provided that the other assumptions in calculation remain unchanged, results in increase of liability by 3.15 %;
- decrease of fluctuation by 10 % for all subsequent years, provided that the other assumptions in calculation remain unchanged, results in increase of liability by 0.70 %;
- 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 0.99 %.

The structure of employee benefit costs

	Employment benefits	Post-employment benefits	Total
Balance as at 31 December 2020	6,500	39,831	46,331
Current and past service cost	321	1,716	2,037
current service cost	312	1,716	2,028
past service cost	9	0	9
Interest expense	61	379	440
Re-measurements (gains and losses of actuarial)	110	690	800
- changes in financial assumptions	-122	-1,505	-1,627
- resulting from practice	232	2,195	2,427
Payments program (benefits paid)	-710	-1,910	-2,620
Balance as at 31 December 2021	6,282	40,706	46,988



The average maturity of employment benefits is 7.06 years, future benefits is 11.39 years and the average maturity of post-employment benefits is 9.36 years, future benefits is 14.43 years.

As at 31 December 2021, re-measurements of post-employment benefit in the amount of EUR 690 thousand (loss) are disclosed in equity and other comprehensive income (as at 31 December 2020: profit EUR 1,708 thousand).

19 OTHER NON-CURRENT LIABILITIES

	<i>31 December</i> 2021	<i>31 December</i> 2020
Social fund liabilities	254	313
Other non-current liabilities	3,730	22,692
Lease liabilities	2,319	5,942
Rent received in advance	1,843	2,026
Advance payments of CEF	6,400	16,202
Total other non-current liabilities	14,546	47,175

Other non-current liabilities decreased due to reclassification of amount withheld of investments from non-current liabilities to current liabilities.

Structure of social fund:

	2021	2020
Balance of fund as at 1 January	313	348
Creation	1,837	1,771
Spending	1,896	1,806
of which:		
meal allowance	850	692
contribution to the regeneration of the workforce	539	548
Balance as at 31 December	254	313

20 CURRENT TRADE PAYABLES

	<i>31 December</i> 2021	<i>31 December</i> 2020
Trade payables	79,722	52,061
Advances received	2,420	1,847
Other payables	1,246	1,091
Total current payables	83,388	54,999

Of the total amount of current trade payables, the Company recorded investment payables in the amount of EUR 50,578 thousand (as at 31 December 2020: EUR 33,166 thousand) and operating payables in the amount of EUR 32,810 thousand (as at 31 December 2020: EUR 21,833 thousand). Advances received primarily represents received payments from future contracts.

21 PAYABLES TO PUBLIC INSTITUTIONS

	<i>31 December</i> 2021	<i>31 December</i> 2020
Payables to insurance companies	10,440	9,201
Payables to tax authorities	2,404	2,037
Total payables to public institutions	12,844	11,238

22 OTHER PAYABLES

	<i>31 December</i> 2021	<i>31 December</i> 2020
Employees	20,854	17,940
Advance payments of CEF	10,239	15,295
Other payables	2,628	549
Lease liabilities	3,537	3,617
Total other payables	37,258	37,401

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.

	<i>31 December</i> 2021	<i>31 December</i> 2020
Fees for access to railway infrastructure – cargo transport	20,801	20,340
– passenger transport	51,827	50,738
Total fees for access to railway infrastructure	72,628	71,078
	<i>31 December</i> 2021	<i>31 December</i> 2020
Sales of additional services of railway infrastructure – cargo	31	28
Sales of additional services of railway infrastructure – passenger	0	0
Total sales of additional services of railway infrastructure	31	28

As at 31 December 2021, the total number of railway carriers is 54, herein the number of Slovak carriers is 32 and the number of foreign carriers is 22. In 2021, 8 carriers for passenger transport, 44 carries for freight transport and 2 carriers for passenger and freight transport operated on the railways of ŽSR.

24 SUBSIDY FOR RAILWAY INFRASTRUCTURE OPERATION

In accordance with Appendix No. 10 – 13 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 in 2021 operational subsidy for the operation of the railway infrastructure in the amount of EUR 298,600 thousand (as at 31 December 2020: EUR 302,495 thousand). Final evaluation of performance of the Contract on the Operation of the Railway Infrastructure will be evaluated during the year 2022. Contract on the Operation of the Railway Infrastructure for the year 2020 was protocol evaluated on 9 September 2021 and ŽSR's results were confirmed – balanced economic result equal to zero.

Under the Contract on the Operation of the Railway Infrastructure, in 2021 compensation of financial impact associated with reduction of charges for access to railway infrastructure for cargo carriers was provided to the Company in the amount of EUR 28,241 thousand (as at 31 December 2020: EUR 22,500 thousand). Discounts for cargo carriers for access to railway infrastructure were provided in accordance with the Contract until 31 December 2021 in the total amount of EUR 27,760 thousand (as at 31 December 2020: EUR 24,146 thousand). A receivable for discounts for December 2020 in the amount of EUR 1,646 thousand and discounts for the year 2021 in the amount of EUR 26,596 thousand was paid from the provided subsidy. The difference between provided discount and received compensation is recognized as receivable from Ministry of Transport in the amount of EUR 1,165 thousand that will be paid from provided compensation in 2022. Providing of discounts 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 2021	31 December 2020
Subsidies for railway infrastructure operation	298,600	302,495
Compensation from the reduction of fees for access	<u>27,760</u>	<u>24,146</u>
Total subsidies and compensation for railway infrastructure operation	<u><u>326,360</u></u>	<u><u>326,641</u></u>



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 are provided to all customers on a non-discriminatory principle. The largest contractual partner that uses 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.

	31 December	31 December
	2021	2020
Sales of lease of TIP Lužianky	1,097	1,077
Sales of operating performance - TIP Lužianky	2,044	1,572
Sales of fee for use of concession assets - TIP Žilina	<u>2,400</u>	<u>2,400</u>
Total operation and concessions of TIP	<u>5,541</u>	<u>5,049</u>

26 ELECTRIC ENERGY

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

	31 December	31 December
	2021	2020
Sales of track energy	30,257	28,785
Sales of distribution of track energy	34,472	31,634
Sales of non-track energy	1,840	1,484
Sales of distribution of non-track energy	2,194	2,151
Sales of energy – national nuclear fund	<u>1,641</u>	<u>1,566</u>
Total sales of track energy	<u>70,404</u>	<u>65,620</u>

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	31 December
	2021	2020
Sales of IT services	2,753	2,732
Sales of telecommunication services – data	1,734	1,746
Sales of telecommunication services – voice	352	376
Sales of telecommunication services – others	400	404
Total sales of telecommunication services and informatics	5,239	5,258

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	31 December
	2021	2020
Revenues from rental of non-residential premises	4,876	4,980
Revenues from rental – land	2,665	2,643
Revenues from rental – residential premises	591	602
Revenues from rental – movable assets	426	295
Profit from disposal of non-current assets	4,351	492
Profit from sale of material	1,321	630
Total revenues from rental	14,230	9,642

Revenues from assets compared to 2020 are higher due to the sale of unnecessary and redundant non-current assets and lands in the amount of EUR 5,498 thousand.

29 OTHER REVENUES

	<i>31 December</i>	<i>31 December</i>
	2021	2020
Sales of trailers turned out and other technical services	1,777	1,720
Sales for heat and steam	1,383	1,350
Sales for training, education	1,146	1,000
Sales of water and sewage charges	677	663
Sales of accommodation services	501	598
Sales of works canteens and catering services	182	241
Own work capitalized	6,236	5,538
Re-earned material	2,657	1,660
Received free of charge material – COVID 19	31	36
Others revenues	3,415	3,120
Total sales of other services	18,005	15,926

30 NET SALES

	<i>31 December</i>	<i>31 December</i>
	2021	2020
Sales of services	169,015	162,192
Sales of goods	66	82
Subsidy in accordance with the Contract on the Operation of the Railway Infrastructure	326,360	326,641
Total net sales	495,441	488,915

31 MATERIALS

	<i>31 December</i>	<i>31 December</i>
	2021	2020
Consumption of materials	-22,538	-18,764
Fuel consumption	-3,920	-3,305
Consumption of fixed asset	-1,325	-2,736
Reversals of allowances for inventories	1,147	1,139
Total materials and consumables	-26,636	-23,666

32 ENERGIES

	<i>31 December</i>	<i>31 December</i>
	2021	2020
Electricity	-75,012	-70,008
Gas	-1,803	-2,067
Steam and heat	-3,735	-3,885
Water	-1,343	-1,130
Total energies	-81,893	-77,090



33 SERVICES

	<i>31 December</i> 2021	<i>31 December</i> 2020
Repairs and maintenance	-21,248	-12,717
Costs of waste disposal	-356	-580
Costs of cleaning	-4,885	-4,789
Costs of information technology	-8,767	-8,022
Costs for machineries performance with operator	-614	-391
Paid rent and remuneration	-504	-519
Costs of diagnostics, metrology, project documentation, experts opinions	-463	-385
Costs of telecommunication services	-1,113	-1,147
Costs for sewage, sludge disposal	-1,183	-1,167
Cost of flaw detection and diagnosis	-2,424	-1,925
Transportation if not included in the cost	-262	-273
Costs of software and software licences	-180	-236
Guarding, security and investigation services	-1,137	-1,360
IT support and consulting costs	-460	-249
of which costs of auditing services	-70	-70
Demolition and dismantling costs	-585	-656
Others	-1,859	-1,924
Total services	-46,040	-36,340

34 PERSONNEL COSTS

	<i>31 December</i> 2021	<i>31 December</i> 2020
Salary costs	-201,316	-196,641
Social security costs	-76,934	-74,805
Employee benefit provision	33	56
Other personnel costs	-16,042	-15,143
Total personnel costs	-294,259	-286,533

Average number of employees during the financial year as at 31 December 2021 was 13,484.52 (as at 31 December 2020: 13,630.52) and the Company employed 13,490 employees as at 31 December 2021 (as at 31 December 2020: 13,704 employees) of which manager employees directly responsible of general director is 35 (as at 31 December 2020: 34).



35 DEPRECIATION, AMORTIZATION AND IMPAIRMENT

	<i>31 December</i> 2021	<i>31 December</i> 2020
Depreciation and amortization and residual value of disposed assets	-150,246	-148,957
Release of accruals in the amount of depreciation	73,030	70,117
Impairment	-1,190	-2,498
Total depreciation, amortization and impairment	-78,406	-81,338

36 OTHER OPERATING COSTS, NET

	<i>31 December</i> 2021	<i>31 December</i> 2020
Fare	-3,699	-3,733
Taxes and fees	-3,441	-3,420
Property insurance	-2,846	-3,001
Other costs and revenues	-552	619
- Creation / + Reversal of allowances for receivables	1,317	-2,227
Reversal of legal claims provision	441	197
Settlement of provision for environmental burden	205	206
Total other operating costs, net	-8,575	-11,359

37 OTHER FINANCIAL COSTS AND INCOME

	<i>31 December</i> 2021	<i>31 December</i> 2020
Bank charges	-33	-20
Interest expense on lease liabilities	-156	-227
Other financial expenses	-17	-22
Interest income	4	3
Other financial income	2	701
Total other financial costs and income	-200	435

38 CORPORATE INCOME TAX

	<i>31 December</i> 2021	<i>31 December</i> 2020
Profit before tax according to Slovak accounting standards	-23,773	-16,738
of which theoretical tax at	21%	21%
	-4,992	-3,515
Tax effect of		
Items increasing profit or loss	101,778	56,454
Items decreasing profit or loss	-61,644	-32,384
Tax base (+) / Tax loss (-)	16,361	7,332
Tax base less tax loss deduction	0	0
Deferred tax	-50,181	-54,754
Tax expense	0	0
Temporary differences arising between the tax bases of assets and their carrying amounts, of which:	315,088	352,258
Deductible	-34,667	-35,883
- allowances for property, plant and equipment	-22,488	-21,308
- allowances for receivables	-8,438	-9,687
- allowances for inventories	-3,741	-4,888
Taxable	349,755	388,141
- Property, Plant and Equipment	349,679	388,062
- Income recognized after payment	76	79
Temporary differences arising between the tax bases of liabilities and their carrying amounts, of which:	-66,712	-65,600
Deductible	-66,712	-65,600
- provisions recorded as expenses	-65,850	-67,240
- provisions recorded in equity	-690	1,708
- costs recognized after payment	-172	-68
Taxable	0	0
Possibility to carry forward tax losses in future	9,418	25,924
Tax rate	21%	21%
Deferred tax (+ assets / - liabilities):		
- deferred tax at valid tax rate, net	-52,304	-59,840
- deferred tax recorded in equity	145	-359
- deferred tax from possibility to carry forward tax losses in future	1,978	5,444
Total deferred tax (+ assets / - liabilities)	-50,181	-54,754
Change in deferred tax liability	4,573	430
recorded in income statement	4,069	1,613
recorded in equity	504	-1,183

In the period of taxation 2021 the Company amortized the cumulative tax losses in the amount of EUR 16,361 thousand and disclosed tax base in the amount of EUR 0 (as at 31 December 2020: after amortization of cumulative tax losses of EUR 7,332 thousand, tax base of EUR 0).

Withholding tax on interest in the amount of EUR 243.66 was deducted in the period of taxation 2021 (as at 31 December 2020: EUR 571.42).

At the reporting date, the Company recorded deferred tax asset in equity from re-measurement of post-employment benefit in the amount of EUR 504 thousand (as at 31 December 2020: deferred tax liability in the amount of EUR 1,183 thousand) and deferred tax asset in the amount of EUR 4,069 thousand (as at 31 December 2020: deferred tax asset of EUR 1,613 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 2022 – 2024 is set out in the table below:

<i>Year</i>	<i>Track and infrastructure</i>	<i>IT and telecom</i>	<i>Total</i>
2022	237,728	1,702	239,430
2023	189,886	476	190,362
2024	113,034	476	113,510
Total	540,648	2,654	543,302

40 CONTINGENT ASSETS AND CONTINGENT LIABILITIES

ŽSR registers legal claims in the amount of EUR 53,166 thousand (as at 31 December 2020: EUR 52,757 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 83 thousand (as at 31 December 2020: EUR 181 thousand).

41 RELATED PARTY TRANSACTIONS

Based on the volume of realized transactions in 2021, 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 12.63 % (as at 31 December 2020: 12.10 %) and from Železničná spoločnosť Cargo Slovakia, a. s., represent 2.93 % (as at 31 December 2020: 2.93 %) of the total revenues for rendered services including subsidy of the Contract on the Operation of the Railway Infrastructure (Note 23, Note 24).

Summary of liabilities and receivables is as follows:

	ZSSK CARGO		ZSSK	
	31 December 2021	31 December 2020	31 December 2021	31 December 2020
Liabilities	29	24	51	77
Receivables	2,732	2,840	739	2,331
Allowances	10	5	35	29

In accordance with the Contract on the Operation of the Railway Infrastructure, the Company received subsidy in the amount of EUR 298,600 thousand in 2021, and will be evaluated during the year 2022. Based on this Contract, compensation of financial impact associated with reduction of charges for access to railway infrastructure for cargo carriers was also provided in the amount of EUR 28,241 thousand (Note 24). In accordance with the Contract, discounts for cargo carriers were provided in 2021 in the amount of EUR 27,760 thousand. A receivable for discounts for December 2020 in the amount of EUR 1,646 thousand and discounts for the year 2021 in the amount of EUR 26,596 thousand was paid from the provided subsidy. The difference between provided discount and received compensation is recognized as receivable from Ministry of Transport in the amount of EUR 1,165 thousand that will be paid from provided compensation in 2022.

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 supplementary 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 2021, 11,416 employees of the Company is involved (as at 31 December 2020: 11,676). Based on the Collective Labour Agreement, ŽSR contributes for employees' pension retirement supplementary insurance from 2 % up to 5 % from the base of assessment for the calculation of insurance premium. Costs of supplementary insurance are recorded monthly in personnel costs – total for year 2021 are in the amount of EUR 4,912 thousand (as at 31 December 2020: EUR 4,774 thousand). As at 31 December 2021, the Company records liabilities in the amount of EUR 607 thousand (as at 31 December 2020: EUR 554 thousand).



As at 31 December 2021, the Company records receivables from associated company Železničná priemyselná stavebná výroba, Čaňa in the amount of EUR 2 thousand (as at 31 December 2020: EUR 1 thousand). Revenues for the year 2021 were in the amount of EUR 14 thousand (as at 31 December 2020: EUR 19 thousand). As at 31 December 2021, the Company records liabilities from the acquisition of material in the amount of EUR 663 thousand (as at 31 December 2020: EUR 246 thousand) (Note 7).

In 2021 the Company paid out employee benefits in the amount of EUR 703 thousand (in 2020: EUR 684 thousand) to the key management of the Company, of this Management Board in the amount of EUR 133 thousand (as at 31 December 2020: 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 Events of Annual Report that occurred after 2021.

43 APPROVAL OF FINANCIAL STATEMENTS

Financial statements in notes 1 to 43 were prepared and signed on behalf of the Company on 9 March 2022:

Ing. Miloslav Havrila
General Director

List of signs and abbreviations

a. s.	joint-stock company
AGC	European Agreement on Main International Railway Lines
AGTC	European Agreement on Important International Combined Transport Lines and Related Installations
CEF	Connecting Europe Facility
CER	Community of European Railway and Infrastructure Companies
CZ	Czech republic
Coll.	Collection of Laws
DZD	Documentation for zoning decision
DBPCR	Documentation for building permit and construction realization
EIA	Environmental Impact Assessment
ERA	European Union Agency for Railways
ERTMS	European Rail Traffic Management System
ETCS	European Train Control System
EU	European Union
GSM-R	Global System for Mobile Communications – Railway – is an international standard for wireless communications designed for railway applications
GWP	global warming potential (global warming index)
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
pc	piece
PD	project documentation
PRIME	Platform of Rail Infrastructure Managers in Europe
RFC	Rail Freight Corridor
RNE	Rail Net Europe
SEA	Strategic Environmental Assessment
sj	switch unit
STN	Slovak technical standard
TEN-T	Trans-European Transport Network
TEN-T CORE	Trans-European Transport Network CORE
TIOP	Intermodal Passenger Transport Terminal
TIP	Intermodal Transport Terminal
TRAKO	Międzynarodowe Targi Kolejowe – International Railway Fair
trkm	train kilometre
UIC	International Union of Railways
ZSSK	Železničná spoločnosť Slovensko, a. s., Bratislava
ZSSK CARGO	Železničná spoločnosť Cargo Slovakia, a. s.
ŽSR	Railways of Slovak republic (Železnice Slovenskej republiky)



Contact

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