





ANNUAL REPORT OF

SLOVENSKE ŽELEZNICE, d. o. o. and the SLOVENSKE ŽELEZNICE GROUP

for **2020**

JULY 2021



ABOUT SLOVENSKE ŽELEZNICE

8	KEY PERFORMANCE INDICATORS OF THE
	SLOVENSKE ŽELEZNICE GROUP for 2020

- 10 | SIGNIFICANT EVENTS IN 2020
- 14 | STATEMENT OF THE DIRECTOR GENERAL
- 16 GENERAL INFORMATION AND GUIDELINES
- 19 Structure of Slovenske železnice companies
- 20 Business model and development policies
- 20 Monitoring the implementation of the business model and development policies
- 21 Strategic activities of the Slovenske železnice Group
- 22 Strategic policies and objectives
- 22 Objectives by individual activity
- 23 Strategic plan of the Slovenske železnice Group for the period 2016–2020
- 24 Strategic plan of the Slovenske železnice Group for the period 2016–2025
- 27 | CORPORATE GOVERNANCE
- 27 | Corporate governance statement
- 37 Internal Audit
- 40 Work of the Supervisory Board
- 47 Work of the Management Board



BUSINESS REPORT





FINANCIAL REPORT

1/0	FINANCIAL REPORT
170	1. CONSOLIDATED FINANCIAL STATEMENTS OF THE
	SLOVENSKE ŽELEZNICE GROUP
170	1.1 Consolidated statement of financial position
172	1.2 Consolidated statement of profit or loss
173	1.3 Consolidated statement of other
	comprehensive income
174	1.4 Consolidated statement of cash flows
176	1.5 Consolidated statement of changes in equity
180	2. NOTES TO THE FINANCIAL STATEMENTS
180	2.1 Basis for compiling the financial statements
182	2.2 Significant accounting policies
196	2.3 Notes to the consolidated financial statements
253	3. FINANCIAL RISKS WITHIN THE SLOVENSKE
	ŽELEZNICE GROUP
259	4. CAPITAL ADEQUACY MANAGEMENT
260	5. CARRYING AMOUNT AND FAIR VALUE
	OF FINANCIAL INSTRUMENTS
262	6. FINANCIAL STATEMENTS OF
	SLOVENSKE ŽELEZNICE, d. o. o.
262	6.1 Statement of financial position
264	6.2 Statement of profit or loss
264	6.3 Statement of other comprehensive income
265	6.4 Statement of cash flows
267	6.5 Statement of changes in equity
270	6.6 Notes to the financial statements
304	7. FINANCIAL RISKS AT SLOVENSKE ŽELEZNICE, d. o. o.
308	8. CAPITAL ADEQUACY MANAGEMENT
309	9. CARRYING AMOUNT AND FAIR VALUE
	OF FINANCIAL INSTRUMENTS
312	Audit report of Slovenske železnice, d. o. o. for 2020

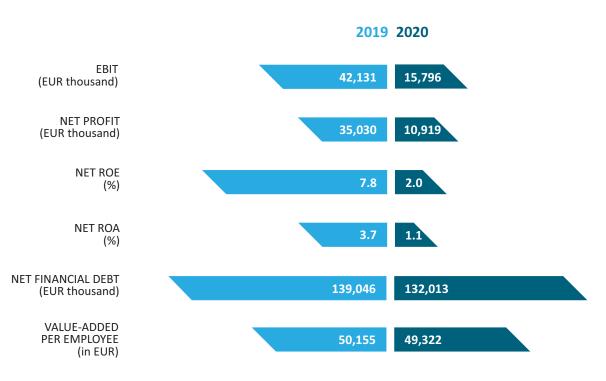






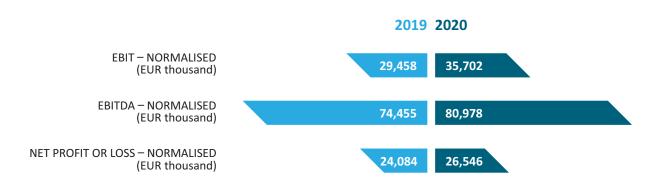
KEY PERFORMANCE INDICATORS OF THE SLOVENSKE ŽELEZNICE GROUP for 2020

FINANCIAL INDICATORS



If one-off effects are excluded, operations in 2020 were more successful than in 2019, which is a reflection of efforts to rationalise operations. This is also reflected in normalised

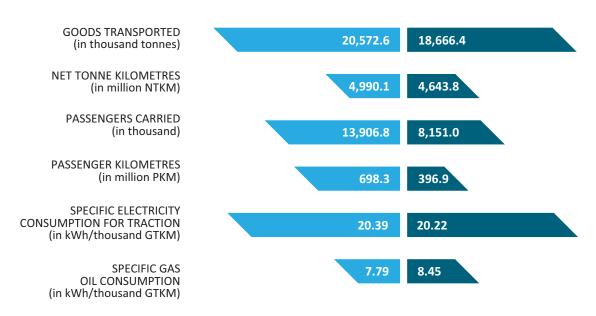
performance indicators, which are described in more detail in the section Analysis of the financial performance of the Slovenske železnice Group.





VOLUME SOLD

2019 2020



NON-FINANCIAL INDICATORS

2019 2020 NO. OF EMPLOYEES 7,329 6,925 (31 DECEMBER) AVERAGE NO. 6,967 7,461 OF EMPLOYEES NO. OF EXTRAORDINARY EVENTS 18 **RENOVATION AND UPGRADING OF LINES** 62.6 27.7 (length in kilometres) FREIGHT TRANSPORT DELAYS 94.7 72.6 (minutes/100 km) PASSENGER TRANSPORT DELAYS 2.2 (minutes/100 km)



SIGNIFICANT EVENTS IN 2020¹

JANUARY

SŽ-Tovorni promet, d. o. o. sold the 'SŽ-Express' small consignment brand on 1 January.

The upgrading of sections of the Rimske Toplice—Laško and Laško—Celje lines was completed.

The IBM Maximo enterprise asset management (EAM) system was introduced in the area of rolling stock.

FEBRUARY

SŽ-Potniški promet, d. o. o. signed a cooperation agreement with Croatian Railways as part of the European CONNECT2CE project.

Renovation works on the right-hand track on the line between Zidani Most and Rimske Toplice were completed at the beginning of February.

Igor Janez Zajec, member of the Supervisory Board of Slovenske železnice, d. o. o. and former Director General of the aforementioned company passed away.

A working group was appointed to draw up protective measures in connection with COVID-19.

MARCH

The first new diesel train arrived at the Hodoš station on 11 March.

Pursuant to the decree issued by the Slovenian government, all traffic to and from Italy was temporarily suspended on 11 March. From that day onward, passenger trains ran only to and from the Sežana station.

A pandemic and epidemic were declared due to the outbreak of COVID-19. On 16 March, the Slovenian government issued a decree halting all public rail transport in the country. The new passenger tariff entered into force.

The third four-year term of office of Dušan Mes as Director General of Slovenske železnice, d. o. o. began.

APRIL

Tomaž Kraškovic was appointed to a new four-year term of office as member of the Management Board and Director of Slovenske železnice, d. o. o.

SŽ-Tovorni promet, d. o. o. received the Golden Creditworthiness Certificate of Excellence, which is awarded by the international company Bisnode.

MAY

Public transport was re-established on 11 May.

Annex 7 to the Agreement on the provision of services by the manager of the public rail infrastructure for the period from 1 January 2016 to 31 December 2020 was signed, with a validity from 1 January to 31 July 2020.

Sales of subsidised and non-subsidised integrated public transport (IPT) tickets, urban tickets and *IZLETka* flat-rate tickets began via the web or the *Grem z vlakom* (I'm Taking the Train) mobile application.

The European CONNECT2CE project was completed in the scope of the INTERREG Central Europe financial perspective.

JUNE

SŽ-Tovorni promet, d. o. o. received two out of four planned diesel shunting locomotives in Koper.

A shunting locomotive and electric train collided at the Ljubljana train station on 4 June. A great deal of material damage was incurred, but there were no injuries.

The Supervisory Board lost a member with a wealth of experience in the area of logistics when Bojan Brank, Chairman of Supervisory Board of Slovenske železnice, d. o. o., passed away. Deputy Chairman Aleksander Nagode assumed control of the Supervisory Board, while Melita Malgaj was appointed to serve as new member of the aforementioned body.

Pursuant to the decree issued by the Slovenian government and in agreement with neighbouring railway administrations, international trains began running again on 22 June.

¹ GRI 102-51



Together with partners Kombinovani prevoz, ENNA Transport and Mercitalia Rail, SŽ-Tovorni promet, d. o. o. helped transport a train with a gross weight of 2,500 tonnes from the Serbian city of Sremska Mitrovica to the Italian city of Poggio Rusco.

JULY

Retirees and persons older than 65 years were provided a free annual pass for interurban transport.

Testing began of the compatibility of the new Stadler 610 diesel passenger train with the rail infrastructure in Slovenia, as prescribed by national law. The training of train drivers and maintenance staff also began.

SŽ-Tovorni promet, d. o. o. received the remaining two out of four planned diesel shunting locomotives in Koper. The acquisition of the requisite operating permit, test drives and the training of drivers and maintenance staff began.

AUGUST

Aleksander Mervar was appointed Chairman of the Supervisory Board of Slovenske železnice, d. o. o.

Melita Malgaj was appointed new chair of the audit committee of the Company's Supervisory Board.

The Supervisory Board of Slovenske železnice, d. o. o. confirmed the audited annual report of Slovenske železnice, d. o. o. and the Slovenske železnice Group for 2019 at its 9th session held on 7 August 2020.

In accordance with first indent of Article 16 of the Articles of Association of Slovenske železnice, d. o. o., the Supervisory Board approved the proposed revised business plan of the Slovenske železnice Group and Slovenske železnice, d. o. o.

As the founder and sole partner of Slovenske železnice, Slovenski državni holding recalled Adam Vengušt and Tanja Bolte from their positions on the Company's Supervisory Board, and appointed Gabrijel Škof, Boris Markočič and Franci Matoz to serve as new members.

Rail passenger transport was promoted under the slogans: Ready to Explore by Train with a Voucher in My Pocket, Travel by Train and Save, Take Your Bike on the Train and A Train Doesn't Stop at Every Traffic Light, So You Arrive at the Coast Sooner.

Due to the renovation of the Karavanke rail tunnel and the extended closure thereof, trains to Austria took detours via the Špilje border crossing and in part via the Opčine border crossing.

SEPTEMBER

SŽ-Tovorni promet, d. o. o. took delivery of a container manipulator for work at the Celje Čret container terminal.

We joined forces with the Slovenian police in the RAILPOL: RAW 2020 campaign aimed at tightening the control of the unauthorised and prohibited crossing of railway tracks, control of the crossing of railway tracks at level crossings (vehicles and pedestrians) and control over violations on trains. The campaign also organised lectures on railway safety at primary schools.

In the scope of European Mobility Week, we participated in various events and workshops organised by local communities in line with efforts to achieve the most sustainable and environmentally friendly public transport possible.

All testing and verification of the compatibility of the public rail infrastructure for Stadler 610 series diesel locomotives was completed. Delivery was taken of all five 610 series trains in accordance with the original agreement, while all inspections and protocols required for the regular functioning of those trains were completed. Training continued for train drivers, maintenance staff, cleaning and washing staff, and the workshop-service team.

Testing of compatibility with the public rail infrastructure began for Stadler 510 series multiple-voltage electric trains.

At the first session of the newly constituted Supervisory Board, Franci Matoz was appointed to the function of Deputy Chairman of the Supervisory Board, and also assumed the position of chair of the HR committee. A new strategic investments committee was established, with Boris Markočič assuming the function of committee chair.



OCTOBER

An epidemic was declared again on 19 October for all of Slovenia, which again had a significant impact of the work and operations of the Slovenske železnice Group.

Based on the proposal of Slovenske železnice's Management Board, the Supervisory Board gave its consent to the strategic partnership between SŽ-Tovorni promet, d. o. o. and Fersped, d. o. o. and EP Logistics International, a. s. at its session held on 29 October 2020. Completion of the transaction is envisaged following the fulfilment of suspensive conditions or within six months following the signing of the associated agreement.

NOVEMBER

On 16 November, the Slovenian government issued a decree halting all public rail transport in the country.

Annex 8 to the Agreement on the provision of services by the manager of the public rail infrastructure for the period from 1 August 2020 to 31 December 2020 was signed, and defined the value and scope of services.

DFCFMBFR

The Management Board of Slovenski državni holding gave its consent to the strategic partnership between SŽ-Tovorni promet, d. o. o. and Fersped, d. o. o. and EP Logistics International, a. s. An investment and shareholder's agreement was signed with the aforementioned strategic partner.

Passenger trains began running again on 15 December.

SIGNIFICANT EVENTS AFTER THE END OF THE 2020 FINANCIAL YEAR

JANUARY

After the last passenger train arrived in Kočevje from Ljubljana in April 1968, more than half a century ago, trains began running between Ljubljana and Kočevje again on 3 January 2021.

FEBRUARY

The managing directors of all subsidiaries were reappointed to new four-year terms of office, with defined qualitative and quantitative objectives for their respective companies.

MARCH

The Supervisory Board approved the strategic business plan of the Slovenske železnice Group for the period 2021–2025.

APRIL

In research conducted by MojeDelo.com, we ranked amongst the 10 best employers, and ranked first in the category of logistics and passenger transport.

The HR management strategy for the period 2021–2025 was approved.

The Slovenian government and SŽ-Potniški promet, d. o. o. signed annex no. 5 to the Agreement on the discharge of the public service obligation in the inland and cross-border regional transport of passengers by rail for the period 2017–2031.

MAY

Vaccination against COVID-19 was organised for workers in critical infrastructure, which includes Slovenske železnice Group companies.





STATEMENT OF THE DIRECTOR GENERAL²



Dear founder, members of the Supervisory Board, business partners, employees and other stakeholders,

The most demanding year in the history of the Slovenske železnice Group's operations is behind us. It brought numerous challenges and offered us certain opportunities, so that we ended the year even stronger.

An economic crisis had emerged already during the second half of 2019, with that crisis gaining troublesome momentum at the end of the year with the outbreak of the COVID-19 epidemic in China. The epidemic spread rapidly across the globe, and all European countries had declared an emergency by the end of February/beginning of March 2020. Economies were forced to adapt quickly to the significantly different circumstances, and the Slovenske železnice Group was no exception. Major plans from 2019 had to be pushed aside during the first wave of the epidemic. There came a period of great uncertainty in all areas of operations, which in turn required a comprehensive approach.

The Slovenske železnice Group once again demonstrated that it knows how to respond correctly and in a timely manner, even in such complex and difficult circumstances. We ensured the safety and health of employees and the users of our services, consistently complied with all prescribed restrictions on operations and adapted work processes in order to take advantage of systemic measures to mitigate the consequences of the epidemic on employees to the greatest extent possible. A total of 53% of the Group's employees were thus furloughed in March 2020.

After successfully surviving the first shock, we continued with strategic projects that we sped up considerably, as we expect operations to be subject to very harsh conditions in the period following the end of the pandemic, particularly in 2021 and 2022.

I would like to highlight in particular that the government also accomplished a great deal through its measures to mitigate the consequences of the epidemic and additional investments in the rail infrastructure. The project to construct a second track on the Divača-Koper line came to life at the beginning of 2021. Construction began in May and, for the first time, it is realistic to expect that the project will be completed in 2026. Together with the government, we drew up a strategy for the development of the rail infrastructure until 2050. The focus is on the renovation of regional lines that will lead to a significant change in operating conditions in the passenger transport segment,

² GRI 102-14



and the upgrading and shortening of individual sections on the main corridor, in particular the shortening of travel times, which will improve the mobility of the population.

During the second half of the year, the Slovenske železnice Group continued with key projects at an accelerated pace for the Group's long-term development and success, including the restructuring of personnel, digitalisation and computerisation, the upgrading of rolling stock and the strategic partner project.

In 2020, the personnel restructuring project reached its greatest breadth in the last ten years, with effects immediately recognisable in the form of lower labour costs, an improved employee structure and amended work processes. Taking into account those employees who ended their employment with the Slovenske železnice Group on the final day of 2020, a total of 934 workers left the Group during the year, primarily in the scope of the redundancy programme. We also hired 301 new workers and thus significantly improved the employee structure. By signing an agreement in April 2020 with a foreign contractor with references in the rail sector, we completed the selection of a partner for the project to evaluate jobs, upgrade the wage system and draw up a personnel plan for the Slovenske železnice Group. The aim is to complete the project by the end of 2022. Despite the adverse conditions, we began to inventory work processes for the entire Group immediately following the signing of the aforementioned agreement.

Intensive work was also carried out in 2020 in the scope of digitalisation programmes and projects based on the digitalisation strategy of Slovenske železnice adopted in 2017, which covers all strategic activities and areas of the Group's operations.

We also continued to modernise freight and passenger transport rolling stock. In December, the first five new diesel passenger trains passed all requisite tests and began operating on regional lines. At the end of the year, we began testing new electric passenger trains that will be included in the timetable during the second half of 2021. We also began testing new shunting locomotives for freight transport. Those units will be put into service by the end of the first half of 2021. A draft pre-investment plan was drawn up in 2020 for the modernisation of freight transport rolling stock, while we continued with the drafting of investment documentation for the purchase of new passenger trains, locomotives and wagons. Investment documentation was also drafted and approved for the installation of ETCS devices in 33 passenger trains and 38 freight locomotives.

We signed an investment and shareholder's agreement in December with EP Logistics International, and thus completed a five-year project to select a strategic partner in the area of freight transport and logistics. By joining forces with a capitally sound energy group comprising more than 70 companies in ten European countries, we believe that we will succeed in developing even higher-quality and more comprehensive logistics services for customers, secure access to new markets, ensure the financial basis for the further modernisation of rolling stock, and exploit the operational synergies of both groups for the continued optimisation of costs.

In 2020, we thus successfully achieved all key objectives set out in the strategic business plan for the period 2016-2020, while at the same time drafting an ambitious strategic business plan for the period 2021-2025, which was approved at the end of March 2021. That plan includes key development policies in the form of the upgrading and digitalisation of all five pillars of the Group (logistics, passenger mobility, management of the public rail infrastructure, construction and support activities). The aim of pursuing those policies is to transform the Group from a national rail operator into one of the most technologically advanced providers of comprehensive merchandise logistics and public mobility services in the region. We are planning investments in the amount of one billion euros over the next five years based on the previously established financial construction, as well as a 25% increase in pre-tax profit to EUR 50 million. A five-year HR management strategy was drawn up and approved in April to support the objectives set out in the strategic business plan.

We assess that we addressed the challenges presented to us by 2020 successfully. Strengthened by the experiences and results of that all-together extraordinary year, we believe that we will also achieve the ambitious objectives set out in the Group's new strategic business plan.

In the hope that we will continue to write new success stories together, I would like to take this opportunity to say a special thanks to all stakeholders for their trust and constructive cooperation.

DUŠAN MES Director General of Slovenske železnice









GENERAL INFORMATION REGARDING SUBSIDIARIES AS AT 31 DECEMBER 2020⁴

Company name/ abbreviated company name	SŽ-Tovorni promet, d. o. o.	Fersped, d. o. o.	VV-LOG, d. o. o.	SŽ-Potniški promet, d. o. o.	SŽ-VIT, d. o. o.
Business address	Kolodvorska ulica 11, 1000 Ljubljana	Zaloška cesta 219, 1000 Ljubljana	Ankaranska cesta 5 B, 6000 Koper - Capodistria	Kolodvorska ulica 11, 1000 Ljubljana	Zaloška cesta 217, 1000 Ljubljana
Registered office	Ljubljana	Ljubljana	Koper	Ljubljana	Ljubljana
Core activity	49.200 Freight rail transport	52.290 Other transportation support activities	52.290 Other transportation support activities	49.100 Rail passenger transport	33.170 Repair and main- tenance of other transport equipment
Registration entry number	/	10125000	10812500	/	12596100
Company registration number	6017231000	5069084000	2361191000	6017274000	5865824000
VAT number	SI84667044	SI76557995	SI97246239	SI89393686	SI99181762
Senior management	Melita Rozman Dacar Tamara Luskovec (Workers' Director)	Jožef Petrovič	Dean Peršić	Darja Kocjan Remzija Cinac (Workers' Director)	Dušan Žičkar Zdravko Skrbiš (Workers' Director)
Supervisory Board	/	/	/	/	/
General Meeting	Slovenske železnice, d. o. o. as founder	Slovenske železnice, d. o. o. as founder	Fersped, d. o. o. as founder	Slovenske železnice, d. o. o. as founder	Slovenske železnice, d. o. o. as founder

⁴ GRI 102-2

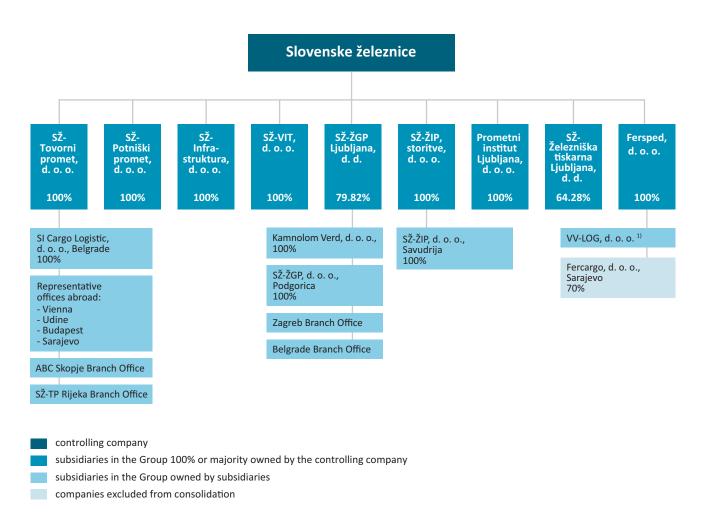


Company name/ abbreviated company name	SŽ-Infrastruktura, d. o. o.	SŽ-Železniško gradbeno podjetje Ljubljana, d. d.	SŽ-ŽIP, storitve, d. o. o.	Prometni institut Ljubljana, d. o. o.	SŽ-Železniška tiskarna Ljubljana, d. d.
Business address	Kolodvorska ulica 11, 1000 Ljubljana	Ob zeleni jami 2, 1000 Ljubljana	Kolodvorska ulica 11, 1000 Ljubljana	Kolodvorska ulica 11, 1000 Ljubljana	Hladilniška pot 28, 1000 Ljubljana
Registered office	Ljubljana	Ljubljana	Ljubljana	Ljubljana	Ljubljana
Core activity	68.320 Management of real estate on a fee or contract basis	42.120 Management of real estate on a fee or contract basis	80.100 Private security activities	72.200 Research and experi- mental development on social sciences and humanities	18.120 Other printing
Registration entry number	/	10011300	12501700	11645100	10004600
Company registration number	6017177000	5143004000	5824290000	5674522000	5142881000
VAT number	SI94995737	SI46621474	SI61613223	SI34722645	SI41764544
Senior management	Matjaž Kranjc Matjaž Skutnik (Workers' Director)	Dušan Mes ⁵ Pavel Piškur (Workers' Director)	Vojka Martinčič Vesna Ritlop (Workers' Director)	Peter Verlič	Majda Železnik
Supervisory Board	Urška Grmek Matjaž Trontelj Milorad Šljivić	Gorazd Podbevšek Dušan Mes Silvo Berdajs	/	/	Boštjan Koren Martina Resnik Miran Parkelj
General Meeting	Slovenske železnice, d. o. o. as founder	General meeting of shareholders	Slovenske železnice, d. o. o. as founder	Slovenske železnice, d. o. o. as founder	General meeting of shareholders

⁵ Dušan Mes was appointed in accordance with Article 273 of the Companies Act. During his appointment as a temporary member of the Management Board, he does not perform the function of Supervisory Board member.



STRUCTURE OF SLOVENSKE ŽELEZNICE COMPANIES



Note:

 $^{^{1)}}$ VV-LOG d. o. o. is 2/3 owned by Fersped, d. o. o. (1/3 owned by the company itself)

³ Slovenske Zeleznice, d. o. o. holds participating interests in the following associates: Adria Kombi, d. o. o. (33.72%) and Terme Olimia, d. d. (23.87%), and indirectly in CKTZ Zagreb, d. d. (29.41%).



BUSINESS MODEL AND DEVELOPMENT POLICIES⁵

The business model of Slovenske železnice is based on:

- freight transport services and thus user satisfaction with those services;
- · passenger transport services and thus:
- the fulfilment of the expectations of land transport passengers,
- the achievement of the government's objectives in terms of increasing the role of combined transport relative to private transport,
- the development of the rail infrastructure in accordance with the plans of Slovenia and the European Union,
- related services that are required for the provision of the first two categories of services; and
- the maintenance and development of the rail infrastructure in the name and on the behalf of the Slovenian government.

MONITORING THE IMPLEMENTATION OF THE BUSINESS MODEL AND DEVELOPMENT POLICIES

Implementation and supervision of the implementation of the strategic plan will be carried out in the scope of the preparation and implementation of annual plans that represent the main instruments through which strategic objectives are achieved. Annual planning links strategic development tasks and planned changes in short-term capacities.

Slovenske železnice monitors the implementation of the vision and business model through a multi-tier system of indicators. At the highest level are a set of systemic measures and a set of key internal measures. The two aforementioned sets comprise the basic non-financial factors of Slovenske železnice's sustainable development, and simultaneously facilitate short-term liquidity and long-term development.

The objectives of monitoring at this level are to identify the reasons for deviations and to adopt measures to eliminate those deviations or to prevent their reoccurrence. Changes to the strategic plan, if required, are adopted via the same procedure as the adoption of the basic plan.

The annual report of Slovenske železnice is one way to present the measurement of the implementation of the strategic plan.

Vision

The Slovenske železnice Group is a service-oriented administrator of over-land mobility and a generator of new solutions for faster and more affordable land transport.

Mission

The Slovenske železnice Group is a development centre and a group of railway companies that provide advanced services in the Slovenian over-land passenger transport segment. It also provides effective freight transport services to the economy as a whole.

⁵ GRI 102-2, 103-1, 102-16



STRATEGIC ACTIVITIES OF THE SLOVENSKE ŽELEZNICE GROUP

Logistics and mobility:

Freight transport: transport of cargo (conventional,

combined transport);

Logistics: forwarding, freight terminals and

distribution;

Passenger transport: rail passenger transport,

bus transport;

Traction and

technical services: traction, inspection and

maintenance of rail vehicles.

Management of the public rail infrastructure/IPT

(integrated public transport)

Maintenance of the infrastructure, rail transport

management and management of the IPT.

Construction:

Engineering, renovation and new construction of the rail

infrastructure.

Support for strategic activities

Business support services, real estate management,

research and development, maintenance of facilities,

cleaning, security and print media.





STRATEGIC POLICIES AND OBJECTIVES

In the target region, which comprises Slovenia and key markets in freight and passenger transport in Central and Southeast Europe, we will:

- achieve growth in the volume of freight transport on the following European corridors: Mediterranean RFC 6, Baltic-Adriatic RFC 5, Alpine-Western Balkans (corridor X);
- become the largest operator in integrated public transport in Slovenia and the wider region;
- ensure public mobility through efficient and reliable management in integrated public transport;

- ensure the effective and reliable maintenance and management of the rail infrastructure, and the management of rail traffic on it;
- become a reliable and efficient provider of rail vehicle maintenance services, and provider of traction for trains; and
- develop effective support activities in the Group and other sustainable development activities.

OBJECTIVES BY INDIVIDUAL ACTIVITY

Freight transport: growth in revenues and profitability through the internationalisation and diversification of operations: upgrading of rolling stock, market positioning in the 500 km gravitational area from northern Adriatic ports and other freight origins/destinations, development of a network of logistics and freight forwarding services, development of logistics (rail-road) terminals, strategic and capital integration in the region.

Passenger transport: growth in revenues and profitability through diversification of operations: upgrade of rolling stock, development of international, regional and local lines with optimal combination of rail and bus transport, renovation and upgrade of stations, additional services for passengers such as the single ticket, comprehensive IPT, wireless network on trains, stations and stops, a new ticketing system, and strong sales orientation (marketing of advertising space, sales of other services).

Traction and Technical Services: growth in revenues and profitability through the internationalisation of operations, increased efficiency and performance through the technological modernisation of production processes and computerisation of operations.

Management of the infrastructure: ensuring the availability of the public rail infrastructure, conditions for interoperability and the increased throughput capacity of lines, the timely and efficient provision of high-quality integrated maintenance services through the introduction of advanced technologies and processes, the modernisation of machinery and technology, and the management of traffic on the PRI.

Construction: growth in revenues and profitability through the internationalisation and diversification of operations: the construction and upgrading of the rail infrastructure, facilities and buildings.

Support activities: real estate management, the sale of non-essential assets, the reliable, high-quality and cost-effective performance of centralised business support functions, the expansion of research and development activities, the development of disabled worker employment programmes and other services.



STRATEGIC PLAN OF THE SLOVENSKE ŽELEZNICE GROUP FOR THE PERIOD 2016–2020

At the request of the Management Board and based on a resolution of the Supervisory Board of Slovenske železnice, d. o. o., the Management Board of Slovenski državni holding, d. d., as the founder and sole partner of Slovenske železnice, d. o. o., approved the strategic business plan of the Slovenske železnice Group for the period 2016–2020 in January 2016.

The bases for the strategic plan of the Slovenske železnice Group for the period 2016–2020 were as follows:

- the Strategy of Slovenske železnice until 2020 Rehabilitation and Reorganisation of the System of Slovenian Railway Companies (May 2011);
- the starting points for the drafting of the strategic plan (February 2013); and
- the Decree on the State Assets Management Strategy (July 2015).

One of the basic assumptions of the strategic business plan was the arrangement of long-term agreements on the discharge of public service obligations for the infrastructure and passenger transport. The profitability targets set out in the State Assets Management Strategy cannot be attained unless we meet the criteria set for individual segments of operations, which depend on the level of funds for public service obligations, and funds for the maintenance and upgrading of the infrastructure.

Another of the basic assumptions of the aforementioned plan was the upgrading of rolling stock via financing in the scope of a new long-term agreement on the discharge of the public service obligation, while the entry of a strategic partner was also envisaged. The diversification of operations and the enhancement of the logistics function were defined for the logistics pillar.

DIGITALISATION IN THE PERIOD 2016–2020

Slovenske železnice began the rapid digitalisation of strategic activities during the period 2016–2020. A digitalisation strategy that includes all activities and areas of the Group's operations was adopted in 2017.

The first digitalisation programme includes:

- a basic, integrated business information system for all Group companies built based on standard master data at the Group level using a standard technological platform. The basic system supports the business areas of finance, accounting, controlling, procurement and material warehousing operations;
- support for the management of human capital, including systems for managing time and calculating wages for all Group companies;
- an information system for the management of rolling stock (enterprise asset management) and for the maintenance thereof;
- an information system for the management of the rail infrastructure (including the maintenance thereof);
- an information system to support construction activities;
 and
- a high-capacity business intelligence and business analytics system.

We support the digitalization of other activities through the following digitalisation programmes:

- in the transport-logistics activity which includes, inter alia, the development of an integrated information system to support all work in the transport-logistics business process;
- rail passenger services;
- document and archiving systems: the programme is one of the main conditions for the transition to paperless operations;
- the management of operational efficiency, which includes support for the planning process in all areas, performance indicators, the automation and standardisation of business reports, and financial consolidation systems; and
- the functioning of the public rail infrastructure (rail traffic control).



STRATEGIC PLAN OF THE SLOVENSKE ŽELEZNICE GROUP FOR THE PERIOD 2021-2025

GUIDELINES

The strategic plan emphasises development guidelines through the upgrading and digitalisation of the five newly established pillars of the Slovenske železnice Group's activities — logistics, passenger mobility, management of the public rail infrastructure and construction — and efficient work in all support activities.

Through guidelines, projects, investments and the objectives set out in its strategic plan, the Slovenske železnice Group is transforming from a national rail operator into one of the most technologically advanced providers of comprehensive merchandise logistics and public mobility services in the region.

Planned in the merchandise logistics pillar is the entry of a strategic partner and the establishment of the joint venture SŽ-EP, d. o. o., which will facilitate the further development of this pillar and the easing of the financial burden on the Slovenske železnice Group, as well as investments and acquisitions in other areas of operations. The objectives of the strategic partnership are to extend the logistics chain from pick-up to delivery, to establish back-office logistics centres with the necessary warehousing capacities, and to become the leading regional logistics group through the acquisition of companies.

In the fulfilment of its task to pursue the public interest, the Slovenske železnice Group set as one of its key underlying objectives the strategic objective of formulating a multimodal range of mobility services at the national level, such that it will link government activities to establish uniform, accessible and efficient public transport and develop the areas around train stations and stops, and upgrade those activities by integrating various types of transport and related transport services into the range of mobility services.

Planned is the development of mobility services that will make it easier for passengers to travel by rail and other forms of public transport through transfer points between rail and bus transport, and a harmonised timetable for both types of transport in Slovenia.

In addition, multimodal mobility services will make it easier and simpler for passengers to complete the first and last legs of their travel. Parking lots will be organised according to the P+R system at start stations, while a range of services will be developed for electric vehicle hiring services, which will contribute to the reduced use of cars, the reduction of the negative effects of transport on the environment and the formulation of Slovenia's contribution to the achievement of the European Green Deal. We intend to carry 17 million passengers a year by rail by 2025.

In conjunction with the development of the mobility pillar, we will significantly increase the throughput of the railway network by eliminating obstacles and reducing track breakdowns in the public rail infrastructure management pillar through planned investments in the urgently needed revitalisation of SŽ-Infrastruktura, d. o. o.'s machinery. Through new machinery, we will significantly improve the availability of that machinery for maintenance purposes and reduce the costs of outsourced services, in part through the development of additional services that we were unable to provide in the past due to outdated machinery.

Changes dictated by the business environment and opportunities offered to us by the development policies of Slovenia and the European Union will be seen in the coming five-year period in the replacement of passenger trains, which will provide passengers a comfortable, safe and modern mode of transport, the modernisation of machinery for the management of the rail infrastructure, the construction of the modern Ljubljana Passenger Centre, the harmonisation of rail and bus timetables and the expansion of the geographic coverage of public transport through the spatial optimisation of transport. Last but not least, we intend to become the leading provider of comprehensive freight transport logistics services in the region in cooperation with a strategic partner.



OBJECTIVES

Logistics: the continuation of a strategic partnership in the scope of a joint venture and the establishment of SŽ-EP, d. o. o. (second quarter of 2021), which is crucial as it facilitates the continued development of this pillar.

Passenger mobility: we will achieve objectives by purchasing a bus company, through the establishment and functioning of the new company SŽ-Mobilnost, d. o. o., through the effective management of the project to build the Ljubljana Passenger Centre and through the performance of expert tasks in connection with the management of the public transport system. These activities will be closely linked to rail transport services provided by SŽ-Potniški promet, d. o. o. and bus transport services provided by a bus company.

The construction of the Ljubljana Passenger Centre will facilitate the integration of rail and bus transport services, and a well-organised and safe multimodal transport point, where passenger transfers between different modes of public transport will be faster.

Management of the public rail infrastructure: the renovation and modernisation of the rail infrastructure will require a different approach to maintenance and traffic control. We are planning significant investments in the revitalisation of SŽ-Infrastruktura, d. o. o.'s machinery, and thus a change in the company's business model. We are also planning to obtain switchyard status under the auspices of the manager for the optimal throughput of wagons and the optimisation of the switchyard process by a single service provider.

DIGITALISATION IN THE PERIOD 2021-2025

We will ensure a high level of automation and the optimisation of business processes in strategic activities by 2025 through the introduction of new digital technologies.

Mobility:

 the transformation and expansion of the public rail transport digitalisation programme to the mobility programme, which encompasses all types of public transport, including bus transport and associated services (parking, e-mobility, taxis, rentals, etc.);

- support for the system of mobility services (mobility as a service), which provides users a simplified system for selecting, purchasing and using all mobility-related services through a digital channel; and
- management of railway and bus stations and stops.

Transport and logistics activities:

- completion of the development of an integrated business information system for these activities that includes support for all elements of the business process on all markets envisaged in the business strategy;
- the introduction of systems that will facilitate a high level of automation and the optimisation of the allocation of traction vehicles and drivers; and
- the introduction of systems with a high level of automation of business processes at container terminals and switchyards.

Functioning of the public rail infrastructure (rail traffic control):

- we are planning to introduce a system by 2023 for rail traffic control in connection with the signalling and safety system through the optimisation of the use of the rail network, the full automation of the work of the business process and a system for saving energy in train traction; and
- during the planning period, we will introduce systems for the construction of train paths using built-in algorithms to optimise the use of the rail network.

Asset management - rolling stock:

- the introduction of cost-efficiency improvements in the area of maintenance;
- improved availability of rolling stock through the use of predictive analytical methods and algorithms, artificial intelligence and machine learning, and through the use of sensor data (Internet of Things or IoT); and
- the introduction of support for the comprehensive monitoring and management of rolling stock efficiency over the entire lifecycle (asset performance management).

Management of rail infrastructure assets:

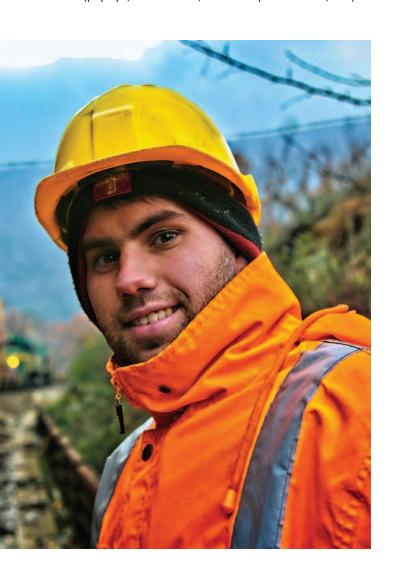
- cost-efficiency improvements in the area of maintenance;
- improved availability of the rail infrastructure through the use of predictive analytical methods and algorithms, artificial intelligence and machine learning, and through the use of sensor data (Internet of Things or IoT); and



 the introduction of support for the comprehensive monitoring and management of rail infrastructure efficiency over the entire lifecycle (asset performance management).

Management of human capital:

- introduction of support for advanced HR functions (recruitment, employee development, objectives, etc.);
- · optimisation of the calculation of wages;
- high-capacity business analytics and business intelligence systems must be introduced for HR management purposes to facilitate higher-quality decision making in this area; and
- we will provide employees access to their own data (payslips, annual leave, electronic personal files, etc.).



HUMAN RESOURCE MANAGEMENT STRATEGY WITHIN THE SLOVENSKE ŽELEZNICE GROUP IN THE PERIOD 2021-2025

To achieve ambitious plans and the objectives set out in the strategic business plan for the period 2021–2025, we drafted the human resource management strategy of the Slovenske železnice Group for the period 2021–2025, which lays out an advanced, comprehensive and systematic approach to the development of employees and human potentials.

The main purpose of the strategy is the achievement of the following four key strategic objectives in the area of HR management: the recruitment, development and maintenance of competent and committed employees in all work areas, the creation of a work environment and organisational culture that will be based on cooperation and that will facilitate the transformation of Slovenske železnice from a national rail operator into one of the most technologically advanced providers of comprehensive merchandise logistics and public mobility services in the region, the transformation of the HR function, which will serve as a partner to senior management in the achievement of the strategic business objectives of the Slovenske železnice Group with an emphasis on the creation of a business model for the development of competences that are focused on the needs of users, and the digitalisation of HR processes to improve work efficiency.

The central theme of the HR management strategy within the Slovenske železnice Group in the period 2021–2025 is awareness that employees are crucial for the Company's long-term operations.



CORPORATE GOVERNANCE

CORPORATE GOVERNANCE STATEMENT⁶

In accordance with the provision of the fifth paragraph of Article 70 of the Companies Act and the recommendations of the Corporate Governance Code for Companies with Capital Assets of the State, Slovenske železnice, d. o. o. hereby issues its corporate governance statement for 2020.

1. Reference to the Corporate Governance Code

As a company under the 100% ownership of the State, Slovenske železnice, d. o. o. applies the Corporate Governance Code for Companies with Capital Assets of the State (hereinafter: the SDH Code) and the Recommendations and Expectations of Slovenski državni holding, d. d. in its work. The two aforementioned documents are key governance documents of Slovenski državni holding, d. d. and are accessible on the website https://www.sdh.si/.

2. Statement of compliance with the provisions of the Corporate Governance Code for Companies with Capital Assets of the State and deviations from that Code, and deviations from the Recommendations and Expectations of Slovenski državni holding

The Company continuously monitors all changes and amendments to both of the aforementioned documents. At least once a year we verify compliance with both documents following the principle of 'comply or explain'.

The Company strives to comply with both documents to the greatest possible extent, taking into account the specifics of its operations (activity, size, single-owner enterprise, etc.).

Below we provide point-by-point explanations of deviations from the individual recommendations of both documents, according to the 'comply or explain' principle, for 2020. If we were not fully compliant with an individual provision in 2020 and we intend to change this policy in 2021, this

is stated separately in accordance with Recommendation 3.4.1 of the SDH Code. We also highlight certain activities to reduce the number of deviations that we announced in last year's statement and successfully implemented this year.

Corporate Governance Code for Companies with Capital Assets of the State

Corporate governance framework for companies with capital assets of the state

Recommendation 3.2: Corporate governance policy

The Company has no governance policy in place, and operates in accordance with the applicable regulations, the Company's Articles of Association and the State Assets Management Strategy. The governance policy of the Slovenske železnice Group is being drafted.

Recommendation 3.6: Diversity policy

In the scope of drafting the governance statement for 2019 and preparing the review of compliance with the provisions of the SDH Code as its reference code, the Company began the process of formulating a diversity policy for the entire Slovenske železnice Group. That policy is a document drafted jointly by the Management Board and Supervisory Board of the controlling company that entered into force following its approval at December's session of the Supervisory Board. It is published on the Company's website (https://www.slo-zeleznice.si/) and is described in more detail in point 7 of this governance statement.

Relationship between shareholders or partners, Slovenski državni holding, the state and companies with capital assets of the state

Recommendation 4.3: The limitation of communication between a company's management and supervisory bodies and representatives of ministries and the government regarding matters that relate to the exercising of membership rights arising from the capital assets.

The Slovenske železnice Group comprises companies that require comprehensive and varied information for the performance of their core activities. 'Non-public contacts' are thus a part of its everyday activities and communication.

⁶ GRI 102-5, 102-11, 102-12, 102-16, 102-18, 102-22, 102-45, 102-46, 103-1, 205-1, 405-1



The Group also performs public service obligations (PSO) under agreements with the Slovenian government. Regular contacts with representatives of the competent ministries and the Infrastructure Directorate of the Republic of Slovenia are thus required.

The Company's Management Board and members of its Supervisory Board had contacts with representatives of the government in 2020. That communication never related directly to the decisions of management and supervisory bodies. The members of the Management Board and Supervisory Board make entirely independent decisions.

Supervisory Board

Recommendation 6.1.5: Transactions that require the consent of the Supervisory Board

The Articles of Association or resolution of the Supervisory Board does not specify the mandatory consent of the Supervisory Board for the establishment or closure of branches. Consent for the acquisition, disposal or closure of material parts of the Company or operations is provided for indirectly in the obligation to secure other consents (to corporate status or capital changes at the Company). The appointment of representatives with special power-of-attorney falls within the powers of the founder in accordance with the Companies Act.

Recommendation 6.2: Succession policy

The Supervisory Board did not formally develop a succession plan for members of the Management Board, although it did start a discussion regarding the need for the formulation of such a plan in 2019. Because the Supervisory Board did not function in its full composition for a great deal of 2020 due to extraordinary circumstances, the succession plan will be one of the key HR tasks during the next term of office.

Recommendation 6.5: Heterogeneity and complementarity of the Supervisory Board's composition

The Supervisory Board comprises members who through their diverse knowledge, skills and experience constitute a body that effectively oversees and monitors the operations of the Company. The most recent appointments saw the inclusion of an expert with management experience at a foreign company on the Supervisory Board. That body, however, is not balanced in terms of representation by gender and international composition. Both genders are also represented in the Supervisory Board's new composition,

which nevertheless deviates from the target composition set out in the recommendation of the Slovenian Directors' Association, primarily due to the nature of the Group's activities. The criterion of gender diversity was also taken into account in the constitution of the audit committee through the appointment of a female external member.

Recommendation 6.5.1: Competence profile

The Supervisory Board adopted a competence profile for its members in December 2020. That profile is published on the Company's website (https://www.slo-zeleznice.si/).

Recommendations 6.8 and 6.9: Appointment of Supervisory Board members

The Company is 100% directly owned by the Slovenian Government, meaning that the appointment of the Supervisory Board is the responsibility of the Company's founder, which appoints Supervisory Board members in accordance with applicable regulations and the Company's bylaws.

Recommendation 6.13: Evaluation of the efficiency of the work of the supervisory board

The evaluation of the efficiency of the work of the Supervisory Board and its committees was not carried out in 2020 due to the large number of changes to the composition of that body. Other activities in this area are presented in the report on the work of the Supervisory Board.

Recommendation 6.14.2: Number of sessions of audit committees

The Auditing Act expanded the definition of public-interest entities to all companies under majority state ownership, such that Slovenske železnice, d. o. o. obtained that status on 1 January 2020. This entails higher reporting standards, in particular the closer monitoring of the work of the auditor of the financial statements. This is the main reason that the number of audit committee sessions exceeded the recommended maximum number of sessions (nine instead of the recommended eight).

Management Board

Recommendation 7.3.2: Positions of Management Board members on supervisory boards outside of the Group

The Company's Articles of Association specify that a member of the Management Board cannot be a member of the supervisory board of other companies, except on the



supervisory boards of companies in which Slovenske železnice, d. o. o. holds a minimum participating interest of 25%. The Supervisory Board is briefed on the assumption of such functions in order to ensure that the interests of the Slovenske železnice Group are taken into account by all parties.

Recommendation 7.4: Employee development plans

The Company does not currently have development plans for every employee. However, new information support will help us gradually implement a new HR process, i.e. the management of employee development plans in which the career path of a specific employee and their critical abilities will be defined.

Transparency of operations and reporting

Recommendation 8.2: Reporting on the composition of the Management Board and Supervisory Board

The Company does not disclose some of the information stated in Appendix 5 in its annual report in order to protect personal data.

Recommendation 8.5: Financial calendar

Slovenske železnice, d. o. o. is a single-partner enterprise, whose sole owner is the Republic of Slovenia. General meetings of partners/the founder are the responsibility of Slovenski državni holding, d. d., and the Company is unable to anticipate when they will be convened.

Code of Ethics

Recommendation 10.1: Adoption of a code of ethics

The Company updated its code of ethics and expanded it into a code of conduct that applies to the entire Slovenske železnice Group since 1 January 2021.

Recommendations and Expectations of Slovenski državni holding

Procurement of goods and services, and sponsorships and donations

Recommendation 3.3: Public announcements

In accordance with the requirements of the Access to Public Information Act and the Public Procurement Act, the Company only publishes information regarding agreements.

Recommendation 3.7: Publication of information

regarding the total value of transactions relating to the ordering of services

The Company does not publish data on its website regarding the total value of transactions that by their legal nature are mandate contracts or work contracts or whose subject is intellectual work, but does publish data in accordance with the applicable regulations regarding specific contracts in a manner that makes it possible to identify data regarding the total value from individual publications.

Recommendation 3.11: Maximum scope of sponsorships and donations

Sponsorships and donations are defined in the Rules on the Treatment and Approval of Sponsorships and Donations, adopted on 23 August 2018. On this basis, the Marketing Department drafts an annual plan that defines the scope of and basic guidelines for sponsorships and donations. The annual amounts for sponsorships and donations may not exceed 0.13% and 0.06% of planned revenues, respectively. All plans define measurable objectives taking into account efficiency. A donations committee makes decisions regarding recipients based on clear criteria, separately for sponsorships and donations.

Achieving quality and excellence in the operations of a company/group

Recommendation 5.1: Self-assessment according to the EFQM's tested excellence model

The EFQM excellence model, a highly complex project, has not been introduced within the Slovenske železnice Group. Due to a number of other projects, no decision has been made on the introduction of the aforementioned model.

Adoption of rules regarding the other rights of members of management bodies

Based on the new recommendations of Slovenski državni holding, the Supervisory Board adopted new rules regarding the other rights of Management Board members at its session in December 2020, and thus expanded those rights taking into account established practices.



3. Description of the main features of the company's internal control and risk management systems in relation to the financial reporting process

A comprehensive risk management system is in place in the Slovenske železnice Group. The system ensures the appropriate management of the books of account. A system has been created that ensures the functioning of internal controls at all levels of the Slovenske železnice Group's operations. The Company's Management Board is aware that every internal control system has its limits regardless of how it functions. However, the internal control system provides sufficient assurances for the identification and assessment of significant risks, the definition of risk management measures and reporting on risks.

The Management Board of Slovenske železnice, d. o. o. and the senior management of Slovenske železnice Group companies ensure that internal controls are systemically integrated into business processes, and are responsible for the effective functioning of the internal control system.

The purpose of internal accounting controls is thus to ensure a fair and true presentation of the operations of the Slovenske železnice Group, while pursuing the following objectives:

- the accuracy, reliability, completeness and timeliness of financial reports;
- compliance with the law, standards, agreements and the Company's bylaws;
- the achievement of effective and efficient operations, which is reflected in an increase in the value of Slovenske železnice Group's assets; and
- the achievement of the Slovenske železnice Group's strategic objectives.

In order to achieve these objectives, the Slovenske železnice Group:

- ensures the transparent organisational structure of the Group:
- is introducing a standardised accounting and business information system at the controlling company and at subsidiaries;
- ensures the standardised management of the books of account through a largely centralised accounting function;
- reports on operations in accordance with the International Financial Reporting Standards (clear and transparent accounting policies have been adopted for

- the entire Slovenske železnice Group);
- conducts regular internal audit control;
- is responsible for the independent approval of the fair presentation of the financial position of the Slovenske železnice Group through the external auditing of financial statements; and
- conducts other independent assessments, such as the assessment of the quality management system according to the ISO 9001 standard, etc.

On account of the sector in which the Slovenske železnice Group operates, its ownership structure and adopted vision, a conservative approach to risks has been defined in all activities. That approach is reflected in a low risk appetite with respect to all risks. The management and assessment of risks by individual area are presented in detail in the section Risk management and opportunities.

We believe that the system of internal controls, which are the subject of continuous improvements within the Slovenske železnice Group, is first and foremost an effective and successful tool for the achievement of both short-term and strategic business objectives.

4. Data in accordance with point 4 of the fifth paragraph of Article 70 of the Companies Act

The Company's legal organisational form is that of a limited liability company. Its sole partner (owner) is the Republic of Slovenia, which holds the entire participating interest. In accordance with the first paragraph of Article 2 of the Slovenske Železnice Act, the Republic of Slovenia may not divide its participating interest in the Company or transfer it to another party. As the sole partner, there are no restrictions on the Republic of Slovenia's voting rights.

The Company is managed by its Management Board which, in accordance with the Articles of Association, comprises the Director General, two members (directors) and the Workers' Director. Members of the Management Board are appointed and recalled by the Company's Supervisory Board, while the Workers' Director is appointed and recalled based on a proposal from the Works Council. The Director General has the right to propose to the Supervisory Board the appointment of two members to the Management Board (directors). However, the Supervisory Board is not legally bound to that proposal. The Supervisory Board may recall members of the Management Board at any time without explanation.



The Company has a Supervisory Board comprising nine members. Six members are appointed and recalled by the founder, i.e. Slovenski državni holding, d. d. Three members are appointed and recalled in accordance with the Workers' Participation in Management Act.

The Articles of Association and the amendments thereto are adopted by the founder, i.e. Slovenski državni holding, d. d.

Management staff and the Management Board manage Slovenske železnice, d. o. o.'s operations and represent the Company at their own risk. Individual members of the Management Board are assigned their respective work area through the Rules of Procedure of the Management Board. The Workers' Director represents the interests of workers as they relate to human resource and social issues in accordance with the Articles of Association.

The Director General represents the Company independently and without restrictions. One member of Management Board (director) and the Workers' Director represent the Company together with the Director General.

Due to the legal prohibition on the division or transfer of the participating interest to another party, the Management Board cannot be granted any powers to issue or purchase treasury shares.

5. Functioning of the General Meeting of Shareholders and its key powers, description of the rights of shareholders and the manner in which those rights are exercised

The Company is established as a limited liability company. Its sole partner (owner) is the Republic of Slovenia, which holds the entire participating interest.

In accordance with the Companies Act, all the major corporate decisions in single-partner limited liability companies that are set out in the Companies Act and in the Articles of Association are taken by the founder. The function of the Company's founder is performed by Slovenski državni holding, d. d.

The founder thus holds all the powers of the general meeting, while making independent decisions on changes and amendments to the Articles of Association, the adoption

of the annual report and consolidated annual report (if they are not approved by the Company's Supervisory Board, or if the Management Board and Supervisory Board defer the decision on their adoption to the founder), the use of distributable profit and the coverage of losses, the conferral of official approval on the Supervisory Board and Management Board or on individual members of those two bodies, the reimbursement of subsequent payments, the remuneration policy for members of the Management Board based on the proposal of the Company's Supervisory Board, corporate status changes and the winding up of the Company, changes to share capital, the appointment and recall of Supervisory Board members, except those that were appointed by the Works Council, payments to members of the Supervisory Board, the appointment of the Company's auditor based on the proposal of the Supervisory Board, representation of the Company in court proceedings against management staff and other matters in accordance with its powers, as derived from the applicable laws and Articles of Association of Slovenske železnice, d. o. o.

The sessions of the founder are held in accordance with its bylaws.

6. Composition and functioning of management and supervisory bodies and their committees

The Company is governed by the founder directly and through its governing bodies, namely the Supervisory Board and the Management Board (two-tier governance system). The powers of the Company's bodies are set out in the Companies Act, and in Slovenske železnice, d. o. o.'s Articles of Association, the Rules of Procedure of the Supervisory Board and the Rules of Procedure of the Management Board.

Composition of the Supervisory Board

In accordance with the Articles of Association of Slovenske železnice, d. o. o., the Supervisory Board of Slovenske železnice, d. o. o. comprises nine members. Six members are appointed by the founder and three by the Works Council.



COMPOSITION OF THE SUPERVISORY BOARD AND ITS COMMITTEES DURING THE 2020 FINANCIAL YEAR:

First name and surname	Position	Qualification	First appointment to position	Completion of position/ term of office	Shareholder/ employee representative ¹⁾	Participation in Supervisory Board sessions with respect to total number during term of office
Bojan Brank	Chairman	Degree in general management from London City University	11 September 2015	6 June 2020	S	5/5
Aleksander Nagode	Deputy Chairman	Master's of science	11 September 2015	12 September 2023	S	17/18
Franci Matoz	Deputy Chairman	Bachelor's degree in law	27 August 2020	27 August 2024	S	9/10
Silvo Berdajs	Member	Secondary voca- tional education	11 September 2015	12 September 2023	E	18/18
Jože Pavšek	Member	Primary school education	11 September 2015	12 September 2023	E	18/18
Zlatko Ratej	Member	Secondary voca- tional education	24 April 2018	12 September 2023	E	18/18
Igor Janez Zajec	Member	Master's of science	12 September 2019	26 February 2020	S	1/2
Aleksander Mervar	Chairman	Master's of science	12 September 2019	12 September 2023	S	17/18
Adam Vengušt	Member	Master's degree in international business and sustainable development	12 September 2019	26 August 2020	S	7/8
Gabrijel Škof	Member	Bachelor's degree in law	27 August 2020	27 August 2024	S	10/10
Melita Malgaj	Member	Bachelor's degree in economics	12 June 2020	12 June 2024	S	13/13
Boris Markočič	Member	Bachelor's degree in electrical engineering	27 August 2020	27 August 2024	S	10/10
Tanja Bolte	Member	Master's degree in the field of technical security and environmental protection	12 September 2019	26 August 2020	S	8/8
Barbara Nose	External member of the audit committee	Bachelor's degree in economics, specialising in auditing	19 October 2015	12 September 2023	S	/

 $^{^{\}mbox{\tiny 1)}}$ S – shareholder representative; E – employee representative



Independence in accordance with Article 23 of the Code	Existence of conflicts of interest during the financial year 2)	Membership in supervisory bodies of other companies	Membership on committees	Chair/ member	Participation in committee sessions with respect to total number during term of office
YES	NO	/	HR committee	Member	4/4
YES	YES	/	Audit committee Strategic invest- ments committee	Member Member	9/9
YES	NO	Meja Šentjur, d. d.	HR committee	Chair	4/4
YES	NO	SŽ-ŽGP Ljubljana, d. d.	Audit committee Strategic invest- ments committee	Member Member	9/9
YES	NO				/
YES	NO	/	HR committee	Member	10/10
YES	NO	/	HR committee	Member	1/2
YES	YES	Kapitalska družba, d. d.	HR committee Audit committee	Member Chair	5/5
YES	NO	Slovenj Gradec Busi- ness Centre	HR committee	Chair	6/6
YES	NO	Nuclear Insurance and Reinsurance Pool	HR committee Strategic invest- ments committee	Member Member	4/4
YES	NO	/	Audit committee	Chair	4/4
YES	NO	/	Audit committee Strategic invest- ments committee	Member Chair	3/3
YES	NO	/	Audit committee	Member	5/5
YES	NO	Luka Koper, d. d.	Audit committee	Member	9/9

²⁾ If a conflict of interest arose in a particular case, the member of the Supervisory Board in question was recused from discussions and decisions by the aforementioned body.



Work of the Supervisory Board

The legal bases for the work of the Supervisory Board are the Companies Act, Slovenske železnice, d. o. o.'s Articles of Association, the Rules of Procedure of the Supervisory Board, the Rules of Procedure and Remuneration of Supervisory Board Committees and the Rules of Procedure of the Supervisory Board's Audit Committee.

The Supervisory Board exercises its powers and performs its duties at sessions and via its committees.

The most important powers of the Supervisory Board are as follows: the supervision of the operations of Slovenske železnice, d. o. o., the review and verification of the Company's books of account and documentation, its cash drawers, securities in safekeeping and inventories of merchandise and other items, the supervision of the activities of the Slovenske železnice Group and the adopted annual and strategic plan based on Management Board reports, verification and approval of the annual report and review of the proposed use of distributable profit, the appointment and recall of the Management Board of Slovenske železnice, d. o. o., the appointment and recall of the Workers' Director on the Company's Management Board based on the proposal of the Works Council, the appointment of the audit committee and other Supervisory Board committees, the conclusion of employment contracts with Management Board members, the submission of proposals to the founder for the adoption of resolutions in the scope of its powers, the adoption of the Rules of Procedure of the Supervisory Board, the monitoring of the appropriateness of procedures and the effectiveness of internal controls and internal auditing, and the approval of the following: the business plan and the strategic business plan of the Slovenske železnice Group, the purchase or sale of capital assets and real estate above the amount set out in Slovenske železnice, d. o. o.'s Articles of Association, the raising of loans and the issuing of guarantees and sureties above the amount set out in Slovenske železnice, d. o. o.'s Articles of Association, investments and divestments that are not included in the Company's annual plan or the strategic business plan of the Slovenske železnice Group above the amount set out in the Articles of Association, decisions regarding changes in status and capital at the general meetings of subsidiaries, the rules and elements for the conclusion of individual employment contracts for management staff and other Slovenske železnice and Slovenske železnice Group employees, the appointment and recall of management staff at subsidiaries, the appointment and recall of the head of the Internal Audit Department and the annual work programme thereof, and the Rules of Procedure of the Management Board.

The Supervisory Board also makes decisions and gives its consent in the matters set out in Article 16 of the valid Articles of Association of Slovenske železnice, d. o. o.

Supervisory Board committees

The composition of the Supervisory Board's committees and their work in 2020 is presented in detail in the report on the work of the Supervisory Board, and are not presented again here.

Management Board

In accordance with the valid Articles of Association of Slovenske železnice, d. o. o., the Company's operations are managed by its Management Board comprising the Director

COMPOSITION OF THE SENIOR MANAGEMENT DURING THE 2020 FINANCIAL YEAR:

First name and surname	Position (President, member)	Work area as member of the Executive Management	First appointment to position	Completion of position/term of office	Membership in supervisory bodies of unaffiliated companies
Dušan Mes	Director General	Director	22 March 2012	24 March 2024	/
Tomaž Kraškovic	Member of the Management Board (Director)	Finance, accounting and control- ling, IT, compliance and risk management	1 April 2016	2 April 2024	/
Nina Avbelj Lekić	Workers' Director	HR and social issues	21 March 2018	21 March 2022	/



General, who represents the Company independently and without limitations, two members of the Management Board (managing directors), who only represent the Company in concert with the Director General, and the Workers' Director, who is appointed in accordance with the Workers' Participation in Management Act and who is vested with the power to represent the interests of employees regarding human resource and social issues.

Management staff and the Management Board manage Slovenske železnice, d. o. o.'s operations and represent the Company at their own risk. The management staff and Management Board manage the transactions of Slovenske železnice, d. o. o. and make all decisions that are not the responsibility of the Supervisory Board and the founder, in accordance with valid regulations and the Articles of Association. Individual members of the Management Board are assigned their respective work area through the Rules of Procedure of the Management Board. The Workers' Director represents the interests of workers as they relate to human resource and social issues in accordance with the Articles of Association. The Management Board functions as a collegiate body when adopting the most important decisions for Slovenske železnice, d. o. o. and for the Slovenske železnice Group.

Governance of subsidiaries

The Management Board and Supervisory Board play key roles in the governance of subsidiaries.

In addition to Slovenske železnice, d. o. o. the Slovenske železnice Group comprises the following direct subsidiaries: SŽ-Tovorni promet, d. o. o., Fersped, d. o. o., SŽ-Potniški promet, d. o. o., SŽ-VIT, d. o. o., SŽ-Infrastruktura, d. o. o., SŽ-Železniško gradbeno podjetje, d. d., SŽ-ŽIP, storitve, d. o. o., Prometni institut Ljubljana, d. o. o. and SŽ-Železniška tiskarna Ljubljana, d. d., in which Slovenske železnice, d. o. o. has a 100% participating interest or majority holding, and subsidiaries in which the aforementioned subsidiaries have a 100% participating interest or majority holding.

The companies listed above are engaged in the maintenance and management of the public rail infrastructure, traffic control, rail passenger and freight services on the public rail infrastructure, train traction and technical wagon inspection services as core activities, and other services, and supplementary and complementary activities required for the continuous and/or high-quality performance of core activities.

Slovenske železnice, d. o. o. did not issue any binding instructions in 2020 that would result in damage or an operating loss at subsidiaries.

In accordance with the Companies Act and the relevant control agreements, Slovenske železnice, d. o. o. covered the losses generated in 2020 by SŽ-Vleka in tehnika, d. o. o. in the amount of EUR 9,688 thousand and SŽ-ŽIP, storitve, d. o. o. in the amount of EUR 3,423 thousand.

7. Description of the diversity policy

In December 2020, the Supervisory Board and Management Board of Slovenske železnice, d. o. o. adopted the policy on the diversity of the management and supervisory bodies of Slovenske železnice, d. o. o. and the Slovenske železnice Group. That policy also applies to recruitment of management staff, in addition to members of management and supervisory bodies.

The core principle of the policy is diversity in terms of the inclusion and participation of people with different ways of thinking, backgrounds, knowledge, experience, skills and personal characteristics at all levels of the Company.

The objective of the diversity policy is to ensure that the composition of every body results in a set of abilities, expertise, skills and experience that will ensure the sound understanding of current events, and long-term risks and opportunities in connection with the operations of the Company and Group, and thus the long-term successful and sustainable performance of the Company and Group.

When determining the optimal composition of bodies, primarily the following aspects of diversity are taken into account to ensure the effectiveness of an individual body as a whole:

- professional diversity to ensure the complementarity of knowledge and skills;
- diversity in terms of competences;
- · diversity in terms of gender;
- diversity in terms of age, which is particularly important due to the ageing of the population and the raising of the retirement age; and
- ensuring continuity in the form of an appropriate proportion of existing members to new members of the Company's Supervisory Board and senior management.



The policy also sets out measurable objectives for selected aspects of diversity:

- a proportion of under-represented members of companies' executive staff and supervisory boards (in terms of gender) of at least one quarter; and
- continuity of at least one third at the level of the entire Supervisory Board, and of at least one quarter amongst shareholder representatives.

The diversity policy is applied primarily in:

- the recruitment, selection and submission of proposed candidates for the Supervisory Board to the Company's founder:
- the appointment of the Supervisory Board's committees;

- the appointment or approval of the appointment of managing directors of Group companies,
- the appointment of the senior managerial team; and
- the self-assessment of the Supervisory Board's work, which also includes an assessment of the composition of the Supervisory Board in terms of implementation of the diversity policy.

If several candidates fulfil fit and proper criteria, preference is given in the selection/appointment process to the candidate who will contribute to the diversity of the Company's executive staff and/or Supervisory Board.

We will report on the results of the diversity policy in the next annual report.





INTERNAL AUDIT

The Internal Audit Department (IAD) of Slovenske železnice, d. o. o. conducts internal auditing for the entire Slovenske železnice Group. It is organised as a central office (independent organisational unit) that reports directly to the Company's Management Board. The head of the IAD reports directly to the Management Board in administrative terms and to the Company's Supervisory Board in functional terms.

The IAD acts in accordance with the principles of independence, professionalism and impartiality, and ethical principles, such as the core principles of the auditing profession. It functions in accordance with internal audit charter and its own rules of procedure, which are based on the valid International Framework on the Professional Practicing of Internal Auditing, and the Code of Internal

Auditing Principles and the Code of Professional Conduct of Internal Auditors, both issued by the Slovenian Institute of Auditors.

The primary objective of the IAD is to provide independent and impartial assurance and consulting services within the Slovenske železnice Group. In accordance with the International Standards for the Professional Practice of Internal Auditing, the IAD's primary focus in on assessing the success and effectiveness of achieving objectives, and on the drafting of proposed improvements in the following areas: the governance of the Slovenske železnice Group and the management of risks and control procedures, through which it generates added value for the Group and its stakeholders.

INTERNAL AUDIT DEPARTMENT

Through audits and consultancy services, we contribute to the constant improvement of performance and efficiency of the:

GOVERNANCE OF THE SLOVENSKE ŽELEZNICE GROUP

- the adoption of strategic and implementing decisions;
- the oversight of risk management and control procedures;
- the enforcement of ethics and values within the Slovenske železnice Group;
- ensuring the effective management of the work of the Slovenske železnice Group and clear responsibilities;
- the reporting of information regarding risks and control to the competent bodies of the Slovenske železnice Group; and
- the coordination of activities and the reporting of information between the Supervisory Board, external and internal auditors, other providers of assurance, the senior management and management boards of subsidiaries, and the Management Board of Sž, d. o. o.

RISK MANAGEMENT

- organisational objectives support and are aligned with the mission of the Slovenske železnice Group;
- identification and assessment of significant risks;
- the appropriate responses to risk are selected, while those responses harmonise risks with the Slovenske železnice Group's appetite to take up risks; and
- relevant information regarding risks is captured and reported in a timely manner within the Slovenske železnice Group, so that the employees, senior management and management boards of subsidiaries, and the Management Board and Supervisory Board of the Group can perform their tasks.

CONTROL PROCEDURES

- the achievement of the Slovenske železnice Group's strategic objectives;
- the reliability and integrity of accounting and business information;
- the success and effectiveness of organisational units, processes, functions and projects;
- the protection of assets; and
- compliance with the law and other external and internal regulations, guidelines, procedures and agreements.



The IAD functioned in 2020 in accordance with its adopted work plan and revised work plan for 2020. The COVID-19 epidemic was declared in Slovenia in March 2020, resulting in the suspension of public transport in the country. All Slovenske železnice Group employees who do not perform urgent tasks were furloughed. Internal audits were thus performed to a limited extent. In accordance with its revised work plan, the IAD's focus in the final quarter of 2020 was on informal consulting services, including the introduction of continuous auditing in areas where several instances of non-compliance were identified and an increased number of recommendations were issued during recent audits.

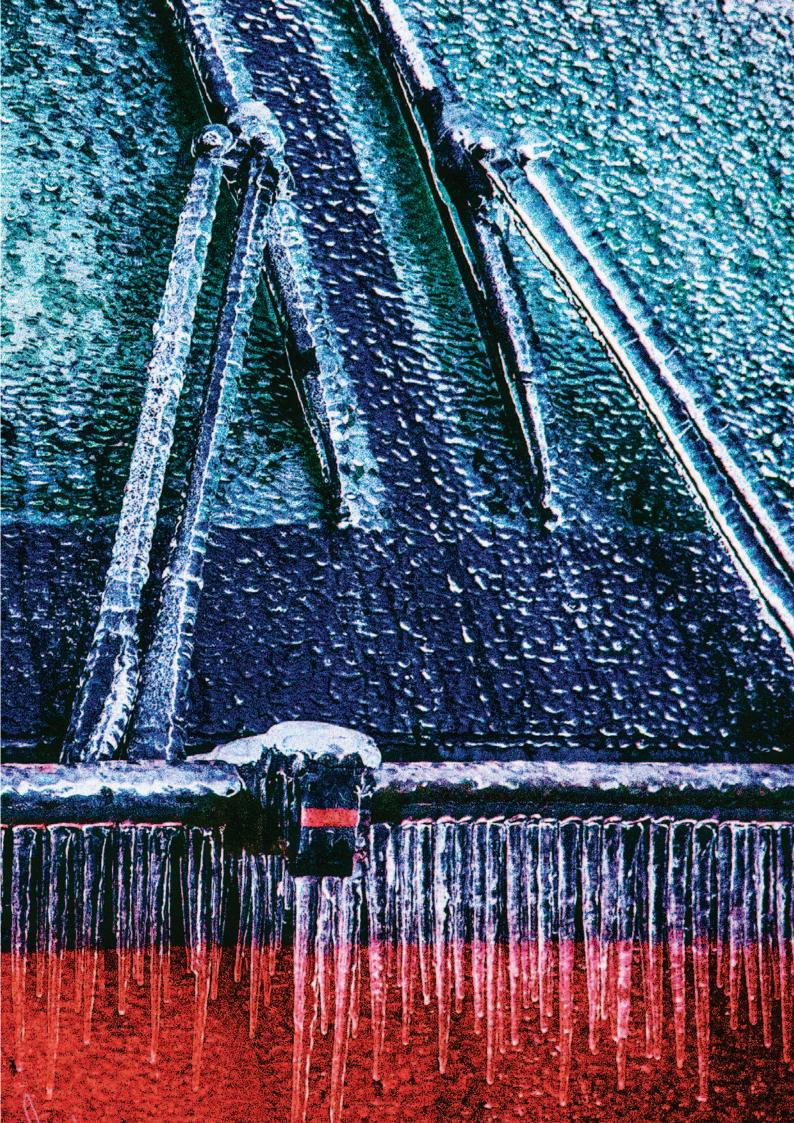
Despite the aforementioned limitations, the IAD conducted six regular audits in 2020 and introduced continuous auditing in the areas of the agreement register, project management and the calculation of wages. It issued recommendations for improving internal controls and the more effective management of risks in areas subject to audit.

In 2020, the IAD also developed an assurance map, which was identified as one of the department's key objectives in the period 2020–2024. The purpose of the assurance map is to document the systematic linking of different internal and external assurance providers, and to link key categories of risks with other assurance providers and to assess the level of assurance for a particular risks category. The IAD thus identified other assurance providers and began to familiarise itself with their findings, while the possibility of relying on their work will be assessed in the coming years.

The IAD regularly monitors the implementation of adopted recommendations. It reports regularly and directly to the Management Board and Supervisory Board's audit committee with regard to all conducted audits, findings and recommendations, and the implementation thereof. The IAD reports quarterly to management and supervisory bodies regarding the implementation of measures for improvements, and reports semi-annually and at the end of the year regarding the implementation of its annual work plan.

With the aim of effectively and efficiently managing risks within the Slovenske železnice Group and taking into account its organisational positioning and powers, the IAD regularly cooperates with other organisational units within the Group, in particular with organisational units responsible for compliance, risk management, internal controls, quality assurance and environmental protection, and the Department for Monitoring and Controlling the Intra-Group Operations and Transactions of the Slovenske železnice Group.

An external assessment of the quality of IAD's work was carried out by an independent external assessor three years ago. That assessment confirmed that the IAD generally functions in accordance with the International Standards for the Professional Practice of Internal Auditing, the Core Principles for the Professional Practice of Internal Auditing, the definition of internal auditing, the Code of Ethics adopted by the Institute of Internal Auditors (IIA), and the Code of Internal Auditors adopted by the Slovenian Institute of Auditors.





WORK OF THE SUPERVISORY BOARD

COMPOSITION AND FUNCTIONING OF THE SUPERVISORY BOARD

In accordance with the valid Articles of Association of Slovenske železnice, d. o. o., the Supervisory Board comprises nine members, six of whom are appointed and recalled by the founder, while the remaining three members are appointed and recalled in accordance with the Workers' Participation in Management Act.

The Supervisory Board of Slovenske železnice, d. o. o. comprised the following members as at 31 December 2020:

representatives of the founder:

- Aleksander Mervar (Chairman),
- Franci Matoz (Deputy Chairman),
- · Melita Malgaj,
- Boris Markočič,
- Aleksander Nagode, and
- Gabrijel Škof;

employee representatives:

- Silvo Berdajs,
- Jože Pavšek, and
- Zlatko Ratej.

The composition of the Supervisory Board changed four times in 2020 due to the deaths of two members, the gradual appointment of replacement (new) members, and the recall and replacement of two members. All changes occurred to representatives of the founder, where newly appointed members received full four-year terms of office, while employee representatives were unchanged during the year.

The following members were representatives of the founder in 2020:

- 1 January to 26 February (six members): Bojan Brank, Aleksander Nagode, Aleksander Mervar, Igor Janez Zajec, Adam Vengušt and Tanja Bolte;
- 27 February to 6 June (five members): Bojan Brank, Aleksander Nagode, Aleksander Mervar, Adam Vengušt and Tanja Bolte,
- 7 June to 11 June (four members): Aleksander Nagode, Aleksander Mervar, Adam Vengušt and Tanja Bolte,

- 12 June to 26 August (five members): Aleksander Nagode, Aleksander Mervar, Adam Vengušt, Tanja Bolte and Melita Malgaj,
- since 27 August (six members): Aleksander Mervar, Franci Matoz, Melita Malgaj, Boris Markočič, Aleksander Nagode and
- Gabrijel Škof.

Bojan Brank chaired the Supervisory Board until 6 June. His deputy was Aleksander Nagode, who chaired the Supervisory Board in that function from 7 June to 7 August, when Aleksander Mervar was appointed to serve as new Chairman of the Supervisory Board. The supplementation of the Supervisory Board resulted in the new segregation of tasks between the aforementioned body's members, with Franci Matoz assuming the function of Deputy Chairman of the Supervisory Board on 28 September.

The Supervisory Board of Slovenske železnice, d. o. o. carried out its work at meetings and via its committees in accordance with the Rules of Procedure of the Supervisory Board, the rules of procedure of committees, the Articles of Association of Slovenske železnice, d. o. o. and the applicable regulations.

Due to the large number of changes in the composition of the Supervisory Board, members agreed to perform self-assessments of the work of the Supervisory Board and the audit committee after one year of joint cooperation, i.e. during the final quarter of 2021. To that end, members actively performed tasks from both adopted action plans based on the self-assessment of the work of the Supervisory Board and audit committee in 2019.

Details regarding the composition and powers of the Supervisory Board, and information regarding the presence of members of the Supervisory Board and its committees at the sessions thereof are presented in the section Corporate governance statement.

The Supervisory Board held eighteen sessions in 2020, of which nine were ordinary sessions and nine were correspondence sessions. No extraordinary sessions were held in 2020. In accordance with the most recent change to the Supervisory Board's Rules of Procedure, all sessions held by remote telecommunication means that facilitate



the virtual meeting of Supervisory Board members in real time are deemed ordinary sessions.

Electronic communications are used for the preparation and convening of sessions.

MOST IMPORTANT TOPICS OF SESSIONS OF THE SUPERVISORY BOARD

Below we present the key topics discussed by the Supervisory Board in the form of independent items on the agenda at its sessions in 2020, where if an individual topic was discussed in advance in committee, it was marked AC for audit committee or HRC for the HR committee:

- the monitoring of the ordinary operations of the Company and Group in the form of regular reports in the scope of individual points on the agenda;
 - ongoing reporting:
 - report on the implementation of the Supervisory Board's resolutions;
 - report on work of the Supervisory Board's committees;
 - information regarding current events at the Company and within the Group (AC);
 - report on the operating results of the Company and Group (AC);
 - report on agreements published on the websites of Slovenske železnice Group companies pursuant to paragraph 11 of Article 10a of the Public Information Access Act (AC);
 - quarterly reporting:
 - unaudited report on the operating results of the Company and Group (AC);
 - report on risk management within the Group, with a separate report on financial risks (AC);
 - register of internal and external auditing recommendations (AC);
 - report on changes with respect to received and filed lawsuits (AC);
 - report on transactions with suppliers who generate more than 50% of revenues with Group companies in the previous year, where the percentage of independence was reduced to 30% of turnover in the previous year in the report for the third quarter due to the pandemic and the resulting lower annual turnover (AC);

- report on the review of suppliers from which Group companies hire contracted labour (AC);
- semi-annual reporting:
 - report on the work of the Internal Audit Department (AC);
 - report on reports of suspected breaches of corporate integrity (AC);
 - report on reports of suspected breaches of personal data protection (AC);
 - report on the sale of the Group's obsolete assets (AC);
- annual reporting:
 - letter to the management following the pre-audit of the financial statements for 2019 (AC);
 - discussion of the unaudited report and confirmation of the audited annual report of the Company and Group for 2019 (AC);
 - report of the main project office regarding the status of strategic projects within the Group (AC);
- annual operational planning:
 - approval of the revised business plan of the Group for 2020 (AC);
- approval of the revised work plan of the Internal Audit Department for 2020 (AC);
- briefing on the bases and guidelines for drafting the Group's business plan for 2021 (AC) and for the drafting of the Group's strategic plan for the period 2021–2025;
- approval of the business plan of the Company and Group for 2021 with projections of operations for the period 2022–2023 (AC),
- approval of the work plan of the Internal Audit Department for 2021, including an indicative long-term work plan for the period 2022–2023 (AC);
- briefing on the work plan in the area of corporate integrity for 2020 (AC);
- approval of the extension of the guarantee line, shortand long-term external financing transactions and the mutual financing transactions of Group companies;
- monitoring of the sale of real estate requiring the consent of the Supervisory Board;
- the monitoring of investments in fixed assets and required approvals regarding key projects (purchase of passenger wagons, the installation of ETCS devices in freight transport rolling stock and construction of the Ljubljana Passenger Centre);
- monitoring of activities in the search for strategic partnerships in freight and passenger transport;
- monitoring of the re-engineering of business processes, corrective measures and recommendations from of



the Court of Audit (AC), and progress in the area of digitalisation;

- upgrading of the corporate governance system:
- changes to the Supervisory Board's Rules of Procedure with the aim of arranging the work method using telecommunication means that facilitate the virtual meeting of Supervisory Board members in real time;
- establishment of Supervisory Board's strategic investments committee and adoption of its rules of procedure;
- changes to the articles of association of single-partner Group companies under the direct ownership of Slovenske železnice, d. o. o., and change to the articles of association of SŽ-ŽGP Ljubljana, d. d.;
- adoption of the policy on the diversity of the management and supervisory bodies of Slovenske železnice, d. o. o. and the Slovenske železnice Group (HRC);
- adoption of the competence profile of Slovenske železnice, d. o. o.'s Supervisory Board (HRC);

• human resources:

- eight approvals of the reappointment of managing directors of subsidiaries and the head of the IAD following the expiry of their terms of office, and appointment of a new managing director following the departure of the previous managing director (HRC, and AC for the approval of the appointment of the head of the IAD);
- appointment of a member to the Management Board of Slovenske železnice, d. o. o., responsible for finance, accounting, controlling, IT, compliance and risk management (HRC);
- approval of the employment contract of the Director General and member of the Management Board of Slovenske železnice, d. o. o. (HRC);
- information regarding liability insurance for the Group's executive staff (HRC);
- information regarding the remuneration and other rights of members of management and supervisory bodies within the Slovenske železnice Group in 2019 for the General Meeting of Shareholders of the controlling company (HRC);
- proposed general meeting resolution regarding taxation in connection with the temporary reduction in the remuneration of Supervisory Board members (HRC);
- the payment of the variable component of remuneration to the members of Slovenske železnice, d. o. o.'s Management Board, taking into account the limitations set out in valid emergency legislation (HRC);

- information regarding average wages within the Group, definition of the basis for the calculation of wages under individual contracts, and the harmonisation of the remuneration of the senior management of Group companies with the recommendation of Slovenski državni holding (HRC);
- approval of a change to the rules and elements for entering into individual employment contracts (HRC);
- the ongoing monitoring of measures adopted due to the outbreak of COVID-19 and the impact of the epidemic on the operations of the Company and Group.

In strategic terms, 2020 was most characterised by final activities on the strategic partnership project in the area of rail freight transport and logistics. The Supervisory Board monitored all project activities, from the assessment of the Slovenske železnice Group's position and the potential independent development thereof on the increasingly demanding logistics market in Southeast Europe, and from the assessment of potential investments to maintain or strengthen the Group's position and for growth in revenues on the aforementioned market and the assessment of possible ways to secure the funds required to finance such investments, to a plan for long-term business cooperation with a potential strategic partner and the assessment of the possible exploitation of synergistic effects, taking into account a coordinated investment and shareholder's agreement (ISHA). On this basis, consent was given in October 2020 to the proposed strategic partnership between SŽ-Tovorni promet, d. o. o. and Fersped, d. o. o. and the Czech company EP Logistics International, a. s., under the condition that Slovenski državni holding, d. d. also gives its consent in its role as Slovenske železnice, d. o. o.'s founder. With the issue of consent by Slovenski državni holding, d. d. and the signing of the ISHA, the five-year project to find a strategic partner in the area of rail freight transport and logistics was concluded in December 2020.

The Company's Management Board drafted additional clarifications and reports at the request of individual members of the Supervisory Board regarding potential ambiguities and unresolved matters in connection with operations.



WORK OF SUPERVISORY BOARD COMMITTEES

The Supervisory Board has the following three committees:

- audit committee,
- HR committee, and
- strategic investments committee.

While the audit and HR committees functioned throughout the year, a strategic investments committee was established on 28 September 2020 for the purpose of the detailed monitoring of the ambitious strategic plan of the Slovenske železnice Group. The members of the aforementioned committee began to carry out certain informal activities in 2020. Based on those activities, the Supervisory Board adopted the rules of procedure of the committee, which began its formal work in 2021.

Because the topics discussed by committees, which were also discussed by the Supervisory Board, were presented above, only topics that the committees addressed independently are covered below.

Audit committee

The audit committee comprised the following members as at 31 December 2020:

- representatives of the founder:
 - Melita Malgaj (chair),
 - Aleksander Nagode,
 - Boris Markočič,
- Silvo Berdajs (employee representative), and
- Barbara Nose (external member).

Due to the specific circumstances in 2020, three changes were made to the composition of the audit committee in terms of representatives of the founder, while the employee representative and the external member of the committee were unchanged during the year.

The following members were representatives of the founder in 2020:

- 1 January to 7 August (three members): Aleksander Mervar (chair), Aleksander Nagode and Tanja Bolte;
- 8 August to 26 August (three members): Melita Malgaj (chair), Aleksander Nagode and Tanja Bolte;

- 27 August to 28 September (two members): Melita Malgaj (chair) and Aleksander Nagode; and
- since 29 September (three members): Melita Malgaj (chair), Aleksander Nagode and Boris Markočič.

The audit committee met at nine sessions in 2020, of which eight were ordinary sessions and one was a correspondence session.

Key topics:

- monitoring of the ordinary operations of the Company and Group in the form of regular reports;
- monitoring of the Company's business plans and the work plans of key support functions (internal auditing, risk management and corporate integrity);
- monitoring of the progress of the external audit of the financial statements via four meetings with representatives of the audit firm Deloitte Revizija, d. o. o.;
 - letter to the management following the pre-audit of the financial statements for 2019;
 - unaudited annual report of Slovenske železnice, d. o. o. and the Slovenske železnice Group;
 - management presentation in connection with the audit of financial statements for 2019;
 - letter to the management following the audit of the financial statements for 2019;
 - report for the audit committee on the audit of the financial statements for 2019;
 - auditor's report regarding the financial statements of Slovenske železnice, d. o. o. and the Slovenske železnice Group;
 - verification of the independence of the external auditor;
 - audited annual report of Slovenske železnice, d. o. o. and the Slovenske železnice Group;
 - areas and progress of the pre-audit of the financial statements for 2020;
- proposal to arrange the procurement procedure in connection with the selection of an auditor of the financial statements, particularly in terms of resolving potential conflicts between the Public Procurement Act and the Companies Act in that procedure (attention was drawn to that problem at the conclusion of the procurement procedure in 2019, when the auditor of the financial statements was selected for the period 2019–2021);
- ensuring the independence of the actual and potential auditor of the financial statements through the



monitoring of the conclusion of agreements with audit firms, in terms of the type and scope of their services (the actual auditor of the financial statements and companies in its network did not provide non-audit services for Slovenske železnice Group companies in 2020);

- monitoring of the Internal Audit Department's work:
 - reports on internal audits performed and the discussion of other regular reports, plans and bylaws governing the work of the Internal Audit Department;
 - action plan for the issue of the Internal Audit Department's comprehensive opinion;
 - annual interview with the head of the Internal Audit Department, without the presence of the Management Board, and verification of that person's independence; and
- monitoring of changes in rules and other instructions relating to the financial statements and the work of the audit committee.

HR committee

The HR committee comprised the following members as at 31 December 2020:

- representatives of the founder:
 - Franci Matoz (chair), and
 - Gabrijel Škof; and
- Zlatko Ratej (employee representative).

Due to the specific circumstances, there were five changes to the composition of the HR committee in 2020 in terms of representatives of the founder, while the employee representative was unchanged throughout the year.

The following members were representatives of the founder in 2020:

- 1 January to 26 February (three members): Adam Vengušt (chair), Bojan Brank and Igor Janez Zajec;
- 27 February to 6 June (two members): Adam Vengušt (chair) and Bojan Brank;
- 7 June to 7 August (one member): Adam Vengušt (chair);
- 8 August to 26 August (two members): Adam Vengušt (chair) and Aleksander Mervar;
- 27 August to 28 September (one member): Aleksander Mervar; and
- since 29 September (two members): Franci Matoz (chair) and Gabrijel Škof.

The HR committee met at ten sessions in 2020, of which five were ordinary sessions and five were correspondence sessions.

Because the topics discussed by the HR committee were individual points on the agenda of Supervisory Board sessions, they are not repeated in this section.

Strategic investments committee

The strategic investments committee has comprised the following members since its establishment on 28 September 2020:

- representatives of the founder:
 - Boris Markočič (chair),
 - Gabrijel Škof, and
 - Aleksander Nagode, and
- Silvo Berdajs (employee representative).



ASSESSMENT OF THE WORK OF THE MANAGEMENT BOARD AND SUPERVISORY BOARD

On the basis of the continuous monitoring and supervision of the operations and management of Slovenske železnice, d. o. o. and the Group during the 2020 financial year, and based on the consolidated annual report of the Slovenske železnice Group for 2020, compiled and submitted by the Management Board, the Supervisory Board assesses that the annual report and the disclosures contained therein reflect the actual situation and position of Slovenske železnice, d. o. o. and the Group.

The Supervisory Board assesses the work of the Management Board in 2020 as very successful. The Management Board and Supervisory Board worked constructively together at sessions, while the acting Chairman or Deputy Chairman of the Supervisory Board and Director General communicated regularly between sessions. The Management Board successfully managed conditions in connection with the outbreak of COVID-19, and adopted all necessary measures to safeguard the health of employees and adapt operations to the changing conditions. The Management

Board also turned the extraordinary conditions in 2020 to its advantage for certain strategic activities (the redundant worker programme, strategic partnership, drafting of a new strategy, etc.) that serve as the basis for the continued growth and development of the Group.

The Supervisory Board dedicates special attention to the management of potential conflicts of interest between its members. The Supervisory Board discussed five points in 2020 from which one member of the Supervisory Board was excluded from discussions and decision making for the purpose of managing conflicts of interest.

All members of the Supervisory Board and the external member of the audit committee who performed the function of member of the Supervisory Board and committees in 2020 signed statements of independence in which they declared their status as independent members. Statements of independence for all current members are published on the Company's website.



APPROVAL OF THE ANNUAL REPORT AND THE PROPOSED USE OF DISTRIBUTABLE PROFIT FOR 2020

The unaudited annual report of Slovenske železnice, d. o. o. and the Slovenske železnice Group for 2020 was discussed by the Supervisory Board's audit committee on 3 June 2021.

The certified audit firm Deloitte Revizija, d. o. o., which audited the financial statements for 2020 for Slovenske železnice, d. o. o., its subsidiaries and the Slovenske železnice Group as a whole, reported its findings and the progress of the audit for 2020.

The Management Board discussed and approved the annual report of Slovenske železnice, d. o. o. and the consolidated annual report of the Slovenske železnice Group for 2020 at its session of 18 June 2021, and submitted them to the audit committee and Supervisory Board for review and verification on 18 June 2021 in accordance with paragraph 3 of Article 272 of the Companies Act, together with the independent auditor's report. The Supervisory Board and its audit committee discussed the audited annual report of Slovenske železnice, d. o. o. and the consolidated annual report of the Slovenske železnice Group for 2020 at their sessions held on 23 June 2021. The certified auditors thus reported to both the Supervisory Board and the audit committee.

It is evident from the auditor's opinion that the financial statements of Slovenske železnice, d. o. o. and the consolidated financial statements of the Slovenske železnice Group present a true and fair picture of the financial position of Slovenske železnice, d. o. o. and the Slovenske železnice Group as at 31 December 2020, and of their operating results and cash flows for the year then ended, in accordance with the International Financial Reporting Standards as adopted by the EU.

After the audit committee's review and verification of the business and financial reports for 2020, the Supervisory Board found, based on the findings of the audit committee, that the audited annual report and the consolidated annual report for the 2020 financial year were compiled in a clear and transparent manner, and in accordance with the provisions of the Companies Act. The business report is in line with the audited financial statements. After the final verification of the audited annual report, the Supervisory Board of Slovenske železnice, d. o. o. had no comments

regarding the report and adopted a favourable position on the auditor's report.

In addition to the annual report, the Supervisory Board also verified and approved the proposed use of distributable profit, which amounted to EUR 7,210,235.92 as at 31 December 2020, and had no comments in that regard. The Supervisory Board proposed that the founder adopt a resolution on the use of distributable profit in the attached text. In the proposal on the formulation and use of distributable profit, the Supervisory Board took into account new emergency legislation, under which dividends may not be paid due to the application of emergency measures.

Based on its review of the annual report and the proposed use of distributable profit for 2020, and its review of the certified auditor's report, the Supervisory Board confirmed the annual report of Slovenske železnice, d. o. o. and the Slovenske železnice Group for 2020, in accordance with the provisions of Article 282 of the Companies Act and the Articles of Association of Slovenske železnice, d. o. o.

The Supervisory Board assesses that the Management Board managed the Company successfully, prudently and in accordance with regulations and the Company's bylaws, and that the Group exceeded the objectives set out in the revised business plan for 2020, despite difficult conditions. The Supervisory Board proposed that the founder adopt a resolution conferring official approval on the Management Board and Supervisory Board for their work in 2020.

When adopting the annual report, the Supervisory Board took a position regarding the corporate governance statement and the statement of compliance with the reference code, and assessed that they reflect the actual state of corporate governance in 2020.

Ljubljana, 23 June 2021

ALEKSANDER MERVAR
Chairman of the Supervisory Board



WORK OF THE MANAGEMENT BOARD

STATEMENT OF RESPONSIBILITY OF THE MANAGEMENT BOARD

The Management Board of Slovenske železnice, d. o. o. is responsible for the compilation of the annual report of the Slovenske železnice Group and of Slovenske železnice, d. o. o. for 2020. The members of the Management Board ensure to the best of their knowledge that the annual report and all the constituent parts thereof were compiled in accordance with the Companies Act and the International Financial Reporting Standards as adopted by the EU.

The Management Board confirms that the appropriate accounting policies were consistently applied in compiling the financial statements, that accounting estimates were made according to the principles of prudence and due diligence, and that the financial statements present a true and fair picture of the financial assets and operating results of the Slovenske železnice Group and of Slovenske železnice, d. o. o. for 2020.

The Management Board is also responsible for ensuring that accounting is conducted correctly and that appropriate measures are taken to protect property and other assets, and confirms that the financial statements, together with the notes thereto, have been compiled on a going concern

basis in relation to Slovenske železnice, d. o. o. and its subsidiaries, and in line with current legislation and the International Financial Reporting Standards.

In accordance with Directive 2014/95/EU regarding the disclosure of non-financial and diversity information by certain large undertakings and groups and the guidelines issued by Slovenski državni holding, d. d. on non-financial reporting, and in accordance with the diligence of a good manager, the Management Board uses this report as a vehicle to recognise the importance of non-financial reporting indicators by including that information in a more transparent manner in the system of key success factors of Slovenske železnice, and thus in a traceable reporting system.

The Management Board is responsible for taking measures to prevent and detect fraud and irregularities, and for maintaining the value of the Slovenske železnice Group's assets.

The Management Board of Slovenske železnice, d. o. o. approved the financial statements on 18 June 2021.

DUŠAN MES Director General mag. TOMAŽ KRAŠKOVIC Member of the Management Board NINA AVBELJ LEKIĆ Workers' Director



STATEMENT REGARDING NON-FINANCIAL OPERATIONS

In accordance with the Corporate Governance Code for Companies with Capital Assets of the State and the new Companies Act (Directive 2014/95/EU), the annual report of the Slovenske železnice Group for 2020 includes disclosures of non-financial and diversity information, which is included in the business report, in which sections regarding business, personnel, social and environmental matters include data that is essential for understanding the development and operations of the Slovenske železnice Group.

The Slovenske železnice Group manages all forms of capital (financial, production (physical), intellectual, human, social and mutual, and natural capital) in a balanced and coordinated manner.

We will further improve reporting on the generation of value and the link between financial and non-financial information regarding operations in the future.

The following sections of the annual report for 2020 include a core of information regarding the non-financial operations of the Slovenske železnice Group:

- · performance analysis,
- · analysis by activity, and
- social responsibility, which includes personnel, social and environmental content, and a summary of the situation in terms of intellectual capital.

In order to understand the situation and the development of the Group's operations, we reference the key policies regarding individual aspects of non-financial operations, as necessary.

In 2019, we signed a commitment to respect human rights, and strive to implement all of the measures set out in the National Action Plan on Business and Human Rights of the Republic of Slovenia within five years, specifically measures regarding the respect of human rights throughout the entire business process and those regarding the prevention of potential negative impacts on human rights.

The Company has in place a system for the regular verification of and reporting on the existence of conflicts of interest, and a register of statements of disclosure and the avoidance of conflicts of interest.

The GRI Standards, which represent an international framework for sustainability reporting, and the United Nations guidelines were applied in reporting on the results of non-financial operations in this annual report. We will upgrade reporting in the future with the guidelines of the International Integrated Reporting Framework (International <IR> Framework issued by the IIRC).

The compliance of the content of the annual report with the international GRI Standards framework and the United Nations guidelines is evident in the tables that reference clearly marked content areas from the annual report.

DUŠAN MES Director General mag. TOMAŽ KRAŠKOVIC Member of the Management Board NINA AVBELJ LEKIĆ Workers' Director





BUSINESS REPORT

BUSINESS ENVIRONMENT⁷

The 2020 financial year was characterised by the coronavirus epidemic, which had an adverse effect on economic activity in Slovenia and abroad. A drop in economic activity was also envisaged in the IMAD's winter forecast for 2020. The epidemic also affected industries that use rail transport services, which is reflected directly in a reduction in goods transported. Public transport was halted completely twice, leading to a decrease in the number of passengers carried. Nevertheless, all maintenance and renovation works on the public rail infrastructure continued more or less unhindered.

The anti-coronavirus packages with measures adopted by the Slovenian government to mitigate the consequences of the pandemic limited the negative effects of the reduction in transport services to a great extent. Growth in the scope of work in the passenger transport segment will be slower than in the freight transport segment.

The IMAD's spring forecast of economic trends for 2021 envisages 4.6% growth (real growth in gross domestic product), which will somewhat offset the drop in gross domestic product in 2020 (-5.5%).

Continued growth in international trade, in particular merchandise trade, is expected in 2021. Merchandise exports are expected to reach the pre-crisis level from 2019 as early as 2021. Private consumption will also strengthen (4.0% growth in 2021) with the gradual easing of measures. Investment activity is also expected to strengthen, in particular housing investment, while growth in investment in machinery and equipment will be somewhat slower.

Growth in government consumption will rise in 2021, primarily due to rising employment in the government sector and increased expenditure in the healthcare sector to control the epidemic.

Due to the adverse epidemiological conditions and the current closure of numerous activities, the labour market will gradually recover in 2021 in the context of the easing of the epidemiological situation and continued support from job preservation measures, while improvement is expected to continue in the next two years. The Slovenske železnice Group was included in the furlough scheme at the outbreak of the epidemic, and later in the short-time work measure. We continued to pursue the goal of optimising the number of employees and the personnel restructuring process through measures aimed at including workers in the redundancy programme and through other socially sustainable ways to address the problem of redundancy.

The drop in economic activity and reduced demand affected price developments, as the overall price level in 2020 stagnated on average relative to 2019, primarily due to year-on-year drops in the prices of petroleum derivatives and electricity. Assuming a gradual economic recovery in 2021, growth in energy and food prices will contribute significantly to overall price growth. The inflation rate is expected to approach two percent over the next two years. Contributing to this will be higher growth in the prices of goods and services as a result of the continued recovery.

The macro and microeconomic trends described above will affect the competitive position of individual activities within the Slovenske železnice Group. More detailed information regarding the immediate environment (e.g. the competition and sectoral trends) linked to a specific activity is presented in the section Analysis by activity.

⁷ GRI 102-15



IMPLEMENTATION OF MEASURES

A list of systemic and key internal measures, which represent fundamental mechanisms for the achievement of objectives, was adopted based on the strategic policies and objectives set out in the Slovenske železnice Group's strategic business plan for the period 2016–2020. Systemic measures are primarily linked to coordinated measures with the Republic of Slovenia as the sole partner of Slovenske železnice, d. o. o., as well as the owner of the public rail infrastructure and the consignee of the public service obligations of maintaining and upgrading the rail

infrastructure, traffic control and passenger transport, and to the measures of Slovenski državni holding, d. d., in the role of the Company's founder and manager of the associated capital investment.

Slovenske železnice, d. o. o.'s Management Board verifies and assesses the implementation of measures, draws up monthly and quarterly reports on the operations of the Slovenske železnice Group, and supplements the abovementioned list with new measures.

IMPLEMENTATION OF SYSTEMIC MEASURES

Strategic project	Indicative deadline	Assessment of implementation
Conclusion of a long-term agreement with the government to secure stable funding for the public service obligation in rail passenger transport, including the funding of development investments in the upgrading of rolling stock	2016/2017	The Slovenian government concludes an annex every year with SŽ-Potniški promet, d. o. o. to the Agreement on the discharge of the public service obligation in the inland and cross-border regional transport of passengers by rail for the period 1 January 2017 to 31 December 2031 with the aim of defining the value and scope of services to be provided under the public service obligation for the calendar year.
Development of a harmonised model and all bases for the establishment of a strategic partnership in freight transport and the diversification of operations through corporate M&As	2017–2020	An investment and shareholder's agreement was coordinated with EP Logistics International, a. s., a joint-stock company with a registered office in Prague. That agreement was concluded on 2 December 2020. Slovenske železnice, d. o. o. and EP Logistics International, a. s. are currently in the process of fulfilling suspensive conditions for the conclusion of the transaction.
Slovenian Government must ensure the proper maintenance and upgrading of the infrastructure, which is a prerequisite for ensuring its throughput capacity	2016–2018	Investments in the public rail infrastructure that are already in progress and planned projects point to accelerated investments in the maintenance and upgrading of the public rail infrastructure, and to the achievement of objectives for ensuring the increased throughput capacity thereof.
		The upgrading of missing sections on the Zidani Most–Šentilj line was completed in 2020. A D4 track load capacity (22.5 t/axle loads) was thus achieved.



IMPLEMENTATION OF KEY INTERNAL MEASURES

Strategic project	Indicative deadline	Assessment of implementation
Business process re-engineering	2016–2021	The optimisation of processes at Slovenske železnice Group companies has become the permanent task of all process managers, while the objectives set out in the project have become the objectives of management staff.
programme of Slovenske železnice Group companies		With regard to the infrastructure, we reduced the number of maintenance locations from twenty to ten according to plan. The modernisation of the maintenance activity will begin for real with the procurement of new work machinery, the financing of which will be ensured via a multi-year agreement.
		We are continuously optimising freight transport activities with the aim of adapting services to the market and improving efficiency on both the revenue and cost sides. In the passenger transport segment, we are modernising rolling stock, digitalising sales processes and allocating workers.
		Preconditions for the smooth functioning of passenger and freight transport include support and operational activities that ensure the availability of rolling stock and train drivers. We reallocated working hours in maintenance workshops for certain operations, and began modernising equipment. By optimising the assignment of train drivers, we reduced the need for additional hiring (i.e. due to retirement and the increased scope of transport volumes). Using new shift assignment software for engineering staff, which will be implemented in 2021, we will further reduce labour costs.
Group of project programmes aimed at the computerisation and digitalisation of the Slovenske železnice Group	2017–2022	Intensive works were carried out in 2020 in the scope of digitalisation programmes and projects based on the digitalisation strategy of Slovenske železnice adopted in 2017. Digitalization programmes cover all of the Group's strategic activities: transport and logistics, rail passenger transport (the programme is being expanded to the digitalisation of mobility), rail traffic control, operational efficiency management systems, asset management in the area of rolling stock, the management of the public rail infrastructure, project systems, and document and archive systems. See the section regarding digitalisation for more information.
Investments in the upgrade of freight transport rolling stock	2016–2020	Four diesel shunting locomotives arrived in Slovenia in 2020 for testing. They will be intended for work in Koper, which is one of the key freight transport production points. An operating permit was obtained for the aforementioned locomotives in January 2021. Following the completion of training for train drivers, the full operation of all four locomotives in planned for May 2021. A draft pre-investment plan for the modernisation of SŽ-Tovorni promet's locomotive fleet for electric and diesel train traction was drawn up in 2020. Investment documentation was drafted and approved for the installation of ETCS devices in 38 freight locomotives. We continued in 2020 with the installation of GSM-R devices in the rolling stock of SŽ-Tovorni promet, d. o. o. That process will be completed in 2021.
Investments in the upgrading of passenger transport rolling stock	2016–2031	Following the receipt of consent from Slovenski državni holding, d. d., the capital of SŽ Potniški promet, d. o. o. was increased in 2019, while an agreement was signed for the second lot of the investment in the modernisation of passenger transport rolling stock. That lot comprises the purchase of 26 new passenger trains (delivery in 2022), for a total of 52 trains. In 2020, we tested new diesel passenger trains that were received in November 2020. At the end of 2020, we began testing new electric passenger trains that will be included in the timetable during the second half of 2021. SŽ Potniški promet, d. o. o. is continuing with the drafting of investment documentation for the purchase of new passenger trains, locomotives and wagons. Investment documentation was also drafted and approved for the installation of ETCS devices in 33 passenger trains. We continued in 2020 with the installation of GSM-R devices in the rolling stock of SŽ-Potniški promet, d. o. o. That process will be completed in 2021.
Programme of integrated public transport projects	2015–2021	The information system of the operator of the IPT will provide users all information regarding the IPT system, and regarding products and tariffs, as well as a tool for route planning using the information portal for passengers and information regarding timetables.
		Subsidised tickets were introduced in 2020 for athletes, persons with severe mobility impairments and retirees (1 July 2020).
		A mobile application is being developed for use in 2021, while a call centre is being arranged. Representatives of the Ministry of Infrastructure responsible for products and representatives of a group that is providing technical and expert support are involved in development.



	Indicative	
Strategic project	deadline	Assessment of implementation
Emonika project Ljubljana Passenger Centre with a	2016–2022	At the beginning of 2020, a proposal was submitted to the government to annul the agreement on the public-private partnership from the commencement of the project, with a proposal for a new method of co-financing and regulating relationships with respect to the Ljubljana Passenger Centre.
project to build a bus station with a parking garage and business premises		On 28 May 2020, the Slovenian government adopted a resolution terminating the public-private partnership, and classifying the Ljubljana Passenger Centre project as a major investment based on the Intervention Act to Remove Obstacles to the Implementation of Major Investments to Kick-start the Economy after the Epidemic.
		Three investors are now involved in the project: Mendota Invest for the commercial element with a shopping and entertainment centre, the Slovenian government represented by the Ministry of Infrastructure, Infrastructure Directorate of the Republic of Slovenia, for the construction of the railway station and accompanying rail infrastructure and platforms, and Slovenske železnice, d. o. o. as investor in the construction of a new bus station with business premises and a parking garage.
		A memorandum of understanding was signed on 15 December 2020 by the Slovenian government, Mendota Invest, nepremičninska družba, d. o. o., Slovenske železnice, d. o. o., SŽ-Infrastruktura, d. o. o. and the City of Ljubljana with the aim of identifying key issues in the arrangement of mutual relations in connection with the construction of the Ljubljana Passenger Centre and defining how those issues will be addressed.
Emonika Ljubljana Passenger Centre project, including	2016–2022	A framework agreement is being coordinated for the purpose of precisely defining mutual relations, the coordination of construction, the temporary closure of tracks during construction, responsibility, notification, etc.
bus station project with parking garage and business premises		Slovenske železnice and the Chamber of Architecture and Spatial Planning are preparing an international architectural tender for the selection of a conceptual architectural solution for the new main Ljubljana bus station building with business premises and a parking garage, together with the offer of the bureau selected for the drafting of project documentation and design supervision.
		In 2022, we will obtain a building permit for the construction of the new facility, draw up project documentation for implementation and begin the process of selecting a contractor.
Relocation of activities – Moste Terminal	2016–2020	The project relates to the relocation of existing activities and employees from the Moste logistics terminal at Kajuhova 51 due to the sale of land. Buildings were arranged at alternative locations for the relocation of the employees. An annex to the purchase and sales agreement was concluded with the buyer of the land in order to extend the final deadline for the vacation of the area.
European Railway Traffic Management System (ERTMS) projects	2013–2025	 ETCS (European Train Control System): The project to install ETCS devices on all main freight corridors that pass through Slovenia will be completed by December 2023. Works are currently in progress on the last unequipped section between Pragersko and Šentilj. All other sections of the line on the Slovenian part of RFC corridors are already equipped with ETCS devices and have obtained the necessary operating licence from the Public Agency for Rail Transport. Equipping of vehicles: The installation of GSM-R cabin radios continued, despite the effects of COVID-19. A total of 140 out of 182 vehicles had been equipped by the end of February 2021. Various changes were made due to new passenger rolling stock, and the equipment was redistributed among vehicles within the Slovenske železnice Group. A revision of the project and investment documentation began in 2020, while the equipping of vehicles continues. The project to install GSM-R cabin radios in freight and passenger rolling stock will be completed in November 2021. ETCS equipment for rolling stock: transport and passenger rolling stock that will still be in use after 2023 must be equipped with ETCS safety devices. Investments plans for both freight and passenger rolling stock have been approved. We have applied for dedicated EU funds in the scope of the Connecting Europe Facility (CEF). The deadlines for equipping rolling stock are being adapted and coordinated with other EU Member States.





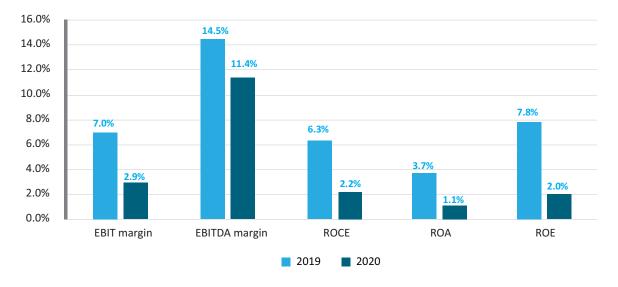
ANALYSIS OF THE FINANCIAL PERFORMANCE OF THE SLOVENSKE ŽELEZNICE GROUP⁸

PERFORMANCE INDICATORS

The business environment was very demanding in 2020 and impacted the key performance indicators of the Slovenske železnice Group. EBIT amounted to EUR 15,796 thousand at the end of 2020, a decrease of EUR 26,335 thousand relative to 2019. EBITDA and added-value per employee were down by EUR 26,056 thousand and EUR 833, respectively, while the number of employees was down by 404 at the end of 2020.

ROE, as one of the indicators set out in the criteria for measuring the performance of companies with capital assets of the state (Slovenski državni holding), amounted to 2.0% in 2020, a decrease of 5.8 percentage points relative to 2019.

PERFORMANCE INDICATORS - SLOVENSKE ŽELEZNICE GROUP



⁸ GRI 102-7, 201-1



	Unit	2020	2019	Index
Financial indicators				
EBIT – operating profit or loss	EUR thousand	15,796	42,131	37.5
EBIT – normalised ¹⁾	EUR thousand	35,702	29,458	121.2
EBITDA	EUR thousand	61,072	87,128	70.1
EBITDA ¹⁾	EUR thousand	80,978	74,455	108.8
Net profit or loss	EUR thousand	10,919	35,030	31.2
Net profit or loss – normalised 1)	EUR thousand	26,546	24,084	110.2
Operating efficiency	ratio	1.030	1.075	95.8
EBIT as a proportion of revenues	%	2.9	7.0	41.9
Proportion of operating revenues accounted for by revenues under contracts with the Slovenian Government	%	38.2	32.2	118.4
Return on equity (ROE)	%	2.0	7.8	25.6
Return on equity (ROE) – normalised	%	4.9	5.4	90.7
Return on assets (ROA)	%	1.1	3.7	29.7
Return on assets (ROA) – normalised	%	2.7	2.6	103.8
Financial liabilities/equity	ratio	0.318	0.290	109.8
Value-added per employee	EUR	49,322	50,155	98.3
Net financial debt/EBITDA	ratio	2.2	1.6	137.5

¹⁾ Excluding the effect of extraordinary revenues and expenses (2019: termination benefits in the amount of EUR 16,021 thousand, receivables for migrants in the amount of EUR 3,816 thousand, the sale of property, plant and equipment in the amount of EUR 2,514 thousand and additional benefits in the purchase of new rolling stock (annex no. 1) in the amount of EUR 29,996 thousand; 2020: termination benefits in the amount of EUR 37,799 thousand, crisis bonus in the amount of EUR 2,052 thousand, the costs of materials and services to contain the COVID-19 epidemic in the amount of EUR 808 thousand, the sale of property, plant and equipment in the amount of EUR 2,103 thousand and revenues from state aid in the amount of EUR 18,650 thousand).

List of ratios:

EBIT = operating revenues – operating expenses

Net profit or loss = pre-tax profit or loss – corporate income tax

Operating efficiency ratio = operating revenue/operating expenses

Value-added per employee = difference between operating revenues and the sum of the costs of goods, materials and services, and other operating costs per average number of employees based on hours worked

ROE = net profit or loss/average equity

ROA = net profit or loss/average assets

Net financial debt = financial liabilities – cash and cash equivalents



MAIN ITEMS FROM THE STATEMENT OF PROFIT AND LOSS AND STATEMENT OF FINANCIAL POSITION

Items from the statement of profit or loss			
EUR thousand	2020	2019	Index
Operating revenues	537,269	601,009	89.4
Transport revenues	156,105	184,547	84.6
Revenues under contracts with the Slovenian Government	205,071	193,787	105.8
Other operating revenues	176,093	222,675	79.1
Operating expenses	521,473	558,878	93.3
EBITDA	61,072	87,128	70.1
Earnings before interest and taxes (EBIT)	15,796	42,131	37.5
Pre-tax profit or loss (EBT)	13,911	40,548	34.3
Net profit or loss (E)	10,919	35,030	31.2

Statement of financial position items			
EUR thousand	31 December 2020	31 December 2019	Index
Assets	1,008,213	984,548	102.4
Equity	548,275	541,145	101.3
Financial liabilities	174,481	156,854	111.2
non-current financial liabilities	130,163	95,885	135.7
current financial liabilities	23,819	34,482	69.1
non-current lease liabilities	13,804	19,964	69.1
current lease liabilities	6,695	6,523	102.6
Net financial debt	132,013	139,046	94.9
Current operating receivables	261,717	204,571	127.9
Current operating liabilities	129,988	120,945	107.5
Investments	59,348	40,426	146.8

Key:

Pre-tax profit or loss = EBIT + net finance income/costs

Net profit or loss = pre-tax profit or loss - corporate income tax

Net financial debt = financial liabilities - cash and cash equivalents



ASSETS, EQUITY AND LIABILITIES

The total assets of the Slovenske železnice Group amounted to EUR 1,008,213 thousand at the end of December 2020, an increase of 2.4% relative to the previous year. Assets were up primarily due to an increase in current accrued

revenues and an increase in the balance of cash and cash equivalents. Explanations in this regard are also given in individual balance-sheet items presented below and in the financial report.

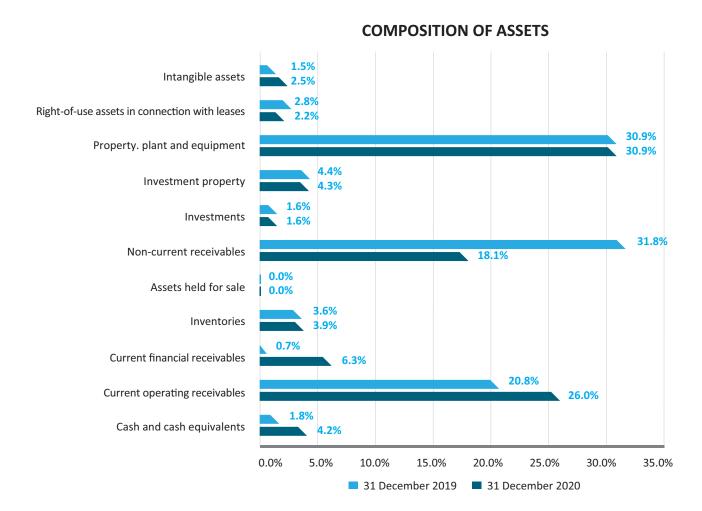
Assets			
EUR thousand	2020	2019	Index
ASSETS	1,008,213	984,548	102.4
Non-current assets	600,670	719,258	83.5
Intangible assets	25,063	14,765	169.7
Right-of-use assets in connection with leases	22,571	27,662	81.6
Property, plant and equipment	311,986	304,557	102.4
Investment property	42,807	43,048	99.4
Investments	15,854	15,709	100.9
Non-current receivables	182,389	313,517	58.2
Current assets	407,543	265,290	153.6
Assets held for sale	30	333	9.0
Inventories	39,419	35,862	109.9
Current financial receivables	63,909	6,716	
Current operating receivables	261,717	204,571	127.9
Cash and cash equivalents	42,468	17,808	238.5

Note

Investments = investments in associates and other financial assets.

 $Non-current\ receivables = financial\ receivables,\ non-current\ operating\ receivables,\ deferred\ tax\ assets\ and\ other\ non-current\ assets.$





The decrease in non-current receivables relates primarily to the transfer of financial receivables from non-current to current receivables based on the agreement on the assignment of receivables between Slovenske železnice, d. o. o., SŽ Potniški promet, d. o. o. and two banks of 12 June 2018, as those receivables fall due for payment in 2021 (EUR 40,743 thousand), and the transfer of an advance from non-current to current at the subsidiary

SŽ-Potniški promet, d. o. o. (EUR 95,379 thousand) following the repayment of part of that advance in 2020 in the form of the activation of five new items of rolling stock (EUR 17,827 thousand).

The increase in current operating receivables relates primarily to the previously mentioned transfer from non-current to current receivables.

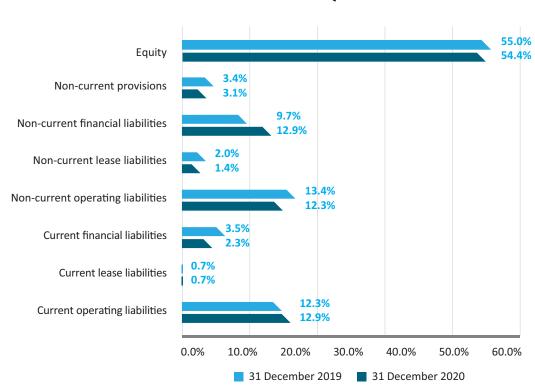


Equity and liabilities			
EUR thousand	2020	2019	Index
EQUITY AND LIABILITIES	1,008,213	984,548	102.4
Equity	548,275	541,145	101.3
Non-current liabilities	299,436	281,452	106.4
Non-current provisions	31,648	33,399	94.8
Non-current financial liabilities	130,163	95,885	135.7
Non-current lease liabilities	13,804	19,964	69.1
Non-current operating liabilities	123,821	132,204	93.7
Current liabilities	160,502	161,951	99.1
Current financial liabilities	23,819	34,482	69.1
Current lease liabilities	6,695	6,523	102.6
Current operating liabilities	129,988	120,945	107.5

Note:

 $Non-current\ provisions = provisions\ for\ jubilee\ benefits\ and\ termination\ benefits,\ other\ provisions\ and\ non-current\ deferred\ income.$

COMPOSITION OF EQUITY AND LIABILITIES





Contributing most to the change in equity at the end of 2020 were net profit in the amount of EUR 10,919 thousand and an actuarial loss from the calculation of provisions for termination benefits at retirement in the amount of EUR 3,181 thousand.

According to the situation at the end of 2020, more than one-quarter of current operating liabilities was accounted for by trade payables (EUR 36,313 thousand), one quarter by liabilities to employees (EUR 34,720 thousand) and nearly one eighth by accrued costs and deferred income (EUR 15,784 thousand), the majority of which were accrued costs (unused annual leave).

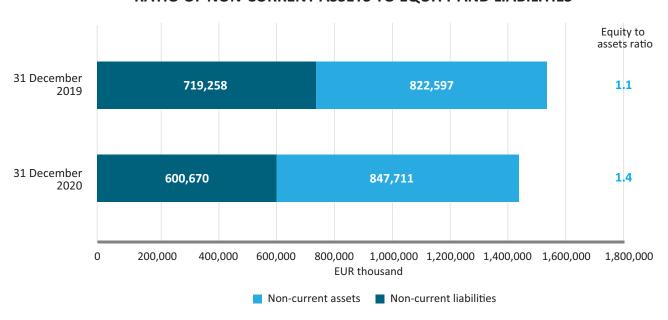
FINANCING OF NON-CURRENT INVESTMENTS

EUR thousand	2020	2019	Index
Current assets	407,543	265,290	153.6
Current liabilities	160,502	161,951	99.1
Working capital	247,041	103,338	239.1

The debt ratio expressed as the ratio of net debt to material assets was negative at -24.1% at the end of 2020, and was up slightly relative to the previous year (-27.0%).

Working capital amounted to EUR 247,041 thousand at the end of 2020 and was up by EUR 143,702 thousand relative to the end of 2019. The current ratio, which expresses the ratio of current assets to current liabilities, amounted to 2.5 at the end of 2020, compared to 1.6 at the end of 2019.

RATIO OF NON-CURRENT ASSETS TO EQUITY AND LIABILITIES





CASH FLOWS

EUR thousand	31 December 2020	31 December 2019	Difference
A. Cash flows from operating activities	40,218	35,813	4,405
B. Cash flows from investing activities	-29,612	-192,614	163,002
C. Cash flows from financing activities	14,057	-6,913	20,970
Closing balance of cash and cash equivalents (x + y)	42,468	17,808	24,660
x) Net cash flow for period (sum of A, B and C)	24,663	-163,714	188,377
+/- Calculated exchange rate differences from foreign currency assets	-3	0	-3
y) Opening cash balance	17,808	181,522	-163,714

EUR 8,384 thousand (of which EUR 1,632 thousand was accounted for by an increase in operating receivables and EUR 5,171 thousand by an increase in inventories).

Cash flow from investing activities was negative in the amount of EUR 29,612 thousand due to outflows from investing activities of EUR 34,965 thousand (most of which was accounted for by the acquisition of property, plant and equipment) and inflows from investing activities of EUR 5,352 thousand (most of which was accounted for by interest received and participation in the profits of others).

Cash flow from financing activities was positive in the amount of EUR 14,057 thousand due to outflows from financing activities in the amount of EUR 334,943 thousand (the payment of financial liabilities in the amount of EUR 325,694 thousand, the payment of lease liabilities in accordance with IFRS 16 in the amount of EUR 6,246 thousand and payments of other interest in the amount of EUR 2,024 thousand) and inflows from financing activities of EUR 349,000 thousand (inflows from the increase in financial liabilities).

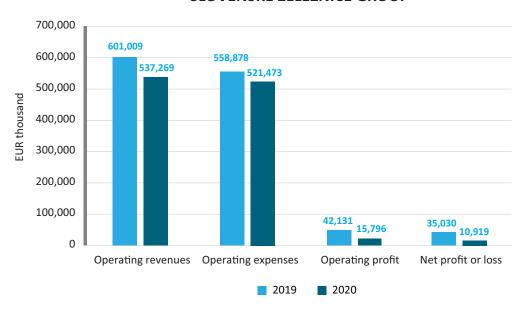
The balance of cash and cash equivalents rose from EUR 17,808 thousand to EUR 42,468 thousand.



OPERATING RESULT

EUR thousand	2020	2019	Index
Operating revenues	537,269	601,009	89.4
Operating expenses	521,473	558,878	93.3
Operating profit	15,796	42,131	37.5
Finance income	3,317	2,718	122.0
Finance costs	5,202	4,301	120.9
Net finance income/costs	-1,885	-1,583	119.1
Pre-tax profit or loss	13,911	40,548	34.3
Current tax	3,029	4,472	67.7
Deferred taxes	-37	1,046	
Net profit or loss for the accounting period	10,919	35,030	31.2

SLOVENSKE ŽELEZNICE GROUP



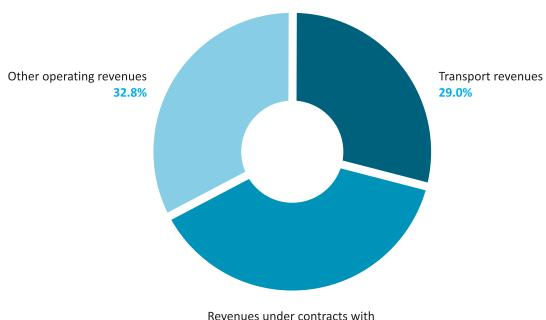


Revenues

The operating revenues of the Slovenske železnice Group were down by 10.6% relative to the previous year and amounted to EUR 537,269 thousand (EUR 601,009 thousand in 2019). Transport revenues amounted to EUR 156,105 thousand in 2020, a decrease of 15.4% relative to the previous year, while revenues under contracts with the Slovenian government in the amount of EUR 205,071 thousand were up by 5.8% relative to 2019. Other operating revenues amounted to EUR 176,093 thousand in 2020, a decrease of 20.9% relative to 2019 when they amounted to EUR 222,675 thousand.

Revenues from state aid amounted to EUR 18,650 thousand and were the result of Slovenske železnice Group companies' entitlement to a proportionate amount of compensation for furloughed workers, compensation for workers included in the short-time work scheme and exemption from the payment of contributions. The aforementioned entitlement was the result of the adoption of government measures to mitigate the effects of the COVID-19 pandemic and epidemic. The main purpose of measures adopted by the government was the preservation of jobs, which also had a significant impact on Slovenske železnice Group companies.

OPERATING REVENUES OF THE SLOVENSKE ŽELEZNICE GROUP





	Operating revenues by strategic activity			
	EUR thousand	2020	2019	Index
	SŽ-Tovorni promet Group	170,289	191,763	88.8
	Fersped, d. o. o.	18,238	20,639	88.4
Logistics and mobility	VV-LOG, d. o. o.	3,708	3,485	106.4
	SŽ-Potniški promet, d. o. o.	99,354	112,952	88.0
	SŽ-Vleka in tehnika, d. o. o.	119,970	123,157	97.4
PRI management	SŽ-Infrastruktura, d. o. o.	187,996	169,603	110.8
Construction	SŽ-Železniško gradbeno podjetje Group	72,296	71,000	101.8
Support activities	Support activities	55,249	88,004	62.8
	Consolidation	-189,831	-179,594	105.7
	Slovenske železnice Group	537,269	601,009	89.4

The highest proportion of the Slovenske železnice Group's revenues was generated in the logistics and mobility sector (56.6% of unconsolidated revenues), with SŽ-Vleka in tehnika, d. o. o. providing the majority of services for Group companies. The management of

the public rail infrastructure generated 25.9% of total unconsolidated revenues, while the construction activity generated 9.9% of those revenues. Support activities primarily provide services for Slovenske železnice Group companies.



Expenses

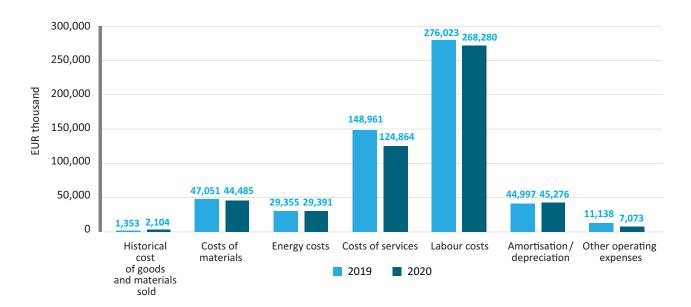
The operating expenses of the Slovenske železnice Group were down by 6.7% relative to the previous year and amounted to EUR 521,473 thousand. Labour costs as a proportion of operating revenues totalled 49.9%, an increase of 4 percentage points relative to the previous year.

Slovenske železnice Group companies continued to implement the redundant worker programme in 2020. Labour costs amounted to EUR 268,280 thousand in 2020 and included termination benefits in the amount of EUR 37,799 thousand (EUR 16,021 thousand in 2019). Labour costs also include a crisis bonus (EUR 2,052 thousand) to which employees were entitled based on laws adopted to mitigate the consequences of the COVID-19 epidemic.

The costs of services were down on the previous year, primarily due to the reduced scope of rolling stock maintenance and less work in the logistics segment, and to a lesser degree due to the reduced scope of construction works. Material costs were also lower than last year and relate primarily to the maintenance of rolling stock and the rail infrastructure.

Net finance income/costs were negative in the amount of EUR 1,885 thousand. Finance income primarily comprises revenues from participating interests in associated companies and from other investments, and revenues from the repayment of a EUROFIMA loan. Finance costs primarily comprise interest on raised loans.

COMPARISON OF THE OPERATING EXPENSES OF THE SLOVENSKE ŽELEZNICE GROUP





ANALYSIS BY ACTIVITY9

FREIGHT TRANSPORT

BREAKDOWN OF THE OPERATING RESULTS OF THE SZ-TOVORNI PROMET GROUP

EUR thousand	2020	2019	Index
Operating revenues	170,289	191,763	88.8
Operating expenses	164,621	184,354	89.3
EBIT	5,668	7,409	76.5
EBIT margin (in %)	3.3	3.9	84.6
EBITDA	28,166	29,408	95.8
EBT	3,598	4,852	74.2
Net profit or loss	3,300	4,828	68.4
ROE (in %)	3.8	5.8	65.5
ROA (in %)	1.3	1.9	68.4

Competitive position

The work area covered by SŽ-Tovorni promet, d. o. o. is geographically positioned at the crossroads of three Rail Freight Corridors (RFC) that only apply to rail freight transport and pass through the territories of EU member states. Three RFCs pass through Slovenia: RFC 6 (Mediterranean) that links Spain with the Ukrainian border, RFC 5 (Baltic–Adriatic) that links Poland to Northern Italy and RFC 10 (Alpine–Western Balkans) that runs through the countries located along the former X corridor.

Southeast Europe is linked with North Europe by RFC 7 (Orient/East-Med), but the link via the Balkans is one of the most crucial, as RFC 10 links Central Europe with the external members of the EU along a significantly shorter route.

SŽ-Tovorni promet is the leading transporter on the Slovenian market, but its market share is falling. The company's share of the Slovenian market, as measured by goods transported in tonnes, was 85.0% in 2020.

Due to the Port of Koper, the Koper freight station is one of the key points in the Slovenian logistics system. In 2020, some 86.9% of imports and exports were transhipped through Koper.

The competitive environment in Slovenia and other countries in the region is changing rapidly and is increasingly more demanding. Entering the market are new private railway operators that are generally part of strong international groups with modern means of transport and low costs. Competing operators offer more than just traction services; they are also organisers of transport services that can manage cargo along the entire route, even internationally.

Due to the stiff competition, SŽ-Tovorni promet is enhancing its marketing and product activities on key markets in the region. By expanding own haulage services in Austria and Croatia, and through the development of products for specific customers, markets and types of merchandise,

⁹ GRI 102-2, 102-4, 102-6, 102-7, 102-15, 203-1



we are striving to manage longer transport routes and for direct access to end-customers. We are responding to the changing demands of the market by adjusting the length of trains to specific track sections, through the transport of heavier trains and through a range of alternative transport routes and comprehensive services on longer transport routes that include own haulage abroad. We are also upgrading rolling stock with modern wagons and locomotives.

In expanding operations to the European transport market, we are also expecting added value from synergies with the strategic partner EP Logistics International. Significant factors in the improved competitiveness of transport via Slovenia will be the elimination of bottlenecks on the public rail infrastructure and the upgrading thereof, in particular the construction of a second track between Koper and Divača as soon as possible.

Development of activities and results

The business environment was very demanding in 2020. Signs of a recession began to emerge during the final quarter of 2019, primarily in the automotive industry. The COVID-19 pandemic represented an additional negative effect, as it hit sectors that use rail transport the hardest. For this reason, the net sales revenue generated by the SŽ-Tovorni promet Group in 2020 were down by EUR 20,034 thousand relative to 2019, with the sharpest drop recorded in transport revenues, which were down by EUR 16,360 thousand relative to 2019.

We transported a total of 18.7 million tonnes of freight in 2020 and completed 4,643.8 million net tonne-kilometres, which was 9.3% less freight and 6.9% fewer net tonne-kilometres than in 2019, when we transported 20.6 million tonnes of freight and completed 4,990.1 million net tonne-kilometres.

The length of the average transport route was 248.8 kilometres in 2020, an increase of 2.5% relative to 2019, primarily due to the extended closure of the Karavanke Tunnel and transport via a longer alternative route.

The reduced availability of the public rail infrastructure due to frequent maintenance and modernisation works and the reduced availability of rolling stock also had a negative effect on the operations of the SŽ-Tovorni promet Group.

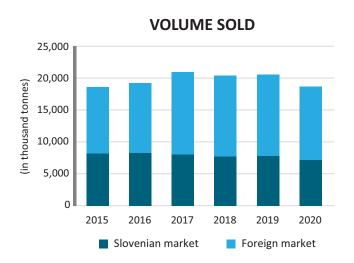
In terms of wagon consignments, the inland transport of logs, sawn wood, cement, sand, scrap iron, vehicles and other merchandise was down relative to 2019. In international transport, transported amounts of coal, containers, iron and steel, ore, sand and aggregates, petroleum and derivatives, scrap metal, chemical products and fertiliser were down. The transport of agricultural products, empty private wagons on their return journey, paper, cellulose and vehicles was up. Transport for the needs of the Slovenian economy (inland transport, imports and exports) was down by 8% relative to the previous year, while transit transport was down by 10%.

SŽ-Tovorni promet Group					
in thousand tonnes	2020	2019	Index		
Goods transported 1)	18,666.4	20,572.6	90.7		
Wagon consignments	18,666.4	20,550.0	90.8		
inland transport	1,113.1	1,331.6	83.6		
international transport	17,553.3	19,218.4	91.3		
Small consignments 2)	0	22.6	0.0		

¹⁾ Includes non-consolidated quantities.

²⁾ Small consignment services were excluded from the SŽ-Tovorni promet Group on 1 January 2020.







WAGON CONSIGNMENTS

Transport mode			
in thousand tonnes	2020	2019	Index
Conventional transport	13,779.1	15,196.8	90.7
Multimodal transport	4,863.1	5,318.2	91.4
SI-Cargo (transport not taking place in Slovenia)	24.2	35.0	69.1
Total wagon consignments 1)	18,666.4	20,550.0	90.8

¹⁾ Includes non-consolidated quantities.

Volume sold				
in million NTKM	2020	2019	Index	
Volume sold in Slovenia	4,490.5	4,868.6	92.2	
Volume sold abroad	153.3	121.5	126.2	
Total	4,643.8	4.990.1	93.1	

We transport wagon consignments in two ways: in the form of the conventional transport of wagon consignments and in intermodal transport units (ITU) in combined transport. In addition to securing business for SŽ-Tovorni promet, d. o. o., the subsidiary SI-Cargo Logistics, d. o. o., Belgrade

also markets the transport of wagon consignments that do not pass through Slovenia, which contributes to the competitiveness of the SŽ-Tovorni promet Group. We also provide transport services in Austria and Croatia through our own haulage.



Conventional transport services

The conventional transport of wagon consignments accounted for 73.8% of wagon consignments transported on Slovenske železnice lines in 2020. That proportion did not change significantly relative to 2019 (74.0%). More than 95% of goods comprise raw materials or primary products and semi-products such as ore, coal, petroleum and derivatives, agricultural products, sand and stone aggregates, iron and steel, paper and cellulose, processed and unprocessed wood, scrap iron, vehicles and chemical products.

A total of 13,779.1 thousand tonnes in conventional transport was carried in 2020, a decrease of 9.3% (or 1,417.7 thousand tonnes) relative to 2019. That decrease is primarily the result of the COVID-19 crisis, slowing economic growth and increasing competition from other operators.

Combined transport services

A total 99% of goods are carried in combined transport using full trains, the majority of which are so-called shuttle trains where wagons are not switched except for traffic-technical reasons. Transport is primarily carried out on lines to and from the Port of Koper towards Hungary, Slovakia and the Czech Republic, and on the Ljubljana KT–Germany line.

A total of 4,863.1 thousand tonnes in combined consignments was carried in 2020, a decrease of 8.6% (or 455.1 thousand tonnes) relative to 2019. In addition to the above-described circumstances, that decrease was partly the result of the rerouting of certain shipping companies to the Port of Trieste and the Port of Rijeka.

SI-Cargo Logistics

The volume of transport to and from Serbia and to other countries in transit through Serbia to and through Slovenia was down by 11% in 2020, primarily due to a

drop in transit traffic as the consequence of the COVID-19 epidemic. The volume of transport bypassing Slovenia and organised by SI Cargo Logistics was also down. In addition to the epidemic, this was the result of the entry of new private operators on the Serbian market that use dumping techniques to secure existing transactions, and maintenance works on the Belgrade-Novi Sad line, which have been in progress since 2019.

The volume of merchandise transported to and from Serbia to and through Slovenia was down by 3.8% relative to 2019. The volume of freight transported on routes bypassing Slovenia was down by 30.9%.

Rolling stock

An important factor for the operator is rolling stock, which we modernise in accordance with available funds. We received four new diesel shunting locomotives in 2020, intended for work in Koper. The comprehensive upgrading (fitting of new engines) of 12 diesel shunting locomotives and the installation of GSM-R devices in locomotives continue. We are drafting a pre-investment plan for the modernisation of the locomotive fleet for electric and diesel train traction. We will modernise the wagon fleet by leasing an additional 20 Sggrrs series wagons for the transport of bulk cargo. By investing in rolling stock, handling machinery and other equipment, we will increase the quality of our services and reduce costs.

Train delays

Freight train delays at SŽ-Tovorni promet, d. o. o., expressed in minutes per 100 kilometres, were down in 2020 (2020/2019 index of 74.7). Freight train delays at all operators on the public rail infrastructure were down in 2020 relative to the previous year due to the reduced number of passenger trains (on account of the complete stoppage of public transport) and the resulting improved traffic flow.

	Unit	2016	2017	2018	2019	2020
Freight trains (SŽ-Tovorni promet)	min./100 km	102.7	130.8	154.5	116.6	87.1
Freight trains (all operators)	min./100 km	83.9	110.3	122.6	94.7	72.6



Opportunities and development

Representing a major challenge was the economic situation on European markets, for which we provide the vast majority of transport services. We will optimise processes, enhance sales activities in Slovenia and abroad, and continuously adapt services to the expectations of customers and changing conditions.

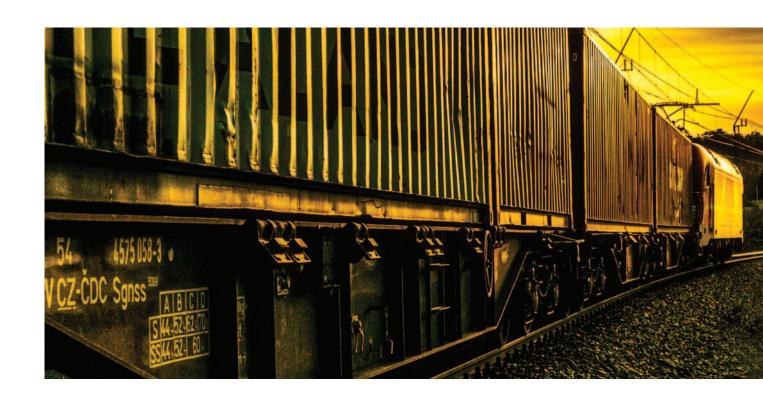
An important factor for the operator is rolling stock, which we modernise in accordance with available funds. By investing in rolling stock, handling machinery and other equipment, we will increase the quality of our services and reduce costs.

The gradual recovery of the economy and planned growth in traffic at the Port of Koper, as the company's largest partner, will provide opportunities to secure new transactions.

To ensure successful operations in the coming period, we will further expand activities on markets in the region, both in the area of sales and marketing, and in terms of production. We also intend to increase our presence as an operator in Croatia and Austria, and are planning to

enter the Serbian and Italian markets, which will facilitate the independent management of longer transport routes, without having to depend on other operators, as well as direct access to end-customers. We will support the expansion of activities on foreign markets by ensuring the necessary number and types of locomotives and wagons, as well as other resources and the necessary employee structure.

Entry into a strategic partnership with the Czech business group EPH represents an important development opportunity. EPH is a leading Central European energy group comprising more than 70 companies in ten European countries. We will establish a joint venture with the aforementioned strategic partner. Our expectations from the strategic partnership include joint development and higher-quality comprehensive logistics services for customers, access to new markets and cargoes, the expansion of operations to neighbouring countries, and access to end-customers in Slovakia, Hungary, the Czech Republic, Austria, southern Germany and Italy. We will also be able to take advantage of synergies for the continued optimisation of costs and ensure the financial basis for the continued modernisation of rolling stock.





FERSPED

BREAKDOWN OF THE OPERATING RESULTS OF FERSPED, d. o. o.

EUR thousand	2020	2019	Index
Operating revenues	18,238	20,639	88.4
Operating expenses	17,214	19,671	87.5
EBIT	1,024	968	105.8
EBIT margin (in %)	5.6	4.7	119.1
EBITDA	1,441	1,355	106.3
EBT	1,539	1,720	89.5
Net profit or loss	1,404	1,653	84.9
ROE (in %)	19.4	28.9	67.1
ROA (in %)	10.9	13.3	82.0

Competitive position

Fersped is adapting to changes on the logistics market. The company's main activity is the organisation of comprehensive and global logistics services in road, rail, maritime and air transport, and transhipment warehousing and customs clearance services. The company's position on the market depends on global trends and is exposed to aggressive competition in the form of local service providers and global players. The company is under the influence of fluctuating prices in the maritime transport segment, and the resulting less stable cooperation with players on the market. It is difficult for us to compete with shipping companies and their global partners who offer customers comprehensive solutions in the global servicing of supply chains.

Fersped plays an active role in transhipment and the organisation of transport through the Port of Koper (bulk cargo such as coal, waste, general cargo, container transport and cars). In addition to transhipment and storage, it also provides fumigation services, and performs quality and

quantity inspections of goods, phytosanitary inspections of goods and veterinary inspections. It is likewise one of the few companies that measures the radioactivity of freight. The company organises groupage services for customers who transport smaller quantities of goods. Freight is intended primarily for hinterland countries: Poland, the Czech Republic, Switzerland, Germany, Italy and Turkey.

In providing rail transport services on the domestic and foreign markets, the company encounters stiff competition from private operators, who through the more rapid adaptation to market conditions and modern means of transport are driving down transport prices, taking over transactions and making it difficult to attract new customers. Also affecting results in the rail logistics segment in 2020 were frequent track maintenance works and the resulting closures, which resulted in longer transport times and higher transport costs on alternative routes. This was felt in particular on the Koper and Gorenjska lines.



Development of activities and results

REVENUES BY ACTIVITY

Activity			
EUR thousand	2020	2019	Index
Road logistics	6,835	8,332	82.0
Rail logistics	5,743	6,143	93.5
Maritime logistics	2,197	2,653	82.8
Air logistics	238	201	118.4
Customs services	1,120	1,302	86.0
Terminal services	1,275	1,632	78.1
Other	830	376	220.7
Total	18,238	20,639	88.4

Operations in 2020 are not comparable with the previous year. The outbreak of the pandemic affected all economic sectors on a global level. The decrease in revenues by 11.6% relative to 2019 was more a reflection of the reduced flow of goods than the loss of customers. Flows of goods, particularly from China, were halted, while the decline recorded by the automotive industry was especially sharp, which resulted in a drop in sales of all categories of goods linked to the aforementioned industry.

The sharpest drop in revenues recorded in 2020 was in the warehousing and storage activity, while flows of fruits and vegetables were halted and exports of wood were limited during the second quarter. This was all reflected in the reduced volume of work, while warehouse handling activities were down by as much as 40% in specific periods.

Fersped focuses the sale of its services on foreign markets, where it generates 60% of revenues.

At 37.5%, road logistics, including the organisation of road transport, accounts for the highest proportion of the company's revenues. The majority of transhipments of goods were in containers in the customs warehouse in Koper, including parts for TVs and cars, and electronic components. This was followed by miscellaneous goods in containers transported to Hungary and Austria, bicycle

parts to Romania, pipes to Switzerland, hazardous shipments of batteries and refrigerated transport to France and Germany, and the transhipment of seasonal fruits and vegetables to EU Member States.

Also accounting for a significant proportion was road groupage transport between Italy and Slovenia and between Turkey and Slovenia via the warehouse in Nova Gorica. The transport of food products, machinery, iron, textiles and equipment for trains from Italy still accounts for the majority of direct road transport.

Revenues generated by the rail logistics segment in 2020 were down by 6.5% relative to the previous year. The aforementioned segment accounts for 31.5% of the company's total revenues. The majority of rail transport is accounted for by the transport of coal, cement, sheet metal, grains, waste materials, plastic granulate, containers and logs.

Together with SŽ-Tovorni promet, d. o. o., the company organised the transport of the first five new passenger trains from Poland to Slovenia in 2020.

Revenues generated by maritime transport were down by 17.2% relative to 2019, primarily due to the termination of the agreement with a major partner and the loss of project cargo transactions. The aforementioned segment



accounts for 12.0% of the company's total revenues. The majority of goods were transported by container, where we also organise additional logistics services of transport, transhipment, customs clearance and delivery. Close to 8,000 containers were handled in 2020, the majority in Koper.

Following several years of growth, revenues from customs brokerage services were down by 14.0% in 2020, primarily as the result of the COVID-19 epidemic. Customs services account for 6.1% of the company's total revenues. The aforementioned activity also includes tax representation.

The revenues generated by the air logistics segment were up by 18.4% in 2020, and although it only accounts for 1.3% of total revenues, this segment enjoys positive synergistic effects with customs, warehousing and road transport services.

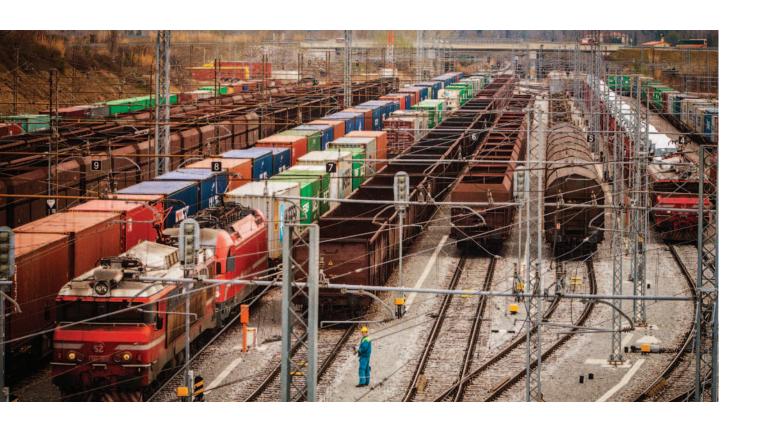
Terminal services do not comprise traditional warehousing but involve so-called stuffing and stripping services. The majority of those services involve loading and unloading containers at our transhipment warehouses in Koper and Nova Gorica. Revenues from terminal services were down by 21.9% relative to 2019, and accounted for 7.0% of the company's total revenues.

Opportunities and development

Our efforts in 2020 focused primarily on increasing sales of services with a greater synergistic effect and higher value-added. Here we see a major opportunity in our presence in the direct vicinity of the Port of Koper, which means an entry point not only for Slovenia, but primarily for transport to the hinterland countries of Europe.

The rapid development of information technology is resulting in the transformation of logistics processes, a trend that the company strives to follow. During the second half of 2020, we began the introduction of an electronic waybill, but the project has not been completed due to the pandemic.

The priority strategic projects are the upgrading of information technology to support logistics processes and the merging of Group companies that perform the same activity.





VV-LOG

BREAKDOWN OF THE OPERATING RESULTS OF VV-LOG, d. o. o.

EUR thousand	2020	2019	Index
Operating revenues	3,708	3,485	106.4
Operating expenses	3,088	2,832	109.0
EBIT	620	653	94.9
EBIT margin (in %)	16.7	18.7	89.3
EBITDA	691	723	95.6
EBT	620	652	95.1
Net profit or loss	499	529	94.3
ROE (in %)	74.2	65.1	114.0
ROA (in %)	17.8	27.2	65.4

Competitive position

Logistics solutions in the area of customs services (import, export and transit services) are at the core of VV-LOG, d. o. o.'s operations. The company also organises transport services (road, rail and sea freight).

The company's competitiveness lies in its flexibility and ability to develop services rapidly for the most demanding customers, who expect high-quality and a rapid response from a logistics company.

The company's primary advantages relative to other logistics companies are its sound knowledge of customs legislation and the active monitoring of changes in customs procedures. With its inclusion in the Slovenske železnice Group, the company secured a higher customs guarantee, which has allowed it to maintain and increase

operations with existing customers and attract new major customers. In addition to the aforementioned guarantee, the company has also received healthy back-office support from the Group, which has helped it increase the scope of its operations through synergistic effects in the areas of warehousing, transport services and marketing policy, as well as its inclusion on the global market.

Development of activities and results

VV-LOG, d. o. o. succeeded in maintaining its operations in 2020 at the level recorded the previous year, despite declining demand for logistics services in transport due to the global situation linked to COVID-19.



REVENUES BY ACTIVITY

EUR thousand	2020	2019	Index
Customs services	1,763	2,257	78.1
Organisation of transport services	979	800	122.4
Other	966	428	225.7
Total	3,708	3,485	106.4

The higher operating revenues in 2020 are the result of an increase in other fuel transported and the organisation of road transport services.

Customs services represent the company's main sales product, which helps the company attract new transactions and customers. Revenues from transit customs services were down by 47.3% relative to 2019, while revenues from import customs services were up by 26.5%. A total of 8,488 customs declarations were filed in 2020, an increase of 108% relative to the previous year.

The successful provision of customs services is possible due to the increase in the customs guarantee for imports and the expertise of employees in the area of customs legislation.

The negative trend in demand for road transport services eased in 2020. The company signed an agreement in the middle of the year and arranged comprehensive support for smooth operations. Ensuring the necessary staff and adapting information programmes to the customer proved to be positive investments. The company organised 672 different types of road transport services in 2020.

Competition in terms of road transport prices intensifies from year to year. As a result, ensuring a sufficient number of transport transactions with respect to customer demand is a challenge. We cooperated with reliable and high-quality road transporters in 2020, and thus met the demand of customers.

The sale of fuel is directly linked to the road transport segment and mutual cooperation with transporters. Despite the low added value, the sale of fuel is an important element of the company's operations, as it facilitates operations in harmony with service providers and thus expansion to the biofuel market. Fuel sales were up by 122.4% in 2020 relative to the previous year and account for 24.6% of the company's total revenues.

Opportunities and development

The company's short-term objective is to maintain existing customers and improve its information system for the needs of individual customers, with the aim of providing faster and more effective services. Improving and standardising the information system and the optimisation of operations will serve as the basis for operations in the future, as well. Combining the strength of employees, knowledge and business opportunities is the long-term objective of logistics companies within the Slovenske železnice Group, as operational synergy is the basis for stability and development.

The company sees opportunities in the expansion of operations to foreign markets and the attraction of new major customers in need of comprehensive logistics solutions.



PASSENGER TRANSPORT

BREAKDOWN OF THE OPERATING RESULTS OF SŽ-POTNIŠKI PROMET, d. o. o.

EUR thousand	2020	2019	Index
Operating revenues	99,354	112,952	88.0
Operating expenses	85,873	101,978	84.2
EBIT	13,481	10,974	122.8
EBIT margin (in %)	13.6	9.7	140.2
EBITDA	25,665	23,938	107.2
EBT	14,069	10,845	129.7
Net profit or loss	13,044	8,943	145.9
ROE (in %)	4.2	4.0	105.0
ROA (in %)	2.8	2.3	121.7

Revenues generated on the domestic and foreign markets were down relative to 2019. Operating expenses were also down by 15.8%, primarily due to lower costs of rolling stock maintenance, the leasing of locomotives, the costs of traction services and energy costs.

Pursuant to the Railway Transport Act and the Maintenance of Separate Accounts for Different Activities Act, separate accounting records are kept for PSO activities and other activities, where all revenues and expenses are consistently allocated to individual activities in accordance with the Criteria for separate records of revenues and expenses for public service obligation activities and other activities adopted by SŽ-Potniški promet, d. o. o. Those criteria are based on accounting principles.

The results achieved in the scope of the public service obligation and other activities are presented in the section Profit and loss by individual company/activity in the business report.

The public service obligation in the inland and cross-border regional transport of passengers by rail for the 2019/2020 timetable period covered 589 train routes, including 498 routes in inland rail transport and 91 routes in the territory of Slovenia in cross-border regional rail transport with Austria, Hungary, Croatia and Italy.



Competitive position

Railway passenger transport is operated by SŽ-Potniški promet, d. o. o. on the public transport market in Slovenia.

Despite intensive investments in recent years, the Slovenian rail infrastructure still lags behind the infrastructure in other, more developed European countries. The introduction of subsidised IPT passes for secondary-school and college students, retirees, persons above the age of 65 and other passenger segments resulted in an increase in the number of passenger kilometres.

Transport by car is the main competition to inland rail transport and remains the favoured form of transportation in Slovenia. The most recent figures indicate that the number of registered vehicles per 1,000 inhabitants was down in 2020 relative to the previous year. There were 554 registered cars per 1,000 inhabitants in 2020, while the EU average is 531.

International transport accounts for one-fifth of all passenger kilometres completed. By linking up with other foreign operators and tourist agencies, we develop commercially attractive offers.





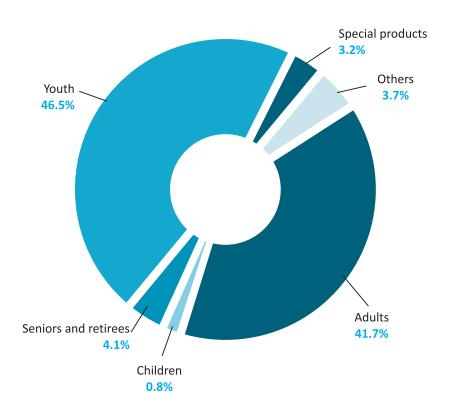
Development of activities and results

A total of 41.4% fewer passengers were carried and 43.2% fewer passenger kilometres were completed relative to 2019.

	2020	2019	Index
Number of passengers carried (in thousand)	8,151.0	13,906.7	58.6
PSO	7,800.1	13,329.3	58.5
other activities	350.9	577.4	60.8
- inland transport	7,784.9	12,836.8	60.6
- international transport	366.1	1,069.9	34.2
Passenger kilometres (in million)	396.9	698.3	56.8
PSO	360.9	688.3	52.4
other activities	36.0	10.0	360.0
- inland transport	324.9	530.9	61.2
- international transport	72.0	167.4	43.0
Train kilometres (in thousand)	7,611.2	9,942.1	76.6
PSO	7,555.5	9,900.1	76.3
other activities	55.7	42.0	132.6
- inland transport	6,131.3	7,924.9	77.4
- international transport	1,479.9	2,017.2	73.4
Train kilometres (in thousand)	48.7	50.2	97.0
- inland transport	41.7	41.4	100.7
- international transport	197.0	156.5	125.9



PASSENGERS CARRIED



Passengers carried in inland passenger transport accounted for 95.5% of total passengers carried, with the majority (96.6%) relating to the public service obligation governed by the relevant agreement with the Ministry of Infrastructure. Almost one half of all passengers carried are secondary-school and college students with subsidised tickets.

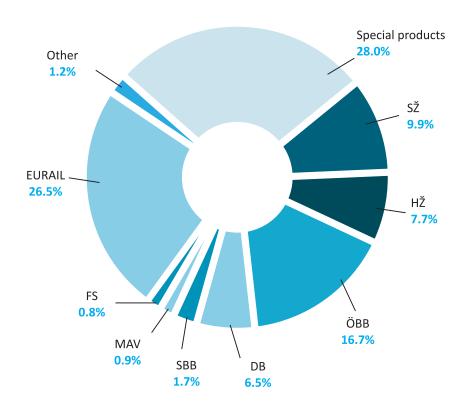
A total of 7.8 million passengers were carried under the public service obligation in the inland and cross-border regional transport of passengers by rail. Those persons travelled an average of 46.3 kilometres for a total of 7,555.5 thousand train kilometres.

The planned volume sold was not achieved in the discharge of the public service obligation in the inland and cross-border regional transport of passengers by rail in 2020, primarily due to measures adopted during the COVID-19 epidemic. Having a significant impact on the number of passengers carried were the complete halt to public transport for 85 days and the adjusted timetable for 77 days.

International travel in 2020 once again included offers based on general international tariffs and additional offers based on bilateral and multilateral agreements with other railway operators. Offers featuring low-price fares starting at EUR 8 were particularly notable.



PROPORTION OF PASSENGERS CARRIED BY OPERATOR



Prices and tariffs

Passengers were able to take advantage of various discounts and special offers in inland and international transport. The prices for inland passenger transport were not raised in 2020, and were actually cut in certain cases. Prices for international travel were raised on certain lines, but not significantly. Low-price offers also continued to apply.

Rolling stock

An agreement was signed in April 2018 on the purchase of new trains as follows: eleven single-deck multi-system electric trains, ten double-deck, single-system electric trains and five diesel passenger trains. Another agreement was signed in May 2019 for an additional ten single-deck

multi-system electric trains and sixteen single-deck diesel passenger trains.

We will replace the longest-serving rolling stock with new trains. We will thus improve the quality of our services significantly, as we will increase the frequency of connections between major stations, in addition to providing more comfortable trains with more space and low decks adapted to persons with special needs, as well as space for bicycles. We also see an opportunity to increase the number of passengers in the modernisation of rolling stock and in the development of additional services.



The first five new diesel trains went into service on 15 December 2020.

Investment documentation was drawn up in 2020 for the installation of retractable stairs on Siemens series 312 electric trains to make passenger boarding and deboarding at stations easier.

Sales system

The upgrading and development of the rail ticketing system were completed in 2020. The upgrading of the ticketing system included a comprehensive software solution for the introduction and maintenance of the ticketing system on mobile terminals and fixed points of sale.

TRAIN DELAYS

	Unit	2016	2017	2018	2019	2020
Passenger trains	min./100 km	2.3	4.0	4.5	2.2	2.7

Passenger train delays were up in 2020 relative to the previous year due to additional formalities at border crossings when entering Slovenia on account of the COVID-19 epidemic. Speed restrictions and maintenance works on the infrastructure also resulted in delays. In October, there was a complete closure of the

Ljubljana–Jesenice (national border) line, where alternative bus transport was organised between Kranj and Jesenice. The normal bus driving time was taken into account in the timetable, but was frequently longer due to heavy road traffic.

Opportunities and development

Limits and opportunities with respect to the quality of services

The average quality score in 2020 was 3.19, which was lower than in 2019 primarily due to changes in transport services that were dictated by measures to contain the spread of COVID-19. Elements of the quality of staff received the highest scores, while services at stations and train speeds received the lowest scores.

Passengers would travel more frequently by train if they were faster, if there were better connections between trains and if there was less track work, and thus fewer delays and transfers to alternative transport by bus. Also of importance to passengers are parking lots at train stations organised according to the P&R system, secure bike sheds, the possibility of storing large pieces of luggage, etc.





TRACTION AND TECHNICAL SERVICES

BREAKDOWN OF THE OPERATING RESULTS OF SŽ-VLEKA IN TEHNIKA, d. o. o.

EUR thousand	2020	2019	Index
Operating revenues	119,970	123,157	97.4
Operating expenses	119,563	122,780	97.4
EBIT	407	377	108.0
EBIT margin (in %)	0.3	0.3	100.0
EBITDA	2,865	2,848	100.6
EBT	0	0	
Net profit or loss	0	0	
ROE (in %)	0.0	0.0	
ROA (in %)	0.0	0.0	

SŽ-Vleka in tehnika, d. o. o. generated 80.5% of revenues within the Slovenske železnice Group.

Competitive position

The competitive environment in which SŽ-Vleka in tehnika, d. o. o. operates primarily comprises maintenance companies in neighbouring countries, and beyond on the wheelset repair market. In terms of traction and wagon inspection services, which are directly linked to passenger and freight transport, the competitive environment is affected by the entry of other operators and thus the reduced scope of work at Slovenske železnice Group companies. We encounter competition in the maintenance of rolling stock on foreign markets, but enjoy a dominant position on the domestic market.

Given the entire range of maintenance services and the size of the European market, we hold a small market share. On the other hand, we have become a major provider of wheelset repair services by investing in increased production capacities and new services. We are considered

one of the best maintenance service providers in Europe. We have also taken the first steps in the maintenance of electric locomotives.

In addition to maintaining its dominant market position in Slovenia, the company will continue to implement its established growth strategy and strengthen its competitive position on the wider European market. SŽ-Vleka in tehnika, d. o. o. is considered by foreign customers a trustworthy partner that provides high-quality services at a reasonable price. That quality is confirmed by maintenance certificates and classification on the list of trustworthy workshops of the Freight Wagon Owners Association and the CRSC (Cargo Rail Service Center). In addition to the company's ranking amongst trustworthy workshops, certificates mean a commitment to continuous development and constant improvements in the quality of services.



Development of activities and results

Maintenance activities

SŽ-Vleka in tehnika, d. o. o. carried out the maintenance of railway vehicles and repairs, and the manufacture of components and spare parts, primarily for Slovenske železnice Group companies (72.2%). The largest customers for maintenance services for rolling stock in the Slovenske železnice Group were SŽ-Tovorni promet, d. o. o. and SŽ-Potniški promet, d. o. o.

Similar to the previous years, we again strove to increase our competitiveness and raise our profile on the wider European market in 2020. The proportion of sales accounted for by customers outside the Slovenske železnice Group was 27.8%. More than 87.9% of sales outside of the Group were realised abroad, the majority on Western European markets. The main product for customers outside the Slovenske železnice Group in 2020 was again wheelset repair, followed by the periodic maintenance of freight wagons and tank cars.

Traction

The main activity of traction is providing traction and moving rolling stock according to planned schedules of the availability of tractive vehicles and personnel. All traction services are provided for the needs of operators in the Slovenske železnice Group (SŽ-Tovorni promet, d. o. o. accounting for 57.6 % and SŽ-Potniški promet, d. o. o. accounting for 42.4%).

The amount of work performed is expressed in gross tonne kilometres (work of locomotives) and lubricated kilometres (work of multiple units). The scope of electric traction performed in 2020 was down by 8.5% relative to 2019, while the scope of diesel traction work was down by 21.0%. Electric trains performed 16% fewer lubricated kilometres in 2020 than in 2019, while diesel trains performed 31% fewer lubricated kilometres. The total number of lubricated kilometres performed in 2020 was down by 22% relative to 2019 due to the complete shutdown and limited scope of public transport due to the COVID-19 epidemic.

Wagon technical services

Wagon Technical Services (WTS) is one of the rail activities in which we participate directly in the provision of rail transport. Its primary tasks are monitoring the technical status and equipment of tractive vehicles, and monitoring their functioning in trains. The main purpose of WTS is to ensure the safe, reliable, high-quality and environmentally-friendly operation of unpowered rolling stock. Work is carried out at inspection points in the Slovenske železnice network and in the networks of neighbouring railway operators (ÖBB, FS and HŽ), on the basis of international and national regulations and agreements between operators.

All technical wagon inspection services are provided for the needs of operators in the Slovenske železnice Group (SŽ-Tovorni promet, d. o. o. accounting for 84.8% and SŽ-Potniški promet, d. o. o. accounting for 15.2%).

Opportunities and development

SŽ-Vleka in tehnika, d. o. o. faces limitations in the performance of its activities due to obsolescent technologies, complex work processes, the control of throughput times and the age structure of employees.

The company's opportunities lie in the potential growth of freight and passenger transport services, the introduction of new technologies, the standardisation of technical, work and business processes, the manufacture of integral parts and components for rolling stock for other parties, and proactive marketing on existing and new markets.



INFRASTRUCTURE

BREAKDOWN OF THE OPERATING RESULTS OF SŽ-INFRASTRUKTURA, d. o. o.

EUR thousand	2020	2019	Index
Operating revenues	187,996	169,603	110.8
Operating expenses	184,637	166,749	110.7
EBIT	3,359	2,854	117.7
EBIT margin (in %)	1.8	1.7	105.9
EBITDA	6,387	5,858	109.0
EBT	3,171	2,901	109.3
Net profit or loss	2,891	2,686	107.6
ROE (in %)	13.9	13.5	103.0
ROA (in %)	2.3	2.7	85.2

Pursuant to the Railway Transport Act, SŽ-Infrastruktura, d. o. o. serves as the manager of the public rail infrastructure and is responsible for the maintenance, renovation and functioning of the public rail infrastructure, and for assisting in the development of that infrastructure. A safety management system is in place for the performance of all related activities, while a safety certificate has been obtained and is valid until 31 May 2024.

The results achieved in the scope of the public service obligation and other activities are presented in the section Profit and loss by individual company/activity in the business report.

Competitive position

The development of a sustainable transport system is the first precondition for the development of a modern society. Mobility significantly impacts the competitiveness of national economies and the quality of life of citizens. Transport is becoming an increasingly important economic sector as it contributes to the functioning of the economy as a whole, is an important employer and guarantees citizens the fundamental right to mobility. All of the above-described findings also apply to the EU. The new EU transport policy, outlined in the White Paper on transport until 2050, contains a roadmap to a single European transport area – towards a competitive and resource-efficient transport system.

Account must be taken of the reduced competitiveness of rail transport via Slovenia, which is reflected in part in planned railway bypass routes through Italy and Austria towards Budapest, and in certain connections in Croatia towards Hungary. In its strategy, the Republic of Slovenia emphasised the urgency of the upgrading and renovation of the lines in priority rail freight corridors RFC 5, RFC 6, RFC 10 and RFC 11, thereby ensuring Slovenia's long-term competitive strength.

There is a risk of a shift in transit flows of goods to parallel networks through Italy, Austria, Hungary or Croatia. However, the trend of modernising the railway network increases the possibility that this will not happen. There is also an increased risk of an outflow of freight goods via port transit to North Sea ports.



Development of activities and results

Maintenance works on the public rail infrastructure

Maintenance of the public rail infrastructure in 2020 primarily included maintenance in order to preserve normal operating capacities and ensure traffic safety. We maintained railway stations and stops, monitored the status of the public rail infrastructure and the passability of tracks in the event of natural and other disasters, took measurements of individual parameters and parts of the system, and performed phased technical inspections of all of the components of the public rail infrastructure. We participated in the preparation of worksites so that maintenance work on the public rail infrastructure could be carried out to the extent specified in the annual maintenance plan, and provided safe and well-regulated rail traffic.

SŽ-Infrastruktura, d. o. o. handled six inspection decisions from state authorities in 2020. Five decisions were resolved in 2020, while the handling of one decision continues in 2021.

The regular maintenance of signalling and safety devices in 2020 included the elimination of irregularities in station signalling devices (mechanical, electromechanical, electrical relay and electronic), automatic block signalling and automatic level-crossing safety devices, switch-point heating systems, ETCS devices, shunting equipment, remote control systems, rail vehicle detectors, electronic alarms and the associated construction elements. Worn equipment was replaced in the scope of maintenance.

The regular maintenance of telecommunications devices in 2020 included railway telephone equipment and switchboards, lines and cables, video surveillance and alarm equipment, radio equipment, transmission systems, data transfer devices, power supply equipment, timekeeping devices and devices for station passenger operations. In addition, we eliminated defects, errors and anomalies in telecommunications devices and systems. Worn equipment was replaced in the scope of maintenance. We accelerated the introduction of the GSM-R radio system.

Maintenance of electrical power installations in 2020 included maintenance of the overhead line system, power supply system and electrical installations, and inspections of the elements of the overhead line system, landslide warning devices and the overhead line.

The maintenance of the power supply system included inspections of transmission lines, feeder stations and control centres for fixed electrical traction installations.

The maintenance of electrical installations included the maintenance of electrical power systems and lines, exterior lighting, lightning conductors, inspections of transformer stations, inspections of electrical equipment, the performance of prescribed measurements and smaller-scale emergency repairs.

Renovation of the public rail infrastructure

In the scope of renovating the public rail infrastructure in 2020, we repaired and upgraded individual elements of the public rail infrastructure, without changing their operating methods or purposes.

The renovation of the public rail infrastructure was carried out in accordance with the annual implementation and financial plan commissioned by the Ministry of Infrastructure, and in line with current standards, norms and regulations. Work that could not be carried out using our own available capacities was outsourced to external contractors in accordance with the Public Procurement Act.

We continued with renovation works on the public rail infrastructure in 2020, while existing electricity, signalling and safety and telecommunication devices were upgraded and their useful lives extended through investment maintenance.

Through maintenance measures aimed at the replacement of specific track elements at the Zidani Most railway station, and on the Slovenska Bistrica–Pragersko section and at the Pragersko railway station, we increased the axle load to 22.5 tonnes, while we improved safety and access to rail services through the rearrangement of track capacities, the arrangement of the platform infrastructure, and the modification of signalling and safety, telecommunication and electricity devices at the Kamnik Graben rail loading yard. A total of 845 high bicycle stands, 605 of which are covered, were set up at 27 railway stations. Areas intended for the hiring of bicycles and the charging of electric bikes were also organised.



Management, control and maintenance of passenger stations and stops on the public rail infrastructure

We organised cleaning, security, landscaping, regular and emergency maintenance, and the management (operating costs) and maintenance of associated equipment at railway station and stop buildings.

Management of the public rail infrastructure

Public rail infrastructure management tasks included marketing services that comprise: the marketing of commercial premises in public rail infrastructure buildings and stations, the sale of land, the sale of advertising space in the public rail infrastructure, the sale of apartments in public rail infrastructure buildings and stations, the marketing of the telecommunications system, the sale of materials and spare parts, and easements. Public rail infrastructure management includes real estate management and the keeping of records regarding all real estate owned by the Republic of Slovenia (public rail infrastructure), the keeping of land records and the granting of approvals for work in the protected area of the track bed.

Scope of engineering services

The company is planning a safe rail infrastructure in the scope of its competences. The engineering sector provides services in areas where the company is included by the Ministry of Infrastructure.

In the scope of upgrades to the public rail infrastructure, the axle load was increased to 22.5 tonnes during the upgrading of sections on the Zidani Most-Celje, Poljčane-Slovenska Bistrica and Maribor-Šentilj lines, while train speeds were increased on certain sections, resulting in shortened travel times and thus the improved throughput of the line. We eliminated several level crossings (Ljubljanska cesta in Maribor, Štore. etc.) and built new grade-separated crossing (on a section of the Rimske Toplice–Jurklošter line), and thus increased safety and reduced the number of extraordinary events at level crossings. Underpasses to access newly built platforms, canopies and platform roofs were built at the Rimske Toplice, Štore, Pesnica, Šentilj and Maribor stations, with all of the accompanying infrastructure equipment, while platforms are also accessible by persons with reduced mobility. It will thus be easier for them to travel by train.

Following the upgrading of individual sections of the Zidani Most–Šentilj–national border line, a project was kicked off to introduce remote traffic control, which in addition to the upgrading of signalling and safety devices will also facilitate grade-separated platform access at those stations that were not upgraded. With the introduction of remote traffic control, we will reduce the need to staff stations. We will achieve traffic control that is closer to established systems abroad. In progress in conjunction with the aforementioned works are works to introduce the European Rail Traffic Management System/European Train Control System (ERTMS/ETCS Level 1), through which we will standardise our system with foreign railway systems and ensure the interoperable conduct of rail traffic.

We upgraded the Grosuplje–Kočevje line, which now accommodates passenger and freight trains. All of the necessary infrastructure was installed and put into operations at stations and stops. Through the upgrading of signalling and safety and telecommunication devices, level crossings were equipped with traffic safety devices, while certain level crossings were closed and the conditions established for remote train traffic control on the section from Dobrepolje to Kočevje.

Due to the poor state of the Kranj–Podnart, Podnart–Lesce Bled and Ljubljana–Brezovica sections of the railway line, tender documentation is being drawn up for the upgrading of those sections. In addition to improving the technical parameters of sections, the upgrade will ensure conditions for interoperability, improve the throughput of individual sections and reduce maintenance costs.

Scope of services in connection with the functioning of the public rail infrastructure

In terms of the functioning of the public rail infrastructure, all tasks deriving from the public service obligation of traffic control and the tasks directly associated with that obligation were performed, and included:

- the allocation of train paths;
- the setting of operating fees;
- the charging and collection of operating fees;
- the management of train traffic and ensuring the functioning of the PRI;
- the drafting, adoption, entry into force and publication of the network timetable;
- the performance of the technological work process at service points;



VOLUME SOLD

	2020			2019	
	Hours	Structure	Hours	Structure	
Number of maintenance hours					
- PRI maintenance work	1,370,533	91.0	1,502,769	89.0	
- renovation in the scope of PRI maintenance work	31,909	2.1	19,618	1.2	
- other activities	103,248	6.9	166,336	9.8	
Total	1,505,690	100.0	1,688,723	100.0	
Number of hours worked by department					
- track maintenance	745,019	49.5	882,044	52.2	
- maintenance of SS and TC devices	508,882	33.8	545,042	32.3	
- electrical system maintenance	251,789	16.7	261,637	15.5	
Total	1,505,690	100.0	1,688,723	100.0	

BREAKDOWN OF COSTS BY MAINTENANCE ACTIVITY

EUR thousand	2020	2019	Index
Public service obligation	99,448	91,920	108.2
Track maintenance	60,599	52,173	116.2
Maintenance of SS and TC devices	25,929	27,414	94.6
Maintenance of overhead lines and electrical system structures	12,920	12,333	104.8
Housing and buildings without the status of PRI	407	415	98.1
PRI management	1,181	1,127	104.8
Total	101,036	93,462	108.1



- the supervision of the work of operators that requires the performance of work in accordance with regulations governing railway traffic and railway safety;
- the notification of the safety authority regarding the suspicion that an infringement has been committed by an operator acting in contravention of its licence, safety certificate or the train path allocated to it;
- the notification of the regulatory authority regarding the suspicion that an infringement has been committed by an operator acting in contravention of the train path allocated to it;
- the notification of the safety authority and inspectorate responsible for railway traffic in the Republic of Slovenia of infringements of the provisions of regulations governing railway safety;
- the drafting and publication of the network programme;
- ensuring the efficiency of international train paths;
- ensuring the competitiveness of international freight transport; and
- ensuring a regime of efficiency.

We ensured the safety and regulation of railway traffic in accordance with the network timetable, managed train traffic and, coordinated technological work processes with operators, and participated in investigations of extraordinary events.

On the basis of the adopted and approved 2019/2020 network timetable, the rail traffic control activity included the coordination, management and regulation of train traffic at service points, and the security of train and shunting paths and level crossings.

Opportunities and development

Significant limitations in the management of the public rail infrastructure included outdated machinery for maintenance works and the lack of a link between existing information systems. The latter is being improved through the implementation of a new information system for the management of line equipment in connection with the upgrading of the business information system.

The obsolete and technologically diverse infrastructure on individual sections of main and regional lines hinders the systematic planning and performance of maintenance works and the appropriate scaling of the required quantities of materials and services with the aim of reducing costs.

Accelerated investments in the upgrading and development of the public rail infrastructure are planned. Modernisation and the inclusion of technologically advanced devices will continue. We will face new challenges that will require new knowledge, skills and the adaptation of the organisational structure, as well as increased efficiency in the allocation of the human resources required for the maintenance of the future configuration of the rail infrastructure. We will pursue the basic strategy of improving the quality of services in the context of increased cost-effectiveness. This can be achieved by introducing new technologies, which is linked to investments in maintenance equipment and information technology.

In order to mitigate risks associated with the public rail infrastructure, we are striving to draft a proposal to amend the methodology for charging fees, and to formulate initiatives for the more efficient use of the public rail infrastructure and the optimisation of passenger station management. Implementation is planned in January 2023. We will complete the project to modernise the information system, and introduce contemporary software solutions for the management of assets, work, services, contracts and material operations.



CONSTRUCTION

BREAKDOWN OF OPERATING RESULTS OF THE SŽ-ŽGP GROUP

EUR thousand	2020	2019	Index
Operating revenues	72,296	71,000	101.8
Operating expenses	65,091	66,384	98.1
EBIT	7,205	4,616	156.1
EBIT margin (in %)	10.0	6.5	153.8
EBITDA	10,071	7,078	142.3
EBT	7,000	4,477	156.4
Net profit or loss	5,884	3,887	151.4
ROE (in %)	22.6	16.7	135.3
ROA (in %)	11.8	8.7	135.6

Competitive position

The activity of SŽ-Železniško gradbeno podjetje Ljubljana is very specific, as works on the rail infrastructure are performed for just two contracting authorities: the manager of the public rail infrastructure, SŽ-Infrastruktura, d. o. o., for maintenance works, and the Infrastructure Directorate of the Republic of Slovenia, for investment projects. Competition from domestic and foreign services providers is on the rise and increasingly intense.

Domestic construction and engineering companies have been included in projects on the Slovenian railway network in recent years, while we remain competitive in terms of construction of the railway line superstructure, as we are one of the only companies in Slovenia specialised and qualified to perform such works.

The subsidiary Kamnolom Verd, d. o. o. provides the company stone aggregates. Kamnolom Verd, d. o. o. operates in an environment in which its activity is directly dependent on trends in the construction sector, and will remain dependent on market demand in the future because its range of products lacks diversity.

Development of activities and results

Although much of Slovenia found itself in isolation in 2020 due to the COVID-19 epidemic, investment and maintenance works on the Slovenian railway network continued unhindered. In addition to minor maintenance projects on sections of railway lines, we completed the upgrading of the Rimske Toplice—Laško—Celje and Zidani Most—Rimske Toplice sections by agreed deadlines, together with partners. The latter was one of the largest construction sites in the country, and we served as an example of best construction practices at the national level on account of our good and effective work. We renovated the Maribor railway station, which now boasts a new platform infrastructure adapted for persons with limited mobility. In Croatia, we removed and established a new tram line in the scope of the reconstruction of the Remetinec roundabout, part the southern approach to Zagreb.

With the purchase of new crushing and sifting equipment used in the production of rock aggregates, we began to develop technology for primary rock crushing at the Verd quarry at the beginning of 2020. The company's employees are appropriately qualified for technological procedures. We thus experienced fewer technical malfunctions in the production process and fewer production stoppages, and achieved a significant increase in capacities, the improved separation of used materials and lower operating and maintenance costs.



Opportunities and development

In 2021, we will participate in the renovation of the Gorenjska line and continue with the upgrading of the Maribor–Šentilj–national border section, while we are waiting for the requisite permit to begin the renovation of the Pragersko railway hub. We are preparing for the reconstruction of the Ljubljana–Divača section of the line and the Brezovica, Preserje and Prestranek railway stations. Through the project to build a second track on the Divača–Koper line, new opportunities are also opening for SŽ-Železniško gradbeno podjetje, d. d.

We are also expanding our activity to foreign markets. Opportunities for growth in the scope of operations are facilitated by the professional training of employees and sound technical equipment.





RAILWAY DISABLED WORKERS' COMPANY

BREAKDOWN OF OPERATING RESULTS FOR THE SŽ-ŽIP GROUP

EUR thousand	2020	2019	Index
Operating revenues	27,581	31,886	86.5
Operating expenses	27,485	31,692	86.7
EBIT	96	194	49.5
EBIT margin (in %)	0.3	0.6	50.0
EBITDA	1,135	1,198	94.7
EBT	-13	64	
Net profit or loss	-15	53	
ROE (in %)	-0.2	0.8	
ROA (in %)	-0.1	0.3	

Competitive position

The diversity of services that SŽ-ŽIP, storitve, d. o. o. provides Slovenske železnice Group companies also means facing a large number of competitors on the market outside the Group. Despite the company's relatively secure position within the Slovenske železnice Group, it must constantly ensure the quality and competitiveness of its services. We thus provide Group companies competitive prices, i.e. acceptable costs for the services they purchase from SŽ-ŽIP, storitve, d. o. o.

The greatest pressure from competitors on the market is in security and cleaning services. The number of companies is rising on the cleaning services market, while pressure from the competition is somewhat lower in the context

of the legally prescribed minimum wage, as prices have been consolidated, meaning there are fewer offers with artificially low prices. The harmonisation of the minimum wage has also affected the prices of security services, where we maintain a competitive position within the Slovenske železnice Group.

Other services are largely provided on smaller local markets where we compete and adapt our pricing policy to other service providers on the local market.



Development of activities and results

The SŽ-ŽIP Group comprises the parent sheltered workers' company SŽ-ŽIP, storitve, d. o. o. and the subsidiary SŽ-ŽIP, d. o. o., Savudrija. SŽ ŽIP, storitve, d. o. o.'s mission is to develop ancillary services suitable for the employment of workers who due to reduced physical capacities are no longer able to carry out their basic duties, i.e. who due to their reduced physical capacities cannot be reassigned to other jobs at Slovenske železnice Group companies without adequate training.

The company's activities include the management and maintenance of facilities and holiday units, the cleaning of exterior and interior spaces and rolling stock, the protection of people and assets, the management and servicing of the road vehicle fleet, the provision of alternative passenger transport services, etc.

REVENUES BY ACTIVITY

EUR thousand	2020	2019	Index
Management and maintenance of buildings	2,764	4,554	60.7
Cleaning and landscaping	5,210	5,518	94.4
Private security activities	3,256	3,829	85.0
Road transport and machine shops	4,560	8,034	56.8
Sheltered workshops and trade services	466	810	57.5
Training centre	254	573	44.3
SŽ-ŽIP, storitve, d. o. o.	16,510	23,318	70.8

In 2020, we maintained facilities and managed holiday units, and managed workers' hostels and living quarters.

Sales revenue from the management of facilities was down by 39.3% relative to 2019, primarily due to the completion of a one-off major project in the area of facility maintenance in 2019 (renovation of the holiday home in Kranjska Gora), and uncertainty and restrictions in connection with the COVID-19 epidemic in 2020 that resulted in a poor tourist season.

Revenues from cleaning and landscaping were down by 5.6% relative to 2019. The structure of revenues changed in favour of landscaping services. Despite restrictions due

to the COVID-19 epidemic, we achieved sales plans in the areas of cleaning and landscaping. We exploited the reduced rail traffic due to the halt of passenger transport and increased the scope of work in the cleaning of track beds and railway stations.

The security department provides security services for Slovenske železnice Group companies, and manages parking lots and cloakrooms at major railway stations. Revenues from security services were down by 15% in 2020 relative to 2019. That drop was primarily the result of the decision not to charge parking fees during the first wave of the epidemic. The average occupancy of parking lots was down by 11%.



The COVID-19 crisis did not have a major impact on the security activity. A change in the structure of revenues from physical and technical security affected revenues, which were down by 9.7% relative to 2019.

We provided uninterrupted rail passenger transport using alternative bus transport services. We provide alternative forms of transport in line with the needs and timetables of SŽ-Potniški promet, d. o. o.

We also transport passengers by bus from the Litija area to the local train station under an agreement with the Ministry of Infrastructure, and an agreement on cofinancing with the Municipalities of Litija and Šmartno pri Litiji. Under an agreement with the Municipality of Divača, we are also transporting school children in that area during the 2020/21 school year.

Via the courier activity, we distribute work mail and small packages for the needs of Slovenske železnice Group companies throughout the area where Slovenske železnice operates. The activity through which we provide jobs suitable for disabled persons is performed using regular passenger lines between major hubs at the Ljubljana, Zidani Most, Celje, Maribor, Postojna and Koper train stations. The distribution of work mail and small packages between hubs was limited in 2020 due to the epidemic and modified timetable.

Despite the epidemic, we transported staff in Ljubljana, Maribor and Divača for Slovenske železnice Group companies. At the end of the year, we suspended the transport of staff in Murska Sobota and Celje on account of optimisation.

Personal and freight vehicles, work machinery and firefighting equipment are serviced in Ljubljana, Maribor and Postojna. In the scope of managing vehicles, we provide timely information regarding service intervals, the changing of tyres and the registration of vehicles. We thus managed 650 road vehicles of Slovenske železnice Group companies in 2020.

Production is organised in the scope of sheltered workshops in Ljubljana and Maribor, and comprises production for the decorative gift programme (soaps, candles, clay products, wood products and toys), grave candles, plastic and metal products for the needs of rail traffic technology (safety seals for wagons and trucks, loading platforms for tracks, pegs

for sleepers, signal signs, paraffin torches and PVC garbage bags, etc.) and cooperative works with external customers.

Despite all of the restrictions, we increased the number of products produced in sheltered workshops in 2020. We also continued to improve working conditions in sheltered workshops in 2020.

The training centre is responsible for the training and reemployment of ineffective and unproductive disabled persons and persons with reduced physical abilities, consultancy, assistance in disability proceedings, the organisation of specific training and preventive health activities at the Vitalis Centre.

Opportunities and development

The company is development-oriented and specialises in the training, re-employment and employment of workers with reduced abilities. The development of activities appropriate for workers with reduced abilities focuses on service activities that are commercially effective and competitive in terms of end-users, and that also have potential for end-customers outside the Slovenske železnice Group.



INSTITUTE OF TRAFFIC AND TRANSPORT

BREAKDOWN OF THE OPERATING RESULTS OF PROMETNI INSTITUT LJUBLJANA, d. o. o.

EUR thousand	2020	2019	Index
Operating revenues	1,018	1,297	78.5
Operating expenses	927	1,039	89.2
EBIT	91	258	35.3
EBIT margin (in %)	8.9	19.9	44.7
EBITDA	124	294	42.2
ЕВТ	91	258	35.3
Net profit or loss	74	207	35.7
ROE (in %)	13.1	39.2	33.4
ROA (in %)	7.5	22.0	34.1

Competitive position

The number of employees in research and development activities in the area of social sciences and humanities is rising. The number of companies in this sector rose by 57% in the period 2008 to 2018. The risk of the entry of competitors on the research and development market in the area of traffic remains high, particularly in European projects that also welcome foreign companies.

The company's main competition are those enterprises with greater personnel capacities that do not require partners and subcontractors on major projects. There is practically no threat of an alternative to research and development and professional services in the area of

transport, as there will always be a need for research, development and professional projects. That need will only grow in the coming years, primarily on account of the need for continuous sustainable development of the transport sector, for which the EU and Slovenia strive.

Prometni institut Ljubljana, d. o. o. can maintain its market position through flexibility, reliability and high-quality services, which the company ensures through highly qualified and experienced employees, the proper management of the company and a policy on the continuous training and stimulative remuneration of employees.



Development of activities and results¹⁰

The core activity of Prometni institut Ljubljana, d. o. o. is professional and research and development work in the area of transport in the broadest sense of the word, with an emphasis on rail transport, which primarily comprises research and development in the area of transport technologies, the transport infrastructure and transport information systems and technologies, economic research and the drafting of investment documentation.

Prometni institut Ljubljana, d. o. o. carries out research and development in the area of transport technology for Slovenske železnice Group companies. With regard to the transport infrastructure, it provides information support for projects and develops transport system software, studies economic and legal problems in transport, and drafts investment documentation.

The strategic objectives of Prometni institut Ljubljana, d.o.o., through which we will achieve the company's vision and mission, are as follows:

- to be the generator of knowledge within the Slovenske železnice Group;
- to ensure the global recognition of Prometni institut Ljubljana, d. o. o. and its inclusion on the list of prestigious research institutions that the UIC recommends to its members, and to participate in projects that will be developed at the level of the UIC and European programmes;
- to study new activities, particularly in the area of planning and managing investments;
- to become a coordinator between the Slovenske železnice Group and state and European institutions in the areas of legislation, guidelines and development trends;
- to ensure positive net operating results;
- to ensure average annual growth in operating revenues of 3%;
- to ensure growth in the proportion of revenues generated on foreign markets and on the domestic market in Slovenia outside of the Slovenske železnice Group; and
- to ensure a return on the owner's equity.

Opportunities and development

Prometni institut Ljubljana, d. o. o. identifies opportunities that it regularly monitors, including:

- the expansion of cooperation on international projects;
- the penetration of the markets of the former Yugoslav republics;
- cooperation with regional development agencies;
- · cooperation with municipalities; and
- the inclusion of project design among Prometni institut's core activities.





RAILWAY PRINTING WORKS

BREAKDOWN OF OPERATING RESULTS OF SŽ-ŽELEZNIŠKA TISKARNA LJUBLJANA, d. d.

EUR thousand	2020	2019	Index
Operating revenues	518	461	112.4
Operating expenses	630	520	121.2
EBIT	-112	-59	189.8
EBIT margin (in %)	-21.6	-12.8	168.8
EBITDA	-58	-11	527.3
EBT	-115	-60	191.7
Net profit or loss	-116	-58	200.0
ROE (in %)	-14.7	-6.6	222.7
ROA (in %)	-10.8	-5.4	200.0

Competitive position

Competition in the printing industry is intensifying. The company is cutting costs, and improving visibility and recognition on the web. Because we have been involved in printing and finishing activities for one hundred years already, we have our own network of customers, but aim to attract new ones.

Development of activities and results

The company was established in 1920 as an independent department tasked with the printing of tickets. Due to printing needs, the department was expanded and supplemented.

The core activity of SŽ-Železniška tiskarna Ljubljana, d. d. is all printing and bookbinding work, and the distribution of final products. The company generates its largest market share through the printing of timetable charts when new timetables are released, paper tickets, publications and brochures, forms, labels and other graphic products, books, prospectuses, posters and magazines, primarily for the needs of SŽ-Potniški promet, d. o. o.

The company offers other Slovenske železnice Group companies competitive design, printing and finishing services in one place, taking into account agreed deadlines and quality. Free capacities are filled with orders from the external market.

Opportunities and development

Through innovative designs and an emphasis on the superior design of print materials, our aim is to maintain existing and attract new customers. Machinery is appropriate for larger print runs. We must therefore secure orders primarily for such services. We must employ all existing capacities to spread the company's good reputation and expand advertising.



SLOVENSKE ŽELEZNICE, d. o. o.

BREAKDOWN OF OPERATING RESULTS FOR SLOVENSKE ŽELEZNICE, d. o. o.

EUR thousand	2020	2019	Index
Operating revenues	26,132	54,360	48.1
Operating expenses	42,257	40,386	104.6
EBIT	-16,125	13,974	
EBIT margin (in %)	-61.7	25.7	
EBITDA	-14,182	15,741	
EBT	-14,218	19,745	
Net profit or loss	-14,213	17,206	
ROE (in %)	-3.0	4.4	
ROA (in %)	-2.0	2.3	

Development of activities and results

The main tasks associated with the support activities performed by the controlling company Slovenske železnice, d. o. o. are the reliable, high-quality and cost-effective

performance of centralised business support functions, efficient real estate management and the disposal of assets not required for business purposes.

REVENUES BY ACTIVITY

EUR thousand	2020	2019	Index
Revenues from support services for the Management Board	15,888	16,219	98.0
Revenues from real estate	4,599	4,896	93.9
Other revenues	5,645	33,245	17.0
Operating revenues	26,132	54,360	48.1



The largest proportion of revenues in 2020 were accounted for by revenues from support services for the Management Board (charged to Slovenske železnice Group companies on the basis of SLAs) in the amount of EUR 15,888 thousand. Revenues from the management and marketing of real estate (rent from storage premises, land and advertising space, rent from non-profit flats, and rent from holiday homes, workers' hostels and other buildings) and revenues from the sale of real estate also account for a significant portion of revenues. The remainder primarily comprises revenues from mutual transactions between Slovenske železnice Group companies (charged costs of purchased protective equipment due to the epidemic, the costs of

membership fees paid to international organisations, legal fees, bank fees, etc.). Other revenues in 2020 also included revenues from training for external customers and revenues from state aid in the amount of EUR 1,760 thousand in connection with the COVID-19 epidemic.

Slovenske železnice, d. o. o.'s operating revenues were down by EUR 28,228 thousand relative to 2019. Excluding the effect of one-off events in 2019 (annex no. 1 regarding unpaid benefits between Slovenske železnice, d. o. o. and Stadler in the amount of EUR 29,996 thousand), operating revenues would have been up by EUR 1,768 thousand.





IT support

In terms of availability, all key information services achieved excellent results within the information infrastructure. Information services were provided virtually unhindered, meaning rail transport was able to flow smoothly, while other services could also be provided.

In accordance with the lifecycle of systems, we continued to upgrade key infrastructure and introduce high-availability information services with a back-up computer centre (geo-redundancy). We thus ensured the appropriate capacity and reliability of all elements of the system, and significantly reduced the risk of unforeseen failures of the information infrastructure.

Due to the extraordinary conditions following the declaration of the COVID-19 epidemic, we were forced to adapt work processes and ensure sufficient capacities for access by employees working from home, while ensuring the appropriate level of information security.

We will continue to invest in new technologies to support business processes in the coming years.

We upgraded the internal service centre system, in which the number of service requests was up by 33% relative to the previous year, which presented a challenge in terms of filling those requests. The reason for the increase was the elimination of problems encountered by users in work from home.

Information security

The Company dedicates a great deal of attention to information security and ensuring the confidentiality, integrity and availability of data, information and information systems.

Information security is managed by the Slovenske železnice Group in accordance with the information security management system methodology set out in the ISO 27001 standard. The Company's Management Board has appointed an information security project manager who coordinates work in connection with the compliance of the information security system for the entire Group.

Key security policy documents were updated in the area of information security. We adopted an overall information

security policy, security policies for specific areas of operations and instructions regarding the functioning of those policies, which are binding for all Slovenske železnice Group employees and companies.

Information security and the resilience of systems against cyber threats are verified regularly through independent audits and penetration testing. Numerous measures were implemented to mitigate known vulnerabilities with the aim of improving resilience in the areas of information security and the management of cyber threats.

Because we are bound by the Information Security Act, we carry out regular activities to achieve compliance with the law. We organised training on legal requirements and information security risks for responsible employees and management staff at Slovenske železnice Group companies.

In October 2020, we participated in an international cyber security exercise as part of the EU-NATO alliance (NATO's CyberCoalition 2020). During that exercise, we handled information security incidents with stakeholders in the national and international environment, and verified the appropriateness of procedures in responses to incidents.

In 2021, we will further raise awareness and train employees at Slovenske železnice Group companies with the aim of achieving compliance with the law in the area of information security, and will continue work to establish a comprehensive information security management system (ISMS) within the Slovenske železnice Group.

Opportunities and development

Significant limitations in support activities lie in the inappropriate age and educational structure of employees, and less-than-optimal business processes.

Work is being carried out simultaneously in the development of employees, the optimisation of centralised business function processes, the upgrading of the business information system in the context of continuously changing business processes, and other projects in connection with the implementation of the digitalisation programme.

All of the aforementioned activities are described in sections of the business report that cover this content.



BUSINESS PERFORMANCE BY INDIVIDUAL COMPANY/ACTIVITY¹¹

Slovenske železnice Group

	Slovenske železnice Group			
EUR thousand	2020	2019	Index	
Operating revenues	537,269	601,009	89.4	
Net sales revenue	407,211	443,472	91.8	
- Revenues on the domestic market	233,246	259,591	89.9	
: Transport revenues on the domestic market	20,909	33,199	63.0	
: Other revenues on the domestic market	77,286	101,583	76.1	
: Contracts with the Slovenian government	135,051	124,809	108.2	
- Revenues on the foreign market	173,965	183,881	94.6	
: Transport revenues on the foreign market	135,196	151,348	89.3	
: Other revenues on the foreign market	38,769	32,533	119.2	
Changes in values of inventories of finished goods and work in progress	1,674	-1,240		
Capitalised own products and services	8,683	27,777	31.3	
Other operating revenues	119,701	131,000	91.4	
of which: contracts with the Slovenian government	70,020	68,978	101.5	
Operating expenses	521,473	558,878	93.3	
Historical cost of goods and materials sold	2,104	1,353	155.5	
Costs of materials	44,485	47,051	94.5	
Energy costs	29,391	29,355	100.1	
Costs of services	124,864	148,961	83.8	
Labour costs	268,280	276,023	97.2	
Amortisation and depreciation	45,276	44,997	100.6	
Other operating expenses	7,073	11,138	63.5	
Operating profit (EBIT)	15,796	42,131	37.5	
Finance income	3,317	2,718	122.0	
Finance costs	5,202	4,301	120.9	
Net finance income/costs	-1,885	-1,583	119.1	
Pre-tax profit or loss	13,911	40,548	34.3	
Current tax	3,029	4,472	67.7	
Deferred taxes	-37	1,046		
Corporate income tax	2,992	5,518	54.2	
Net profit or loss	10,919	35,030	31.2	

¹¹ GRI 201-1



SŽ-Tovorni promet Group

Fersped, d. o. o.

				• •	
Index	2019	2020	Index	2019	2020
88.4	20,639	18,238	88.8	191,763	170,289
85.7	20,444	17,515	88.5	174,124	154,090
86.5	8,200	7,094	69.0	19,797	13,664
	0	0	52.5	7,339	3,850
86.5	8,200	7,094	78.8	12,458	9,814
	0	0		0	0
85.1	12,244	10,421	91.0	154,327	140,426
	0	0	91.4	148,988	136,117
85.1	12,244	10,421	80.7	5,339	4,309
	0	0		0	0
	0	0	300.0	15	45
370.8	195	723	91.7	17,624	16,154
	0			0	0
87.5	19,671	17,214	89.3	184,354	164,621
	0	0	41.0	39	16
56.8	74	42	62.5	2,640	1,650
100.0	52	52	105.0	14,516	15,241
86.2	16,567	14,283	85.8	93,989	80,655
90.2	2,500	2,256	90.0	44,807	40,324
107.8	387	417	102.3	21,999	22,498
180.2	91	164	66.6	6,364	4,237
105.8	968	1,024	76.5	7,409	5,668
70.3	809	569	71.6	458	328
94.7	57	54	79.5	3,015	2,398
68.5	752	515	81.0	-2,557	-2,070
89.5	1,720	1,539	74.2	4,852	3,598
103.8	79	82		6	292
	-12	53	33.3	18	6
201.5	67	135		24	298
84.9	1,653	1,404	68.4	4,828	3,300



VV-LOG, d. o. o.

EUR thousand	2020	2019	Index
Operating revenues	3,708	3,485	106.4
Net sales revenue	3,575	3,462	103.3
- Revenues on the domestic market	2,453	2,453	100.0
: Transport revenues on the domestic market	0	0	
: Other revenues on the domestic market	2,453	2,453	100.0
: Contracts with the Slovenian government	0	0	
- Revenues on the foreign market	1,122	1,009	111.2
: Transport revenues on the foreign market	0	0	
: Other revenues on the foreign market	1,122	1,009	111.2
Changes in values of inventories of finished goods and work in progress	0	0	
Capitalised own products and services	0	0	
Other operating revenues	133	23	
of which: contracts with the Slovenian government	0	0	
Operating expenses	3,088	2,832	109.0
Historical cost of goods and materials sold	806	360	223.9
Costs of materials	6	7	85.7
Energy costs	9	13	69.2
Costs of services	1,442	1,587	90.9
Labour costs	673	717	93.9
Amortisation and depreciation	71	70	101.4
Other operating expenses	81	78	103.8
Operating profit (EBIT)	620	653	94.9
Finance income	10	10	100.0
Finance costs	10	11	90.9
Net finance income/costs	0	-1	
Pre-tax profit or loss	620	652	95.1
Current tax	114	136	83.8
Deferred taxes	7	-13	
Corporate income tax	121	123	98.4
Net profit or loss	499	529	94.3



SŽ-Potniški promet, d. o. o.

SŽ-Potniški promet, d. o. o. PSO

	130				
Index	2019	2020	Indeks	2019	2020
87.8	111,022	97,469	88.0	112,952	99,354
60.7	35,742	21,712	62.9	37,236	23,410
67.6	28,938	19,556	68.0	30,201	20,546
67.3	27,728	18,650	66.6	28,110	18,708
74.9	1,210	906	87.9	2,091	1,838
	0	0		0	0
31.7	6,804	2,156	40.7	7,035	2,864
25.1	5,960	1,494	35.6	6,191	2,202
78.4	844	662	78.4	844	662
	0	0		0	0
126.0	77	97	126.0	77	97
100.6	75,203	75,660	100.3	75,639	75,847
101.5	68,978	70,020	101.5	68,978	70,020
84.3	99,899	84,233	84.2	101,978	85,873
16.7	6	1	16.7	6	1
52.3	2,288	1,196	52.1	2,291	1,194
78.8	6,670	5,259	78.3	6,716	5,261
82.1	52,401	43,002	82.1	54,017	44,327
100.5	18,436	18,522	100.5	18,436	18,523
94.0	12,954	12,173	94.0	12,964	12,184
57.1	7,144	4,080	58.1	7,548	4,383
119.0	11,123	13,236	122.8	10,974	13,481
	45	669		46	672
48.3	174	84	48.0	175	84
	-129	585		-129	588
125.7	10,994	13,821	129.7	10,845	14,069
51.6	1,901	981	52.6	1,901	999
	1	26		1	26
52.9	1,902	1,007	53.9	1,902	1,025
140.9	9,092	12,814	145.9	8,943	13,044



SŽ-Potniški promet, d. o. o. Other activities

EUR thousand	2020	2019	Index
Operating revenues	2,097	2,212	94.8
Net sales revenue	1,910	1,776	107.5
- Revenues on the domestic market	1,202	1,545	77.8
: Transport revenues on the domestic market	58	382	15.2
: Other revenues on the domestic market	1,144	1,163	98.4
: Contracts with the Slovenian government		0	
- Revenues on the foreign market	708	231	306.5
: Transport revenues on the foreign market	708	231	306.5
: Other revenues on the foreign market	0	0	
Changes in values of inventories of finished goods and work in progress	0	0	
Capitalised own products and services	0	0	
Other operating revenues	187	436	42.9
of which: contracts with the Slovenian government	0	0	
Operating expenses	1,852	2,361	78.4
Historical cost of goods and materials sold	0	0	
Costs of materials	4	13	30.8
Energy costs	33	69	47.8
Costs of services	1,380	1,679	82.2
Labour costs	61	129	47.3
Amortisation and depreciation	69	64	107.8
Other operating expenses	305	407	74.9
Operating profit or loss (EBIT)	245	-149	
Finance income	4	0	
Finance costs	1	0	
Net finance income/costs	3	0	
Pre-tax profit or loss	248	-149	
Current tax	18	0	
Deferred taxes	0	0	
Corporate income tax	18	0	
Net profit or loss	230	-149	



SŽ-Vleka in tehnika, d. o. o.

SŽ-Infrastruktura, d. o. o.

Index	2019	2020	Index	2019	2020
110.8	169,603	187,996	97.4	123,157	119,970
103.4	157,093	162,420	83.0	119,620	99,308
103.4	157,093	162,418	81.4	108,463	88,264
	0	0		0	0
84.8	32,284	27,367	81.4	108,463	88,264
108.2	124,809	135,051		0	0
	0	2	99.0	11,157	11,044
	0	0		0	0
	0	2	99.0	11,157	11,044
	0	0		-1,211	1,597
	0	0	40.0	165	66
204.4	12,510	25,576		4,583	18,999
	0	0		0	0
110.7	166,749	184,637	97.4	122,780	119,563
	0	1		62	306
97.3	9,534	9,280	82.8	19,494	16,132
116.1	17,897	20,771	95.9	1,423	1,365
122.4	42,277	51,734	99.9	17,126	17,117
97.7	81,098	79,205	98.0	80,842	79,251
100.8	3,004	3,028	99.5	2,471	2,458
159.3	12,939	20,618	215.4	1,362	2,934
117.7	2,854	3,359	108.0	377	407
5.0	279	14	140.0	5	7
87.1	232	202	108.4	382	414
	47	-188	108.0	-377	-407
109.3	2,901	3,171		0	0
	0	258		0	0
10.2	215	22		0	0
130.2	215	280		0	0
107.6	2,686	2,891		0	0



PRI maintenance

EUR thousand	2020	2019	Index
Operating revenues	148,439	130,198	114.0
Net sales revenue	125,863	118,150	106.5
- Revenues on the domestic market	125,861	118,150	106.5
: Transport revenues on the domestic market	0	0	
: Other revenues on the domestic market	26,285	30,676	85.7
: Contracts with the Slovenian government	99,576	87,474	113.8
- Revenues on the foreign market	2	0	
: Transport revenues on the foreign market	0	0	
: Other revenues on the foreign market	2	0	
Changes in values of inventories of finished goods and work in progress	0	0	
Capitalised own products and services	0	0	
Other operating revenues	22,576	12,048	187.4
of which: contracts with the Slovenian government	0	0	
Operating expenses	142,157	126,373	112.5
Historical cost of goods and materials sold	1	0	
Costs of materials	8,913	9,319	95.6
Energy costs	20,418	17,575	116.2
Costs of services	47,997	38,877	123.5
Labour costs	41,898	45,461	92.2
Amortisation and depreciation	2,853	2,815	101.3
Other operating expenses	20,077	12,326	162.9
Operating profit or loss (EBIT)	6,282	3,825	164.2
Finance income	14	279	5.0
Finance costs	143	150	95.3
Net finance income/costs	-129	129	
Pre-tax profit or loss	6,153	3,954	155.6
Current tax	258	0	
Deferred taxes	22	215	10.2
Corporate income tax	280	215	130.2
Net profit or loss	5,873	3,739	157.1



Traffic control

SŽ-Infrastruktura, d. o. o. PSO – PRI maintenance

Index	2019	2020	Index	2019	2020
111.8	90,967	101,666	99.1	40,298	39,946
109.4	90,303	98,816	92.7	39,835	36,945
109.4	90,303	98,816	92.7	39,835	36,945
	0	0		0	0
32.3	4,762	1,536	58.8	2,501	1,470
113.7	85,541	97,280	95.0	37,334	35,475
	0	0		0	0
	0	0		0	0
	0	0		0	0
	0	0		0	0
	0	0		0	0
429.2	664	2,850		463	3,001
	0	0		0	
108.2	91,921	99,448	103.9	41,269	42,869
	0	1		0	0
96.5	9,009	8,693	170.7	215	367
106.7	2,715	2,897	109.6	322	353
129.0	35,050	45,204	96.1	4,294	4,126
95.5	41,028	39,169	104.7	35,638	37,307
101.2	2,588	2,618	92.6	189	175
56.6	1,531	866	88.5	611	541
	-954	2,218	301.0	-971	-2,923
3.7	269	10		0	0
95.7	141	135	72.0	82	59
	128	-125	72.0	-82	-59
	-826	2,093	283.2	-1,053	-2,982
	0	87		0	0
	0	7		0	0
	0	94		0	0
	-826	1,999	283.2	-1,053	-2,982



SŽ-Infrastruktura, d. o. o. PSO – Traffic control

Net sales revenue Revenues on the domestic market Transport revenues on the domestic market Cother revenues on the domestic market Contracts with the Slovenian government Revenues on the foreign market Transport revenues on the foreign market Transport revenues on the foreign market Changes in values of inventories of finished goods and work in progress Capitalised own products and services Other operating revenues of which: contracts with the Slovenian government Operating expenses Historical cost of goods and materials sold Costs of materials Energy costs Costs of services	36,802 35,475 35,475 0 0 35,475 0 0	37,334 37,334 37,334 0 0 37,334 0	98.6 95.0 95.0
- Revenues on the domestic market : Transport revenues on the domestic market : Other revenues on the domestic market : Contracts with the Slovenian government - Revenues on the foreign market : Transport revenues on the foreign market : Other revenues on the foreign market Changes in values of inventories of finished goods and work in progress Capitalised own products and services Other operating revenues of which: contracts with the Slovenian government Operating expenses Historical cost of goods and materials sold Costs of materials Energy costs	35,475 0 0 35,475 0	37,334 0 0 37,334	95.0
: Transport revenues on the domestic market : Other revenues on the domestic market : Contracts with the Slovenian government - Revenues on the foreign market : Transport revenues on the foreign market : Other revenues on the foreign market Changes in values of inventories of finished goods and work in progress Capitalised own products and services Other operating revenues of which: contracts with the Slovenian government Operating expenses Historical cost of goods and materials sold Costs of materials Energy costs	0 0 35,475 0	0 0 37,334 0	
: Other revenues on the domestic market : Contracts with the Slovenian government - Revenues on the foreign market : Transport revenues on the foreign market : Other revenues on the foreign market Changes in values of inventories of finished goods and work in progress Capitalised own products and services Other operating revenues of which: contracts with the Slovenian government Operating expenses Historical cost of goods and materials sold Costs of materials Energy costs	0 35,475 0	0 37,334 0	95.0
: Contracts with the Slovenian government - Revenues on the foreign market : Transport revenues on the foreign market : Other revenues on the foreign market Changes in values of inventories of finished goods and work in progress Capitalised own products and services Other operating revenues of which: contracts with the Slovenian government Operating expenses Historical cost of goods and materials sold Costs of materials Energy costs	35,475 0 0	37,334	95.0
- Revenues on the foreign market : Transport revenues on the foreign market : Other revenues on the foreign market Changes in values of inventories of finished goods and work in progress Capitalised own products and services Other operating revenues of which: contracts with the Slovenian government Operating expenses Historical cost of goods and materials sold Costs of materials Energy costs	0	0	95.0
: Transport revenues on the foreign market : Other revenues on the foreign market Changes in values of inventories of finished goods and work in progress Capitalised own products and services Other operating revenues of which: contracts with the Slovenian government Operating expenses Historical cost of goods and materials sold Costs of materials Energy costs	0		
: Other revenues on the foreign market Changes in values of inventories of finished goods and work in progress Capitalised own products and services Other operating revenues of which: contracts with the Slovenian government Operating expenses Historical cost of goods and materials sold Costs of materials Energy costs		0	
Changes in values of inventories of finished goods and work in progress Capitalised own products and services Other operating revenues of which: contracts with the Slovenian government Operating expenses Historical cost of goods and materials sold Costs of materials Energy costs	0	· ·	
Capitalised own products and services Other operating revenues of which: contracts with the Slovenian government Operating expenses Historical cost of goods and materials sold Costs of materials Energy costs		0	
Other operating revenues of which: contracts with the Slovenian government Operating expenses Historical cost of goods and materials sold Costs of materials Energy costs	0	0	
of which: contracts with the Slovenian government Operating expenses Historical cost of goods and materials sold Costs of materials Energy costs	0	0	
Operating expenses Historical cost of goods and materials sold Costs of materials Energy costs	1,327	0	
Historical cost of goods and materials sold Costs of materials Energy costs	0	0	
Costs of materials Energy costs	41,198	38,913	105.9
Energy costs	0	0	
	357	207	172.5
Costs of services	338	305	110.8
	3,972	4,062	97.8
Labour costs	35,844	33,577	106.8
Amortisation and depreciation	172	185	93.0
Other operating expenses	515	577	89.3
Operating profit or loss (EBIT)	-4,396	-1,579	278.4
Finance income	0	0	
Finance costs	59	82	72.0
Net finance income/costs	-59	-82	72.0
Pre-tax profit or loss	-4,455	-1,661	268.2
Current tax	0	0	
Deferred taxes	0	0	
Corporate income tax	0	0	
Net profit or loss	-4,455	-1,661	268.2



SŽ-Infrastruktura, d. o. o. Housing and buildings

SŽ-Infrastruktura, d. o. o. PRI management

2020	2019	Indekx	2020	2019	Indekx
340	359	94.7	1,956	1,574	124.3
340	359	94.7	1,956	1,574	124.3
340	359	94.7	1,956	1,574	124.3
0	0		0	0	
0	0		0	0	
340	359	94.7	1,956	1,574	124.3
0	0		0	0	
0	0		0	0	
0	0		0	0	
0	0		0	0	
0	0		0	0	
0	0		0	0	
0	0		0	0	
407	415	98.1	1,181	1,127	104.8
0	0		0	0	
18	25	72.0	0	0	
7	8	87.5	0	0	
269	253	106.3	1,181	1,127	104.8
107	122	87.7	0	0	
2	3	66.7	0	0	
4	4	100.0	0	0	
-67	-56	119.6	775	447	173.4
0	0		0	0	
0	0		0	0	
0	0		0	0	
-67	-56	119.6	775	447	173.4
0	0		32	0	
0	0		3	20	15.0
0	0		35	20	175.0
-67	-56	119.6	740	427	173.3



SŽ-Infrastruktura, d. o. o. Other activities – PRI maintenance

Operating revenues			
	44,477	37,298	119.2
Net sales revenue	24,751	25,914	95.5
- Revenues on the domestic market	24,749	25,914	95.5
: Transport revenues on the domestic market	0	0	
: Other revenues on the domestic market	24,749	25,914	95.5
: Contracts with the Slovenian government	0	0	
- Revenues on the foreign market	2	0	
: Transport revenues on the foreign market	0	0	
: Other revenues on the foreign market	2	0	
Changes in values of inventories of finished goods and work in progress	0	0	
Capitalised own products and services	0	0	
Other operating revenues	19,726	11,384	173.3
of which: contracts with the Slovenian government	0	0	
Operating expenses	41,121	32,910	124.9
Historical cost of goods and materials sold	0	0	
Costs of materials	202	285	70.9
Energy costs	17,514	14,852	117.9
Costs of services	1,343	2,447	54.9
Labour costs	2,622	4,311	60.8
Amortisation and depreciation	233	224	104.0
Other operating expenses	19,207	10,791	178.0
Operating profit or loss (EBIT)	3,356	4,388	76.5
Finance income	4	10	40.0
Finance costs	8	9	88.9
Net finance income/costs	-4	1	
Pre-tax profit or loss	3,352	4,389	76.4
Current tax	139	0	
Deferred taxes	12	195	6.2
Corporate income tax	151	195	77.4
Net profit or loss	3,201	4,194	76.3



SŽ-Infrastruktura, d. o. o. Other activities – traffic control

SŽ-Železniško gradbeno podjetje Group

	Стоир			ties traine control	Other detivi
Index	2019	2020	Index	2019	2020
101.8	71,000	72,296	106.1	2,964	3,144
101.1	70,382	71,168	58.8	2,501	1,470
87.5	68,683	60,107	58.8	2,501	1,470
	0	0		0	0
87.5	68,683	60,107	58.8	2,501	1,470
	0	0		0	0
	1,699	11,061		0	0
	0	0		0	0
	1,699	11,061		0	0
	-100	57		0	0
0,0	32	0		0	0
156.1	686	1,071	361.6	463	1,674
	0	0		0	0
98.1	66,384	65,091	70.9	2,356	1,671
136.3	670	913		0	0
128.5	12,321	15,830	125.0	8	10
95.7	1,224	1,171	88.2	17	15
83.3	39,371	32,814	66.4	232	154
105.6	9,629	10,164	71.0	2,061	1,463
116.4	2,462	2,866	75.0	4	3
188.5	707	1,333	76.5	34	26
156.1	4,616	7,205	242.3	608	1,473
178.2	78	139		0	0
158.5	217	344		0	0
147.5	-139	-205		0	0
156.4	4,477	7,000	242.3	608	1,473
196.7	643	1,265		0	0
281.1	-53	-149		0	0
189.2	590	1,116		0	0
151.4	3,887	5,884	242.3	608	1,473



SŽ-ŽIP Group

	SZ-ZIP Group			
EUR thousand	2020	2019	Index	
Operating revenues	27,581	31,886	86.5	
Net sales revenue	16,610	23,430	70.9	
- Revenues on the domestic market	16,501	23,234	71.0	
: Transport revenues on the domestic market	0	0		
: Other revenues on the domestic market	16,501	23,234	71.0	
: Contracts with the Slovenian government	0	0		
- Revenues on the foreign market	109	196	55.6	
: Transport revenues on the foreign market	0	0		
: Other revenues on the foreign market	109	196	55.6	
Changes in values of inventories of finished goods and work in progress	19	62	30.6	
Capitalised own products and services	5	143	3.5	
Other operating revenues	10,947	8,251	132.7	
of which: contracts with the Slovenian government	0	0		
Operating expenses	27,485	31,692	86.7	
Historical cost of goods and materials sold	188	216	87.0	
Costs of materials	944	1,371	68.9	
Energy costs	407	513	79.3	
Costs of services	6,515	10,115	64.4	
Labour costs	18,142	17,877	101.5	
Amortisation and depreciation	1,039	1,004	103.5	
Other operating expenses	250	596	41.9	
Operating profit or loss (EBIT)	96	194	49.5	
Finance income	10	6	166.7	
Finance costs	119	136	87.5	
Net finance income/costs	-109	-130	83.8	
Pre-tax profit or loss	-13	64		
Current tax	2	11	18.2	
Deferred taxes	0	0		
Corporate income tax	2	11	18.2	
Net profit or loss	-15	53		



Prometni institut, d. o. o.

SŽ-Železniška tiskarna, d. d.

Index	2019	2020	Index	2019	2020			
112.4	461	518	78.5	1,297	1,018			
101.1	452	457	67.7	1,025	694			
101.1	452	457	65.8	946	622			
	0	0		0	0			
101.1	452	457	65.8	946	622			
	0	0		0	0			
	0	0	91.1	79	72			
	0	0		0	0			
	0	0	91.1	79	72			
11.1	9	1		0	0			
	0	0		0	0			
	0	60	119.1	272	324			
	0	0		0	0			
121.2	520	630	89.2	1,039	927			
	0	0		0	0			
114.9	47	54	33.3	3	1			
100.0	8	8	60.0	5	3			
122.8	92	113	68.8	292	201			
124.0	321	398	98.5	683	673			
112.5	48	54	91.7	36	33			
75.0	4	3	80.0	20	16			
189.8	-59	-112	35.3	258	91			
66.7	3	2	50.0	2	1			
125.0	4	5	50.0	2	1			
300.0	-1	-3		0	0			
191.7	-60	-115	35.3	258	91			
	0	0	34.0	50	17			
	-2	1		1	0			
	-2	1	33.3	51	17			
200.0	-58	-116	35.7	207	74			



Slovenske železnice, d. o. o.

EUR thousand	2020	2019	Indekx
Operating revenues	26,132	54,360	48.1
Net sales revenue	21,354	20,843	102.5
- Revenues on the domestic market	21,264	20,752	102.5
: Transport revenues on the domestic market	0	0	
: Other revenues on the domestic market	21,264	20,752	102.5
: Contracts with the Slovenian government	0	0	
- Revenues on the foreign market	90	91	98.9
: Transport revenues on the foreign market	0	0	
: Other revenues on the foreign market	90	91	98.9
Changes in values of inventories of finished goods and work in progress	0	0	
Capitalised own products and services	0	0	
Other operating revenues	4,778	33,517	14.3
of which: contracts with the Slovenian government		0	
Operating expenses	42,257	40,386	104.6
Historical cost of goods and materials sold	0	0	
Costs of materials	853	139	
Energy costs	161	171	94.2
Costs of services	6,733	7,426	90.7
Labour costs	18,719	19,250	97.2
Amortisation and depreciation	1,943	1,767	110.0
Other operating expenses	13,848	11,633	119.0
Operating profit or loss (EBIT)	-16,125	13,974	
Finance income	6,719	13,508	49.7
Finance costs	4,812	7,737	62.2
Net finance income/costs	1,907	5,771	33.0
Pre-tax profit or loss	-14,218	19,745	
Current tax	0	1,647	
Deferred taxes	-5	892	
Corporate income tax	-5	2,539	
Net profit or loss	-14,213	17,206	





COLLECTION OF STATEMENTS OF FINANCIAL POSITION OF GROUP COMPANIES AS AT 31 DECEMBER 2020

ITEM				GROUP C	OMPANIES
EUR thousand	Slovenske železnice Group	SŽ-TP Group	Fersped	VV-LOG	SŽ-PP
ASSETS	1,008,213	244,614	13,005	3,297	474,142
A. Non-current assets	600,670	167,349	7,318	410	256,439
Intangible assets	25,063	64	164	4	2,349
Right-of-use assets in connection with leases	22,571	13,803	1,586	341	472
Property, plant and equipment	311,986	122,943	1,362	54	105,226
Investment property	42,807	2,582	139	0	5,524
Investments in subsidiaries	0	0	3,003	0	0
Investments in joint ventures	0	0	0	0	0
Investments in associates	13,760	0	374	0	0
Other financial assets	2,094	0	1	0	0
Financial receivables	2,692	29	10	0	0
Operating receivables	129,044	2,369	26	0	125,382
Deferred tax assets	3,331	458	648	11	227
Other non-current assets	47,322	25,101	5	0	17,259
B. Current assets	407,543	77,265	5,687	2,887	217,703
Assets held for sale	30	0	0	0	0
Inventories	39,419	1,822	0	0	2,192
Financial assets	0	0	0	0	0
Financial receivables	63,909	34,053	2,691	1,047	69,472
Trade receivables	55,911	25,861	2,648	1,445	7,497
Other trade receivables	205,430	15,172	321	27	137,984
Receivables for corporate income tax	376	57	0	0	427
Cash and cash equivalents	42,468	300	27	368	131



SŽ, d. o. o	SŽ-ŽT Ljubljana	PI Ljubljana	SŽ-ŽIP Group	SŽ-ŽGP Group	SŽ-Infrastruktura	SŽ-VIT
716,619	1,021	1,017	20,306	49,947	137,482	88,650
594,297	599	189	12,417	20,498	56,282	31,984
18,222	1	10	27	431	37	185
406	170	38	2,444	9,242	1,238	1,271
13,633	362	49	9,813	9,900	10,745	29,590
44,930	62	81	0	173	0	601
426,810	0	0	0	0	0	0
(0	0	0	0	0	0
3,080	0	0	0	0	0	0
2,090	0	0	0	0	0	2
80,745	0	0	0	253	0	0
3,660	0	0	133	57	147	334
337	4	10	0	441	1,195	0
384	0	1	0	1	42,920	1
122,322	422	828	7,889	29,449	81,200	56,666
30	0	0	0	0	0	0
(69	0	303	5,782	7,185	22,213
(0	0	0	0	0	0
68,417	160	255	215	322	17,800	0
3,75	160	183	6,452	11,560	17,160	27,700
30,974	8	354	906	2,958	24,424	6,750
1,23	0	20	0	1	0	0
17,91	25	16	13	8,826	14,631	3



ITEM			GROUP	COMPANIES
EUR thousand	Slovenske železnice Group	SŽ-TP Group	Fersped	VV-LOG
EQUITY AND LIABILITIES	1,008,213	244,614	13,005	3,297
A. Equity	548,275	88,467	7,926	658
Share capital	359,530	36,861	3,139	11
Share premium account	45,002	4,720	0	0
Legal reserves	3,778	3,686	243	1
Reserves for treasury shares and own participating interests	0	0	0	202
Treasury shares and own participating interests	0	0	0	-202
Other profit reserves	46,448	0	785	0
Fair value reserves	-6,721	-929	-69	10
Retained earnings	94,354	44,128	3,828	636
Translation differences	-1	1	0	0
Non-controlling interest	5,885	0	0	0
B. Non-current liabilities	299,436	113,244	1,780	336
Provisions for jubilee benefits and termination benefits	28,957	4,338	303	35
Other provisions	1,040	4	0	0
Non-current deferred income	1,651	8	0	0
Financial liabilities	130,163	100,164	0	0
Lease liabilities	13,804	8,675	1,330	301
Operating liabilities	123,821	55	147	0
Deferred tax liabilities	0	0	0	0
C. Current liabilities	160,502	42,903	3,299	2,303
Financial liabilities	23,819	8,790	0	0
Lease liabilities	6,695	5,380	290	48
Trade payables	36,313	17,631	2,366	2,147
Other operating liabilities	93,675	10,816	620	95
Income tax payable	0	286	23	13



SŽ-PP	SŽ-VIT	SŽ-Infrastruktura	SŽ-ŽGP Group	SŽ-ŽIP Group	PI Ljubljana	SŽ-ŽT Ljubljana	SŽ, d. o. o.
474,142	88,650	137,482	49,947	20,306	1,017	1,021	716,619
319,203	31,976	21,731	27,876	6,736	604	727	461,433
285,940	26,068	15,828	3,152	6,073	162	265	359,530
0	6,608	0	0	0	112	498	45,002
3,345	804	1,583	315	1,209	16	59	3,778
0	0	0	0	0	0	95	0
0	0	0	0	0	0	-48	0
0	0	0	3,913	227	0	0	46,448
-442	-1,943	-1,984	-52	-757	-10	-9	-535
30,360	439	6,304	20,548	-13	324	-133	7,210
0	0	0	0	-3	0	0	0
0	0	0	0	0	0	0	0
121,521	12,672	53,394	7,163	7,150	111	188	108,793
1,977	8,074	9,007	729	2,304	75	39	2,079
164	0	102	770	0	0	0	0
0	36	15	213	1,375	0	0	2
0	3,334	0	0	1,333	0	0	103,677
413	1,120	1,069	5,416	2,110	26	149	349
118,967	108	43,201	35	28	10	0	2,686
0	0	0	0	0	0	0	0
33,418	44,002	62,357	14,908	6,420	302	106	146,393
0	19,813	5	0	669	0	0	125,121
70	174	198	1,538	371	13	24	66
13,439	5,968	18,594	7,002	1,386	39	29	16,219
19,909	18,047	43,302	5,586	3,992	250	53	4,987
0	0	258	782	2	0	0	0



EMPLOYEES

KEY INDICATORS

Company	2020	2019	Index
No. of employees (31 December)	6,925	7,329	94.5
Redundant worker programme	934	513	182.1
Number of specialised training courses	9,440	4,583	206.0
Number of functional training courses	3,668	5,003	73.3
Total number of training courses	13,108	9,586	136.7
Average educational structure 1)	4.5	4.3	104.7

¹⁾ Average educational structure = the sum of the products of the number of employees and their individual educational level divided by the total number of employees.

OBJECTIVES

The main focus of HR management in the future will be on recruiting, developing and retaining competent and committed employees in all areas, which we will achieve through the following key objectives:

- the personnel transformation of the Group, following the completion of intensive early retirement efforts, based on the employment of young experts in all areas of operations;
- the creation of a business model for the development of competences that will focus on the needs of users;
- the completion of the strategic job evaluation project, the redesigning of the wage system and the drafting of an HR plan for Slovenske železnice Group companies;
- the recruitment and development of competent and committed employees (employee development); and
- the development of the Slovenske železnice Group's organisational culture.

Key tasks in the area of employee development are:

- establishment of an internal management academy within the Slovenske železnice Group with separate content for directors, supervisors and coordinators, and site managers;
- · the introduction of annual performance interviews;
- succession planning and the search for talent within the Slovenske železnice Group;
- the development of a digitally supported mentoring system;
- the recruitment of talented experts for individual areas;
- the systematic monitoring of new employees;
- systematic scholarships for part-time studies;
- the creation of a competence centre with the aim of strengthening the competences of all employees; and
- the development of a competence model for production jobs.

Key activities for the development of the Slovenske železnice Group's organisational culture in the future are as follows:

- measurement of the commitment and motivation of employees;
- revision of the Slovenske železnice Group's values;
- measurement of the organisational culture;
- the drafting of an action plan to ensure diversity and inclusion; and
- the drafting of an internal communications strategy.





MAJOR RESULTS

In 2020, Slovenske železnice Group companies continued their personnel restructuring activities in connection with the optimisation of work processes, as follows:

- the redundancy programme was completed at the end of the year, with the Group having laid off 934 employees;
- we optimised certain work processes so that we provided the same or a higher level of services with fewer employees;
- we provided employees possibilities for vertical advancement and the achievement of their career ambitions with the help of internal mobility;
- taking into account identified staff shortages that occurred while ensuring an appropriate number of employees who perform safety critical tasks, we organised several training courses to obtain qualifications for work by safety critical employees in production positions;
- we outsourced work when it was not possible to find suitable candidates from existing Slovenske železnice Group employees to cover the staff shortages;
- we also employed external experts in specific understaffed areas (information technology, mechanical engineering, construction, etc.);
- we hired workers at SŽ-Vleka in tehnika, d. o. o. o.through employment agencies based on agreements concluded exclusively with companies registered for that purpose in accordance with the Labour Market Act and Employment Relationship Act, with the aim of ensuring the required

availability of the Slovenske železnice Group's rolling stock and the execution of transactions on the open market outside of the Slovenske železnice Group. A total of 226 workers hired through agencies performed work at the end of 2020, while the associated annual costs amounted to EUR 4.136 thousand.

Through the aforementioned measures, we improved the age structure of employees in the Slovenske železnice Group. The average age was thus reduced, while the mental and physical capacities and educational structure of employees were improved.

The area of human resources was also strongly characterised by the COVID-19 pandemic in 2020. On account of measures to prevent the spread of disease, the halting of public transport services and the declaration of the epidemic, we took advantage of certain measures adopted by the Slovenian government in the form of anti-coronavirus legislation. We furloughed the majority of employees, while others worked from home. Those present in the workplace were subject to strict preventive measures. A total of 53% of the Group's employees were on furlough in March 2020.

Despite the difficult situation, we completed the selection of a foreign contractor in April for the project to evaluate jobs, upgrade the wage system and draw up a personnel plan for the Slovenske železnice Group, and signed the relevant agreement. The project comprises six phases:

Phases	Description of phase	Beginning	End
1.	Coordination of job evaluation methodologies among all stakeholders (contractors, the contracting authority and the trade unions);	June 2020	September 2020
2.	Inventory of the work processes for all organisational units;	October 2020	August 2021
3.	Preparation of a job classification model with job evaluation	September 2021	February 2022
4.	Upgrading (simplification) of the wage system	March 2022	May 2022
5.	Implementation of the new wage system	June 2022	August 2022
6.	Drafting of a personnel plan for 2023 and 2024	September 2022	November 2022

All participants confirmed the first phase of the project in September. This was followed by the start of the

inventorying of work processes across the entire Slovenske železnice Group.



KEY AREAS¹²

The total number of employees in the Slovenske železnice Group was 6,925 at the end of 2020, a decrease of 404 relative to the end of 2019. The Group laid off 934 employees in 2020, primarily under the redundancy programme, while the employment of 228 workers was terminated on the last day of the year. The total number of employees who left the Group was up by 82.1% relative to the previous year.

The Slovenske železnice Group hired 301 new employees in 2020, the majority at SŽ-Infrastruktura, d. o. o., SŽ-Vleka in tehnika, d. o. o., SŽ-Potniški promet, d. o. o. and SŽ-ŽIP, storitve, d. o. o.

The number of Group employees was down by 5.5% by the end of 2020 relative to 2019, and by 8.6% taking into account departures on the last day of the year as the result of the optimisation of work processes.

A total of 86% of newly hired employees filled positions that require education levels I to V, as appropriate candidates to fill those jobs from existing employees could not be found.

NUMBER OF EMPLOYEES AT SLOVENSKE ŽELEZNICE GROUP COMPANIES AS AT 31 DECEMBER

Company	2020	2019	Index
SŽ-Tovorni promet Group	1,055	1,182	89.3
Fersped, d. o. o.	62	64	96.9
VV-LOG, d. o. o.	21	21	100.0
SŽ-Potniški promet, d. o. o.	568	571	99.5
SŽ-Vleka in tehnika, d. o. o.	1,811	1,947	93.0
SŽ-Infrastruktura, d. o. o.	2,071	2,152	96.2
SŽ-Železniško gradbeno podjetje Group	267	288	92.7
SŽ-ŽIP Group	625	644	97.0
Prometni institut Ljubljana, d. o. o.	13	13	100.0
SŽ-Železniška tiskarna, d. d.	9	10	90.0
Slovenske železnice, d. o. o.	423	437	96.8
Total	6,925	7,329	94.5

¹² GRI 102-7, 102-8, 401-1, 401-2, 405-1, 405-2



EMPLOYEES BY AGE

Company	Total	up to 24 years	25 to 29 years	30 to 34 years	35 to 39 years	40 to 44 years	45 to 49 years	50 to 54 years	55 to 59 years	over 59 years
SŽ-Tovorni promet Group	1,055	21	64	89	112	131	192	242	174	30
Fersped, d. o. o.	62		4	3	4	13	12	9	13	4
VV-LOG, d. o. o.	21	3	5	4	1	6		1	1	
SŽ-Potniški promet, d. o. o.	568	30	46	53	59	39	95	134	94	18
SŽ-Vleka in tehnika, d. o. o.	1,811	29	87	132	208	192	318	538	274	33
SŽ-Infrastruktura, d. o. o.	2,071	47	96	153	187	189	337	538	435	89
SŽ-Železniško gradbeno pod- jetje Group	267	7	12	45	37	45	33	36	38	14
SŽ-ŽIP Group	625	15	22	23	31	66	84	149	177	58
Prometni institut Ljubljana, d. o. o.	13				5	3	1	2	2	
SŽ-Železniška tiskarna, d. d.	9			1		1		4	2	1
Slovenske železnice, d. o. o.	423	5	19	22	34	40	63	87	120	33
Total	6,925	157	355	525	678	725	1,135	1,740	1,330	280

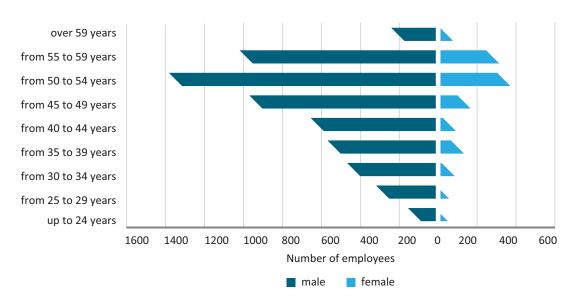
The average age of employees in the Slovenske železnice Group at the end of December 2020 was 46.6 years, a reduction of 0.6 years relative to the previous year.

In accordance with the provisions of labour law, the Slovenske železnice Group complies with the principle of the equal treatment of all employees.

In line with the nature of the activities of individual companies, the structure of employees by gender is substantially slanted towards men (the proportion of men is 82%). The proportion of women is only higher at Slovenske železnice, d. o. o., Prometni institut Ljubljana, d. o. o. and SŽ-Železniška tiskarna, d. d. The proportion of women in management positions in the Slovenske železnice Group is 32.9% (44.4% at Slovenske železnice, d. o. o.), which is a significant improvement in terms of achieving the target gender structure given the proportion of all women employed and the specific nature of the activities of Slovenske železnice Group companies. The principle of equal wages for all employees is also pursued.



AGE STRUCTURE OF EMPLOYEES IN THE SLOVENSKE ŽELEZNICE GROUP



EMPLOYEES BY EDUCATIONAL LEVEL

Company	Total	1	Ш	III	IV	V	VI	VII	VIII	IX
SŽ-Tovorni promet Group	1,055	176	2	53	373	291	69	84	7	
Fersped, d. o. o.	62	1			2	22	9	26	2	
VV-LOG, d. o. o.	21				1	13		7		
SŽ-Potniški promet, d. o. o.	568	8		4	169	272	53	52	9	1
SŽ-Vleka in tehnika, d. o. o.	1,811	34	45	52	644	817	114	91	14	
SŽ-Infrastruktura, d. o. o.	2,071	263	8	61	445	874	197	199	24	
SŽ-Železniško gradbeno podjetje Group	267	19	1	2	118	82	20	23	2	
SŽ-ŽIP Group	625	256	7	28	166	118	24	22	4	
Prometni institut Ljubljana, d. o. o.	13						1	5	5	2
SŽ-Železniška tiskarna, d. d.	9	3			4	1		1		
Slovenske železnice, d. o. o.	423	4			18	125	59	176	40	1
Total	6,925	764	63	200	1,940	2,615	546	686	107	4



HR development

In conjunction with staff streamlining measures, we dedicated additional attention to employee development through:

- employee training and development to ensure multitasking and the appropriate development of user knowledge regarding computers and the computerisation of work processes;
- the systematic monitoring of new employees and employees hired during the last two years with the aim of developing and maintaining an appropriate work environment and identifying the causes of unwanted departures;
- the introduction of e-training;
- the provision of information support in HR tasks (successful implementation of the electronic submission of job applications); and
- preparations for the establishment of an internal Slovenske železnice management academy with the aim of strengthening competences in the areas of management, the organisation of work, succession

planning and the identification of talented employees, as well as the conducting of annual interviews separately for directors, supervisors and coordinators, and site managers.

Training and education¹³

A total of 13,108 training courses were organised within the Slovenske železnice Group in 2020.

Slovenske železnice, d. o. o. maintained its status of training and testing centre for train drivers in 2020. A total of 290 candidates took part in professional training for safety critical workers for 13 positions in 2020, while 1,030 safety critical workers took part in training to acquire the next certificate. A total of 3,695 safety critical workers took part in professional training, while 3,779 sat for regular and special assessments of their professional qualifications pursuant to the law and implementing regulations. A total of 176,970 hours were earmarked for the theoretical and practical training of safety critical workers.

Employee training	Professional training	Functional training
SŽ-Tovorni promet, d. o. o.	1,410	837
Fersped, d. o. o.	0	5
SŽ-Potniški promet, d. o. o.	1,230	450
SŽ-VIT, d. o. o.	3,134	368
SŽ-Infrastruktura, d. o. o.	3,496	775
SŽ-ŽGP, d. d.	170	118
SŽ-ŽIP, storitve, d. o. o.	0	883
Prometni institut Ljubljana, d. o. o.	0	3
SŽ-Železniška tiskarna, d. d.	0	0
VV-LOG, d. o. o.	0	0
Slovenske železnice, d. o. o.	0	229
Total	9,440	3,668

¹³ GRI 404-1



We trained 48 candidates in 2020 for a foreign customer in the train driver, inspector and shunter programmes. Representing a major challenge were familiarisation with the foreign regulations that served as the basis for professional training and the appropriate interpretation of terminology in Slovene. Lecturers underwent verification by the customer who commissioned the training. All materials that we prepared were also validated.

A total of 3,668 employees were included in functional training in the areas of occupational safety, the safe use and maintenance of devices, maintaining and acquiring various qualifications and licences, computer and language courses, and participation at seminars and conferences with the aim of monitoring the latest developments. We earmarked 17,897 hours for functional training, which was organised in various areas required for the performance of work and the supplementation of professional knowledge. External and internal trainers are used for that purpose.

New in the area of training technology in 2020 was the introduction of e-training, which facilitates e-courses, record keeping, the notification of employees, and the storage of e-materials, recordings of lectures and other learning materials, and e-testing. For employees this means time savings and the ability to adapt learning to their own pace, while for the Company it means savings in labour costs.

Courses and testing were attended by close to 200 users in the general area of occupational safety and health and fire safety, and in the specific area of production, while the first two groups of candidates for traffic coordinators and train drivers started online training.

We also developed products for the external market in the scope of e-training. We organised webinars to teach employees about envisaged safety measures in the area of the railway and developed a module for the training of shunting staff on sidings.

Mentorship

We promote the effective transfer of knowledge and experience through a mentorship programme. Mentors are assigned to new employees during introduction to work, and to employees who take on new tasks.

14 GRI 403-1, 403-5, 403-6, 403-9

A total of 1,349 Slovenske železnice Group employees performed mentorship tasks in 2020, meaning 19.5% of employees who together performed 136,045 hours of training.

Special emphasis was placed on the practical training of railway operational staff. Of the total of 1,349 mentors, 1,049 were mentors to railway operational staff.

Promotion of employee health and safety¹⁴

We work with employee representatives, trade union representatives and works councils, with whom we have established a joint occupational safety and health committee, with the aim of raising occupational safety and health standards.

We performed a risk assessment in cooperation with that committee and the Railway Health Centre according to an internal methodology and using our own occupational safety experts.

Slovenske železnice, d. o. o. holds authorisation from the Ministry of Labour, Family, Social Affairs and Equal Opportunities to perform specialist tasks in connection with occupational safety and health, such as the inspection and testing of work equipment, and inspections of the work environment (microclimate and lighting).

In line with the relevant risk assessment, we provided employees with vaccinations for tick-borne meningoencephalitis.

We train our employees in safe work practices at regular courses, where the emphasis is on raising awareness for responsible behaviour by each individual.

Within the Slovenske železnice Group, the scope of work with the occupational health and safety committee of the works councils of companies linked through capital investments was limited due to the COVID-19 epidemic. Slovenske železnice's Management Board adopted a resolution on 11 March 2020 halting all common health promotion programmes.

In 2020, employees were able to attend two-day preventive health retreats for workers at the Vitalis Centre and/or sixday preventive health retreats at a thermal spa, active breaks



from work, workshops on relaxation techniques, a biotherapy programme, etc. until the declaration of the epidemic.

We provided employees psychosocial assistance and counselling for addictions, organised workshops regarding communication and the resolution of conflicts of interest, and a healthy lifestyle, and provided information about programmes offered by health improvement centres at health centres throughout Slovenia. We also encouraged employees to pursue a healthy lifestyle through health-related announcements on the intranet.

With the outbreak of the epidemic, the majority of announcements related to preventing the spread of the coronavirus, instructions on steps to take if a quarantine order was issued, information regarding the impact of the pandemic on our life, and other announcements from the National Institute of Public Health (telephone number for psychological support during the COVID-19 epidemic, etc.).

Psychological first aid was provided by thirty appropriately qualified volunteers (Slovenske železnice employees) in the form of relief talks to employees who perform safety critical tasks and who were involved in an extraordinary event (the striking of person or vehicle by train, or other traumatic event). The majority of relief talks were conducted by telephone due to epidemic-related measures.

The primary healthcare provider is the Ljubljana Railway Health Centre, which provides railway workers with comprehensive healthcare. Due to our geographical dispersion, we also cooperated with other preventive healthcare providers in Slovenia.

We pay particular attention to workers with disabilities who are no longer able to perform their former jobs. The Slovenske železnice Group provided employment for 622 persons with disabilities and nine workers with physical impairments in 2020.

Ensuring the high-quality and healthy use of leisure time

SŽ-ŽIP, storitve, d. o. o. manages several holiday facilities in the mountains and at the seaside, which are available primarily to employees and their families, who can spend their holidays there. We also promote a healthy lifestyle through numerous events.

Traditional sports and cultural events, such as the 1,000 rail workers above 1,000 metres campaign, and other sports events, such as the Week of Sports and Mobility Week, were cancelled due to the COVID-19 epidemic.

Family- and employee-friendly company

We strive to make it easier for employees to achieve the right work-life balance. We make it possible for employees to make use of parental leave, and to make use of regular annual leave with respect to family needs and additional days of leave with respect to the number of children.

Internal communications

The Slovenske železnice Group is aware that the internal communication system has a major impact on the effectiveness and work performance of employees, and that employees are an employer's most important ambassadors.

We developed six pillars of internal communication in order to improve the Company's success and reputation through appropriate communication with employees. Those pillars are as follows:

- Slovenske železnice's Nova proga magazine,
- the www.novaproga.si portal,
- weekly newsletters,
- social networks,
- the intranet, and
- special publications intended for employees.

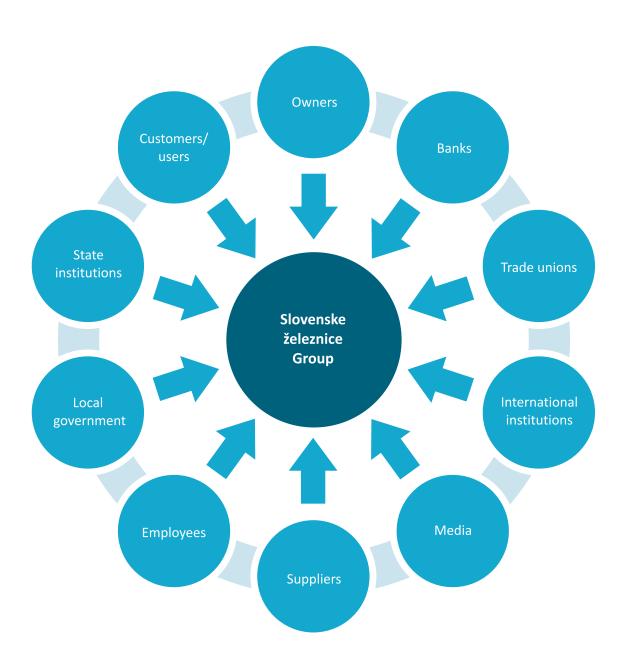
Communication is becoming increasingly digitalised, two-way and interactive. We notify employees about events at all Slovenske železnice Group companies, and about activities in the railway sector in Slovenia and abroad. Also representing an important element of communication is content about employee safety and infographics, while there was a large number of announcements relating to COVID-19. The content that we create for internal communication is also an important element of the Slovenske železnice Group's external communication.

We are planning to upgrade key internal communication channels and formulate a basic internal communication strategy for Slovenske železnice, according to the latest communication guidelines and best professional practices.



ENGAGEMENT WITH THE WIDER ENVIRONMENT¹⁵

KEY STAKEHOLDERS



¹⁵ GRI 413-1, 102-40, 102-42, 102-43, 102-44



KEY BENEFITS OF SLOVENSKE ŽELEZNICE FOR STAKEHOLDERS

The most important benefits of Slovenske železnice for stakeholders are described in the section Analysis by activity. In this section, we only present benefits that do not relate to customers and users.

Inclusion in anti-pandemic activities in Slovenia

The COVID-19 pandemic left a significant mark on the transport sector in 2020. During the first wave of the epidemic, Slovenske železnice's care for the health of its employees and passengers was exemplary. Despite the adverse conditions, we ensured the smooth functioning of the railway network and freight transport to supply the economy. This was possible on account of coordinated efforts by Slovenske železnice Group companies and excellent cooperation with government institutions. Crucial was our timely response to the vastly changed epidemiological situation and the prudent implementation of measures adopted by the Slovenske železnice Group to protect its employees. Even prior to the declaration of the epidemic in March 2020, Slovenske železnice Group companies provided the necessary protective equipment for employees and adapted work methods to limit the spread of the virus as much as possible. Concern for employees at Slovenske železnice is part of the established system that we implement with the help of the Group's expert departments and through cooperation with social partners. As a socially responsible company, we provided other institutions in Slovenia with protective equipment when masks, gloves and disinfectants were not available anywhere on the market due to major shortages. We donated protective equipment to healthcare institutions (health centres, retirement homes and hospitals), to companies in the food industry, to government institutions and to other companies that required such equipment to protect their employees and ensure business continuity.

Cooperation with schools and university faculties

We cooperate with a number of Slovenian secondary, postsecondary and tertiary schools and colleges, and provide students the opportunity to perform their compulsory practical work and their initial contact with the working environment, while our employees who are experts in various fields assist students in writing their bachelor's and master's theses.

In 2020, we provided compulsory practical work for 37 secondary-school and college students who are completing their studies in the areas of logistics, mechatronics, electrical engineering, computer science and economics.

In view of the number of applications for employment we received in 2020, we believe that the companies in the Slovenske železnice Group are a desirable employer on the Slovenian labour market, primarily due to:

- job stability and security (almost 96% of all employees have concluded permanent employment contracts);
- a varied work environment that offers the possibility of career development in various fields; and
- the possibility of maintaining employees' work-life balance.

This is also confirmed by recognition which has been awarded by MojeDelo.com, together with Universum Global, since 2007. We ranked amongst the 10 best employers, and ranked first in the category of logistics and passenger transport.

Sponsorship and donations

We directly and indirectly support the functioning of organisations and individuals who are tied to and share common objectives with the railway sector. Fewer gatherings and events were organised in 2020 due to the epidemic and altered forms of work.

Sponsorships and donations are defined in the Rules on the Treatment and Approval of Sponsorships and Donations. On this basis, the Marketing Department drafts an annual plan that defines the scope and basic guidelines of sponsorship and donation activities. The annual amounts for sponsorships and donations may not exceed 0.13% and



0.06% of planned revenues, respectively. All plans define measurable objectives taking into account efficiency. A donations committee makes decisions regarding recipients based on clear criteria.

Support for sports

For several years, the Slovenske železnice Group has been the sponsor of major sports clubs and associations that play a key role in the development of Slovenian sport, provide support for young athletes and represent Slovenia at the international level. We thus help improve the health of society as a whole and reduce the negative effects of the contemporary lifestyle.

The Slovenske železnice Group is the general sponsor of the SŽ Olimpija Hockey Club, which has achieved exceptional sporting results in recent years.

Athletes are our greatest ambassadors across the world, and we are aware that the promotion of sports is crucial, as we indirectly help provide an environment for future champions who will represent Slovenia in the decades to come.

Support for culture

Since its establishment, Slovenske železnice has supported numerous associations that promote Slovenian culture at home and abroad. With the sound understanding of their mission to support culture, Slovenske železnice Group companies continue to provide operational, logistical and financial support to cultural organisations and perspective artists.

As the general sponsor of two major cultural organisations, the Tine Rožanc Folklore Group and the Slovenian Railways Brass Band, the Slovenske železnice Group contributes directly to the preservation of Slovenian cultural heritage in the areas of folklore and music. The two aforementioned organisations have achieved the highest possible results at the national and international level, and thus promote the railway sector and bear the title of cultural ambassadors of Slovenia abroad.

Traffic safety

As a major player in terms of over-land mobility in Slovenia, we also represent an important factor in traffic safety.

Railways remain the safest form of public transport, and in Europe are fifty times safer than cars.

Multi-level mechanisms for improving and verifying the level of safety are a constant in all daily tasks, particularly in operational positions in the transport sector. Slovenske železnice never deviates from high occupational safety standards. We organise special training courses for first responders, police, firefighters and emergency medical teams with regard to movement about the railway area and specific railway safety risks. We regularly organise protection and rescue exercises, and thus join forces with volunteers and professionals in this area. This facilitates an effective response in the event of emergencies, and ensures constant improvements in the level of railway safety.

We cooperate with the police in preventive campaigns, such as the Safe Across the Tracks and Safe Way to School campaigns. We also cooperate with other partners in the area of safety and organise different preventive campaigns with them, and provide financial and professional support for various projects, conferences and events to promote traffic safety.

Broader impact of railways on society

The scope of passenger and freight transport by rail is constantly on the rise in Europe, while investments in the rail infrastructure are also rising sharply. Railways have an exceptionally positive impact on economic and social cohesion, not only in terms of the number of people they employ, but primarily in terms of their indirect impact on all elements of social life.



Supplier relationship management

In accordance with the requirements of the Access to Public Information Act and the Public Procurement Act, the Company only publishes information regarding agreements.

The Company does not publish data on its website regarding the total value of transactions that by their legal nature are mandate contracts or work contracts or whose subject is intellectual work, but does publish data in accordance with the applicable regulations regarding specific contracts in a manner that makes it possible to identify data regarding the total value from individual publications.

Participation in the international environment¹⁶

Slovenske železnice is actively involved in the international environment. In connecting with the rest of the world and responding to international initiatives, the Company cooperates with international railway organisations and associations, foreign railway operators and companies that perform scientific and research and development work. Based on the monitoring of international developments and activities in the area of rail transport, Slovenske železnice communicates with the relevant interest groups, and submits positions and proposals for the co-formulation of a common European railway policy and thus contributes to the efficient functioning and further development of the rail sector at home and abroad.

Sectoral discussions in 2020 in both Europe and Slovenia were quite focused on restrictive conditions resulting from the COVID-19 pandemic. Slovenske železnice was active in two-way communication with the international railway community and the internal public regarding the impact of the pandemic on European railways and the EU's response to support certain segments of the railway market, all with the aim of formulating appropriate solutions to address the crisis at hand.

Topics in focus in 2020 included the European Green Deal, particularly in light of the expected wave of EU legislative proposals in 2021, where discussions focused on urgent measures in the fight against climate change, the reduction of CO₂ emissions and sustainable financing. Adopted at the end of the year in accordance with the European Green Deal was the EU's Sustainable and Smart Mobility Strategy, which will contribute to the comprehensive reduction of greenhouse gas emissions and the digital transformation, and to the improved resiliency of the railway sector in the future.

The sector also focused on promoting the attractiveness of rail transport, the strengthening of rail freight transport, the digitalisation and modernisation of the railway system, the strengthening of the competitiveness of rail transport relative to road transport, the simplification of services in cross-border rail transport, the next generation Shift2Rail initiative, the coordinated introduction of the ERTMS, the recasting of the regulation on the rights of passengers in rail transport, and the representation of women in the railway sector. The end of the year also saw the adoption of the Council regulation laying down the multiannual financial framework for the years 2021 to 2027, which together with the Recovery and Resilience Facility, will provide a framework for the financing of numerous programmes aimed at the use of EU funds in the coming years.

Slovenske železnice pursues the policies and proposals laid out in national strategies for the development of transport with the aim of introducing sustainable mobility at all levels. The Company thus contributes its share to reducing the negative impacts of transport on the environment, to the improvement of the quality of living space in urban areas and traffic safety, and to the increased mobility of the population. In this respect, we support green European policies that will shed light on the benefits of the more frequent use of rail services for the climate. We will thus contribute to the raising of more funds for the modernisation of rail links and facilitate an increase in the proportion of people and goods transported by rail.

¹⁶ GRI 102-13



ENVIRONMENTAL RESPONSIBILITY¹⁷

The Internal Control, Quality and Environment Department notifies all stakeholders within the Slovenske železnice Group about all changes, amendments and new legal requirements, coordinates and offers professional support in the implementation of the relevant regulations in work and management systems, and supervises the implementation of those regulations in processes.

Bases:

- Environmental and energy policy of the Slovenske železnice Group,
- Rules of procedure of the environmental management system; and
- Rules of procedure of the energy management system.

Key policies:

- that the management system at Slovenske železnice Group companies is in line with the requirements of the international SIST EN ISO 14001:2015 environmental standard (ISO 14001) and the international SIST EN ISO 50001:2011 energy standard (ISO 50001);
- that all stakeholders within the Slovenske železnice Group function in accordance with environmental and energy policies, and meet established objectives in the given circumstances with respect to environmental protection and energy efficiency;
- that all stakeholders within the Slovenske železnice Group comply with the applicable legal and other requirements that in any way regulate the area of environmental protection and energy efficiency; and
- the successful and effective inclusion of the environmental management system and the efficient use of energy within processes, and the continuous improvement thereof.

Main objectives:

- the prevention of pollution of the natural environment;
- the search for technical and technological solutions to reduce the environmental burden;
- appropriate compliance with regulatory and other requirements that regulate the area of environmental protection and energy efficiency;
- ¹⁷ GRI 302-1, 302-4, 302-5, 304-2

- the efficient use of energy and prudent management of natural resources that are important for processes at Group companies; and
- the continuous adoption of measures to reduce potential risks of accidents or emergencies that could result in adverse or harmful effects on people and the natural environment.

Key activities:

- measures to reduce negative impacts on the environment pursuant to applicable regulations (legal and other requirements);
- the optimisation of energy consumption in activities and processes;
- the gradual energy rehabilitation of buildings (replacement of doors and windows and renovation of roofs and facades);
- the purchase of new vehicles and machinery (replacement of old and energy inefficient vehicles and machinery);
- the redesign of heating devices (replacement of old, energy inefficient heating devices and related equipment with new, energy saving devices);
- transition to an environmentally friendly heating source (replacement of heating system and connection to district heating system);
- technical regulation of discharge of wastewater (connecting buildings to the public sewage network where possible, installation of small municipal water treatment systems, cleaning cesspools, construction of treatment plants for industrial wastewater);
- technical adaptation of exterior lighting (replacement of technically non-compliant bulbs);
- gradual renovation of internal water supply network, including installation of equipment to reduce consumption of hot water (renovation of the worn internal water supply network);
- replacement of asbestos roof tiles with non-asbestos (prevention of emission of asbestos particles into the environment); and
- the gradual elimination of old sources of environmental burden that no longer serve their purpose (removal of buildings planned for demolition, and disposal of inoperable vehicles, machinery and devices).



INTERNAL AND EXTERNAL ASSESSMENTS OF THE ENVIRONMENTAL MANAGEMENT SYSTEM

A total of 24 internal assessments of the management system were planned in 2020 at Slovenske železnice, d. o. o. and at Slovenske železnice Group subsidiaries where an environmental management system has been introduced in accordance with ISO 14001 (SŽ-Tovorni promet, d. o. o., SŽ-Potniški promet, d. o. o., SŽ-VIT, d. o. o., SŽ-Infrastruktura, d. o. o., SŽ-ŽGP Ljubljana, d. d. and SŽ-ŽIP, storitve, d. o. o.), with 22 of those assessments actually carried out. A total of 15 internal assessments were organised remotely via MS Teams due to measures to prevent the spread of COVID-19. In the scope of internal assessments of the management system, internal assessors proposed two measures for the rectification of non-compliance, 16 corrective measures to eliminate minor deviations from the requirements of the environmental management system, and 27 recommendations to improve the functioning of the environmental management system.

Reports from the internal assessment of the environmental management system are discussed by the head of the department that covers a main or support process.

A recertification assessment was successfully carried out in 2020 at Slovenske železnice, d. o. o. and at Slovenske železnice Group subsidiaries where an environmental management system has been introduced in accordance with ISO 14001. During that assessment, assessors issued 43 recommendations to improve the functioning of the environmental management system. A programme of measures was drawn up based on issued recommendations.

	SŽ-TP	SŽ-PP	SŽ-VIT	SŽ- Infrastruktura	SŽ-ŽGP LJ	SŽ-ŽIP	SŽ, d. o. o.	Total
Number of planned internal assessments of the environmental management system	3	1	7	10	1	1	1	24
Number of performed internal assessments of the environmental management system	3	1	6	9	1	1	1	22
Number of measures – rectification of non-compliance	-	-	-	2	-	-	-	2
Number of measures – correction (minor deviations)	3	-	8	5	-	-	-	16
Number of proposed recommendations to improve the functioning of the environmental management system	2	-	7	17	-	1	-	27
Number of cases of non-compliance identified	-	-	-	-	-	-	-	-
Number of proposed recommendations to improve the functioning of the environmental management system	1	-	17	18	2	5	-	43
Total	1	-	17	18	2	5	-	43



Certificates obtained demonstrate that requirements regarding environmental protection and energy efficiency are taken into account equally in the management system, and that we ensure the necessary resources and conditions for the successful and effective management of environmental impacts. The environmental management and energy management systems require that the senior management of Slovenske železnice Group companies and all employees continually improve processes that have a significant impact on the environment and energy efficiency.

A second control assessment was partially carried out in 2020 at Slovenske železnice, d. o. o. and at Slovenske železnice Group subsidiaries where an energy management system has been introduced in accordance with ISO 50001. That assessment was carried out to the minimum extent due to measures to prevent the spread of COVID-19 at Slovenske železnice Group companies. Assessors of the energy management system will issue their findings following the completion of control assessment work, which is planned during the first half of 2021.

ACCIDENTS AND TRAFFIC EMERGENCIES THAT IMPACTED THE ENVIRONMENT

There were 74 minor fires along the railroad track in 2020. Local fire brigades were called for assistance in those cases. Most of the fires alongside the tracks occurred during the spring and summer. The highest number of fires occurred in the area of the Divača–Koper line. No major economic damage was incurred as a result.

ENVIRONMENTAL MANAGEMENT SYSTEM

Areas included in the environmental management system include:

- emissions of industrial and municipal wastewater and stormwater runoff into waters and the public sewage system (treatment plants, oil separators);
- emissions into the atmosphere (small and medium-sized heating devices, paint shops and sandblasting facilities);
- emissions of noise into the natural environment (in the area of railway infrastructure, in areas where freight is loaded, in areas where various production or service activities are provided and at construction sites);
- light pollution (exterior lighting);
- emissions of electromagnetic radiation (radio dispatch and GSM-R transmitters);
- the continuous monitoring of equipment that contains fluorinated greenhouse gases and ozone-depleting substances (air-conditioning devices, heat pumps, fire extinguishing systems);
- the use of plant protection products (pesticides) for controlling vegetation on the rail infrastructure;
- storage and use of hazardous substances (storage of hazardous fluids for heating oil, waste oil, fuel oil, and other hazardous substances used in maintenance activities); and
- the transport of dangerous goods (wagons and vehicles for transporting dangerous goods).

Noise

Amongst the main environmental issues faced by the operator of the public rail infrastructure and the operator of rail freight transport is the noise generated by freight trains in some of the most heavily trafficked rail sections, i.e. within the City of Ljubljana, on the Ljubljana–Kranj section and at the Ljutomer railway station.

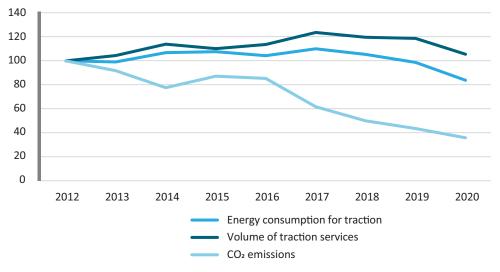
Fifty grievances were filed with various Slovenske železnice Group companies in 2020 due to noise generated by rail traffic. Companies handle grievance in connection with environmental protection individually and adopt the appropriate measures based on presented findings, facts and circumstances. If noise is the result of the functioning of several noise sources (so-called road and rail), the complainants are sent appropriate referrals. New rail vehicles that will be purchased in the period 2020–2023 will be considerably less noisy due to new EU technical requirements aimed at reducing the noise generated by rail vehicles. We thus anticipate fewer grievances due to noise.

Energy efficiency

Measures to increase energy efficiency in rail transport and the selection of an electricity supplier that supplies 60% of electricity from renewable sources and nuclear energy also reduce the negative impacts of rail transport on the environment significantly, which is reflected in reduced emissions of CO_2 and other emissions into the atmosphere that are harmful to the health (nitrogen oxides – NOX, particulate matter – PM10 and PM2.5).

Electricity is supplied to Slovenske železnice Group companies from the public distribution network. The $\rm CO_2$ emission factor per kilowatt hour of supplied electricity amounted to 0.131 kg $\rm CO_2/kWh$ in 2019, a decrease of 73.6% relative to 2012 when the $\rm CO_2$ emission factor per kilowatt hour of supplied electricity amounted to 0.497 kg $\rm CO_2/kWh$. The $\rm CO_2$ emission factor was down sharply due to the implementation of measures from the operational programme to reduce greenhouse gas emissions, which must be met by electricity suppliers and producers.

ENERGY CONSUMPTION, VOLUME OF TRACTION SERVICES AND CO₂ EMISSIONS IN THE PERIOD 2012-2020 (2012 =100)





The volume of train traction services (passenger and freight transport combined) in 2020 was down by 11.1% relative to 2019, while total energy consumption was down by 15.1% and the carbon footprint in railway transport was down by 17.7% (a decrease in CO_2 emissions of 8,173 tonnes). The proportion of electricity consumed in rail transport was up by 6.1% in 2020, while the proportion accounted for by gas oil was down by 12.3%, which contributed to a reduction in CO_2 emissions into the environment and an increase in the efficiency of traction.

The volume of train traction services (passenger and freight transport combined) in 2020 was up by 5.5% relative to 2012, while total energy consumption in traction was down by 16.2% and the carbon footprint was down by around 64% (a decrease in CO_2 emissions of 67,700 tonnes). The reason for the reduction in the carbon footprint lies in the CO_2 emission factor per kilowatt hour, which has fallen by 73.6% during the last eight years.

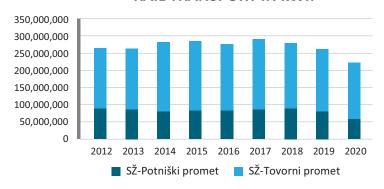
There was a 43.2% decrease in passenger kilometres in rail passenger transport in 2020 relative to 2019, while energy consumption was down by 26.7%. In terms of energy efficiency in rail passenger transport, energy consumption per passenger kilometre deteriorated by 28.9% in 2020 relative to 2019. Total $\rm CO_2$ emissions generated by rail passenger transport were down by 28.8%, while the carbon footprint per passenger kilometre was up by 25.4% (from 23 g/PKM to 29 g/PKM) due to the lower number of passengers carried.

The number of passenger kilometres was down by 46.5% in 2020 relative to 2012, while the amount of energy consumed in traction was down by 34.4%. In terms of energy efficiency in rail passenger transport, energy consumption per passenger kilometre deteriorated by 22.7% in 2020 relative to 2012. Total $\rm CO_2$ emissions were down by 64.8%, while the quantity of $\rm CO_2$ per passenger kilometre fell by 34.3%. The reason for such a significant reduction in the carbon footprint lies in the $\rm CO_2$ emission factor per kilowatt hour, which has fallen by 72.4% during the last eight years.

Passenger transport accounted for just 26.5% of all energy consumed in rail transport in 2020, with electricity and gas oil accounting for 51.6% and 48.5% of energy consumed respectively, while passenger transport accounted for just 30.6% of all CO_2 emissions into the atmosphere generated by rail transport.

There was a 6.9% decrease in net tonne kilometres in rail freight transport in 2020 relative to 2019, while energy consumption was down by 9.8%. In terms of energy efficiency in rail freight transport, energy consumption per net-tonne kilometre improved by 3.1% in 2020 relative to 2019. Total ${\rm CO_2}$ emissions generated by rail freight transport were down by 11.8%, while the carbon footprint per net tonne kilometre was down by 3%.

ENERGY CONSUMED IN RAIL TRANSPORT IN kWh



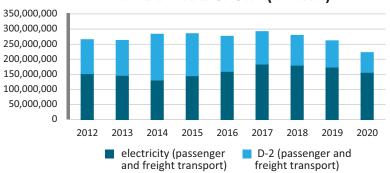


The number of net tonne kilometres was up by 31.4% in 2020 relative to 2012, while the amount of energy consumed in traction was down by 6.8%. In terms of energy efficiency in rail freight transport, energy consumption per net-tonne kilometre improved by 29.0% in 2020 relative to 2012. Total $\rm CO_2$ emissions were down by 63.8%, while the quantity of $\rm CO_2$ per net tonne kilometre fell from 21 g $\rm CO_2/NTKM$ in 2012 to 6 g $\rm CO_2/NTKM$ in 2020, a decrease of 71.8%. The reason for such a significant reduction in the carbon footprint lies in the $\rm CO_2$ emission factor per kilowatt hour, which has fallen by 73% during the last eight years.

The transport of goods accounted for 73.5% of all energy consumed in rail transport in 2020, with electricity and gas oil accounting for 77.6% and 22.4% of energy consumed respectively. The transport of goods accounted for 69.4% of all $\rm CO_2$ emissions into the atmosphere generated by rail transport in 2020.

Environmental/energy targets	2020	Index 2020/2019	Index 2020/2012
1. Increasing the energy efficiency of rail transport			
a. Total energy consumption in rail transport (thousand kWh)	221,802	84.9	83.87
a.1 Total electricity consumption in rail transport (thousand kWh)	156,801	90.2	103.2 🗷
a.2 Total D-2 consumption in rail transport (thousand kWh)	65,001	74.5	57.7 🗷
b. Specific electricity consumption for traction per unit of work performed (passenger and freight transport; kWh/thousand GTKM)	20.22	99.2	82.2 🗷
c. Specific consumption of gas oil for traction per unit of diesel train work performed (kg/thousand GTKM) – passenger transport	12.27	107.2	122.9 🔽
d. Specific consumption of gas oil for traction per unit of diesel locomotive work performed (kg/thousand GTKM) – freight transport	6.29	94.4	86.9 ↗
e. Total train traction (thousand GTKM)	8,278,770	88.9	105.5 🗷
f. Passenger transport (PKM thousand)	396,830	56.8	53.5 🔽
g. Freight transport (NTKM million)	4,644	91.0	128.3 🗷
2. Reduction of greenhouse gas emissions generated by rail transport			
a. Total CO ₂ emissions (thousand kg)	37,896	82.3	35.9 🗷
b. CO ₂ emissions/passenger km (kg/PKM)	0.029	125.4	65.7 🗷
c. CO ₂ emissions/NTKM (kg/NTKM)	0.006	97.0	28.2 🗷

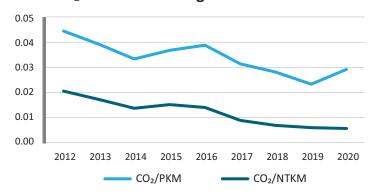




CO₂ EMISSIONS IN RAIL TRANSPORT (IN kg)

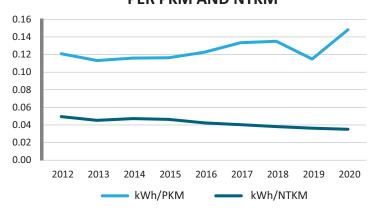


CO₂ EMISSIONS IN kg PER PKM AND NTKM





ENERGY CONSUMPTION IN kWh PER PKM AND NTKM







INTELLECTUAL CAPITAL

KEY QUALITY INDICATORS

Supervision of the implementation of business processes

The Slovenske železnice Group controls processes and associated services in various phases. We thus ensure compliance with laws, regulations, prescribed standards, and specific requirements and procedures.

External controls are performed by inspection bodies, external auditors and external assessors who ensure compliance with legal and other requirements to which the Slovenske železnice Group is bound. In addition to external controls, we also have in place internal controls that are performed by internal control inspectors, internal auditors, internal assessors and other authorised persons at companies.

In the scope of internal controls, we verify the quality of services, documentation and the performance of business processes in accordance with the requirements of standards and best practices. Process managers are responsible for controlling processes through the systematic measurements and monitoring of process efficiency based on indicators and established objectives.

Number of inspection decisions

Inspection decisions constitute breaches of the law and internal regulations that must be taken into account in the achievement of objectives.

	Number of supervision procedures	Number of decisions
SŽ-Tovorni promet, d. o. o.	9	0
Fersped, d. o. o.	13	31
SŽ-Potniški promet, d. o. o.	91	3
SŽ-VIT, d. o. o.	5	3
SŽ-Infrastruktura, d. o. o.	20	1
Total	138	38

Education of employees regarding work objectives and procedures

We want to make training available to all of our employees, so we offer a wide range of courses which either provide the knowledge required for carrying out work or are offered to employees as an opportunity to obtain knowledge in various areas. Continuous, planned training of employees ensures company development, and provides employees with professional development, internal mobility and

opportunities for advancement. Employees are also notified about the consequences of improper work or the omission of certain procedures.

Details regarding employee training and education are given in the section Employees.



GRIEVANCES, COMPLIMENTS, COMPLAINTS, CLAIMS FOR DAMAGES, SURVEYS

Passenger transport	Unit	2016	2017	2018	2019	2020
Grievances	(number)	403	504	654	635	484
Compliments	(number)	236	261	318	313	193
Complaints	(number)	1,072	807	690	508	585
Claims for damages	(number)	17	23	58	35	6
Surveys	85% surveys: rating of 3 >	76	59	72	83	70

A total of 95 grievances in 2020 related to train capacities, as trains were at half-capacity due to measures to prevent the spread of the coronavirus and to maintain safe distances between passengers. Sixty-one grievances related to the handling of passengers on trains (issuing of tickets), while 56 related to transport conditions, including general tariff provisions, prices and offers. Other grievances related to the timetable, train delays, technical deficiencies in connection with trains, the helpfulness of staff, the handling of passengers at points of sale and services at stations.

Claims for damages were filed primarily due to delays and failure to catch connections to the last train of the day. Compensation was paid for transport by taxi or car in such cases.

According to those surveyed, all elements of the quality of transport services deteriorated, primarily due to changes in the provision of those services due to measures to fight COVID-19. Nevertheless, elements of the quality of staff received the highest scores, similar to previous years, while services at stations and train speeds received the lowest scores.

We did not receive any grievances or compliments from the users of service in the freight transport segment in 2020.

We received 1,059 complaints regarding billed freight transport services, a decrease of 33.4% relative to the previous year or 0.9% of a total of 122,637 shipments.

Freight transport	Unit	2016	2017	2018	2019	2020
Grievances	(number)	23	9	6	1	0
Compliments	(number)	2	0	6	1	0
Complaints	(number)	1,014	1,038	1,572	1,591	1,059
Claims for damages	(number)	49	186	167	82	61
Formal reports about the actual situation	(number)	922	485	507	548	591
Surveys	≥ 85%: rating of 3 or higher	59	-	-	83	-

We received 61 claims for damages in 2020, a decrease of 25.6% relative to 2019.

The number of formal reports about the actual situation (CIT20) was up (index 2020/2019 = 107.8). The majority of reports were issued at the request of customers due

to differences in the weight of or damage to specific shipments (e.g. scrap metal, waste and cars) through the fault of customers.

We did not carry out a customer satisfaction survey in 2020.



QUALITY MANAGEMENT SYSTEM

The mission of the quality management system is to ensure quality through continuous investments to improve products, processes and services. This is achieved through the effective functioning of the quality management system in accordance with the principles of best practices and regulations that govern the area of quality within the Group.

Customer satisfaction is one of the most important objectives of the quality management system. The quality management system tasks management staff and employees with the coordination of work with the requirements and expectations of the recipients of that work within legal frameworks and guidelines regarding best practices.

Quality assurance policy

The quality assurance policy sets out a work method that provides the users of services environmentally friendly, safe and reliable services. We thus contribute to the improving quality of life and the development of other services in Slovenia. In this way, we ensure the successful operations and growth of the Company as a sound basis for the development of employees, and the satisfaction of owners and other relevant stakeholders. Management staff

and employees within the Slovenske železnice Group are committed to meeting the demands and expectations of customers, and to constantly improving the effectiveness of the management system.

Administration of management systems

Slovenske železnice Group companies maintain 23 certified management systems. SŽ-Infrastruktura, d. o. o. holds an operating licence in the scope of its safety management system, while operators hold safety certificates issued by the licensing authority.

Assessment of the ISO 9001:2015 quality management system

The quality management system is overseen by the relevant certification body, and other control and certification authorities. The functioning of the system is verified via internal and external assessments, and supplier assessments.

An external assessment according to ISO 9001:2015 was carried out at Slovenske železnice Group companies in November 2020.

The assessment team determined that we have in place and maintain a management system in accordance with the requirements of the aforementioned standard.

Overview of management systems	ISO 9001 quality management system	ISO 14001 environmental management system	ISO 50001 energy management system	Commission Regulation (EU) 445/2011 ECM maintenance of freight wagons	Directive (EU) 2016/798 Safety management system
SŽ-Tovorni promet, d. o. o.	√	\checkmark	\checkmark	\checkmark	\checkmark
Fersped, d. o. o.	√				
SŽ-Potniški promet, d. o. o.	√	√	√		V
SŽ-VIT, d. o. o.	V	√	√	V	
SŽ-Infrastruktura, d. o. o.	V	√	V		V
SŽ-Železniško gradbeno podjetje, d. d.	V	√	√		
SŽ-ŽIP, d. o. o.	V	√	√		
Prometni institut, d. o. o.	V				
Slovenske železnice, d. o. o.	√	√	√		



CONTROL OF INTERNAL REGULATIONS

We have had an expert committee for the drafting of regulations since 2012. That committee's main tasks include the monitoring and implementation of regulations relating to the Railway Safety Act, the Railway Transport Act and the Decree on the allocation of train paths, the setting, charging and collection of fees, the drafting, adoption, entry into force and publication of the network timetable, ensuring the efficiency of international train paths and ensuring the competitiveness of international freight transport.

That expert committee combines extensive knowledge that has been gained through decades of investments in the safe management of the rail infrastructure, and works actively with government bodies, such as the Ministry of Infrastructure, the Public Agency for Rail Transport and the Infrastructure Inspectorate of the Republic of Slovenia.

We worked with government bodies in 2020 in the formulation and/or harmonisation of the following:

- Draft Act Amending the Railway Transport Act. The main purpose of the aforementioned act is the proper transposition of Directive 2012/34/EU with regard to provisions that relate to requirements in connection with good repute, and with regard to maintaining or revoking licences issued by the licensing authority. The arrangement of superficies will facilitate the construction of new facilities, such as parking lots, bike sheds, bike paths, overpasses and underpasses, etc., which the current law does not allow for on public rail infrastructure property. The establishment of superficies would facilitate the construction of other facilities in the public rail infrastructure without interfering in the use thereof, as defined by the law, and would facilitate unhindered rail traffic (i.e. construction over or under tracks):
- Act Amending the Railway Safety Act. The main purpose
 of the aforementioned act is the precise definition and
 explanation of certain procedures linked to operating
 permits for rolling stock that are carried out by the
 safety authority in accordance with the findings of the
 ERA under the auspices of the Public Agency for Rail
 Transport. This also involves the harmonisation of terms
 with national legislation regarding inspection;

- proposed amendments to the Decree on the criteria for the shift work of train drivers and other train staff performing safety-critical tasks and mobile workers engaged in interoperable services in the railway sector;
- draft Traffic Rules, which define the conditions and method for organising and providing safe rail traffic on the Slovenian rail infrastructure;
- Signalling Rules, which have undergone harmonisation by all railway system stakeholders. The Signalling Rules are currently being reviewed by the legal office of the Public Agency for Rail Transport;
- Rules on brakes, safety equipment and railway vehicle equipment. Those rules replace the Rules on the safety of rolling stock equipment;
- Rules on special health conditions for obtaining and maintaining a licence for train driver, which were drafted by the Ministry of Health, as the rules are adopted by the minister of health with the consent of the minister of infrastructure;
- Decree amending the Decree on the allocation of train paths, infrastructure fees and the performance regime in the public railway infrastructure; and
- amendments to the Rules on train drivers, training centres, examiners and examination centres in accordance with EU regulations. The Public Agency for Rail Transport drafted the amendments to those rules in July 2020.

The management of the Slovenske železnice Group's intellectual capital is based on the 'Regulations' application, which facilitates the maintenance of a general database of regulations that contains an official informative list of valid regulations within the Slovenske železnice Group. The basis for the application is the Organisational regulation on the management of regulations, which includes the definition of procedures in connection with the drafting, review, approval and other procedures for managing regulations within the Slovenske železnice Group.



Internal regulations and certain external railway regulations are published in the application, which includes 1,727 documents. Internal regulations comprise regulations that are adopted by Slovenske železnice Group companies and include numerous content areas. Regulations are also divided according to type of regulation, as follows: articles of

association, organisational regulations, rules, instructions, rules of procedure, manuals, standards, tariffs for freight and passenger transport, schedules, work notifications, agreements between social partners, and rules of operation and technological work processes at stations.

VALID REGULATIONS BY CONTENT AREA:

Content area	Number of regulations	Majority of which relating to
Traffic control	721	rules of operation for stations and enclosures to situation plans
Traction	63	instructions
Infrastructure – construction activity and investments	54	instructions
Infrastructure – electrical engineering activity	135	instructions
Freight transport	236	manuals
Passenger transport	171	instructions and organisational regulations
Economy	22	rules
Human resources	60	rules and instructions
Organisational, legal and general affairs	72	rules
Work of organisational units	17	organisational regulations
Information technology	7	instructions
Environmental protection	7	instructions
Quality	15	rules of procedure
Control	4	instructions
Defence and security matters	7	instructions
Communication, development and other common matters	9	instructions
Purchases	12	instructions
Property	5	rules and instructions
Technical wagon inspection services	89	work notifications
SŽ-Infrastruktura	12	rules
Maintenance of rolling stock	2	instructions and organisational regulation
Internal auditing	2	rules
Compliance and risk management	5	rules
Total	1,727	



INFORMATION TECHNOLOGY/ DIGITALISATION

Major activities and achievements in 2020:

- asset management rolling stock: an information system for managing funds earmarked for rolling stock has been in use since the beginning of 2020. Work to optimise business processes followed that implementation;
- works were carried out in connection with the implementation of an integrated information system for the transport-logistics activity. It is a comprehensive system that will allow the activity to expand to other markets and will ensure a significant competitive advantage. The system will be introduced in 2021 by individual area;
- management of rail infrastructure assets:
- a system was introduced for the reporting of errors and the recording of service requests, while the geographic information system (GIS) was upgraded and works began in connection with support for the performance of inspections (measurement record sheets);
- digitalisation of mobility: the drafting of a digitalisation strategy that includes support for multimodal mobility services, support for the system of mobility services (mobility as a service), and support for the active management of stations and stops;
- support for material warehousing operations and procurement was introduced for all Group companies except one;
- a system was introduced to manage agreements for all Group companies;
- comprehensive support for the management of investments was introduced for all Group companies;
- extensive preparatory work (analysis of solutions on the market, system architecture, investment documentation, tender documentation, etc.) was carried out for the information system to support rail traffic control.





MANAGEMENT OF RISKS AND OPPORTUNITIES¹⁸

The risk management system follows the recommendations and guidelines of the Corporate Governance Code for Companies with Capital Assets of the State and the Slovenian Sovereign Holding Company Act, as well as the guidelines of the Organisation for Economic Cooperation and Development.

The management and control of risks was taken over by the Central Corporate Office for Compliance and Risk Management department within the Slovenske železnice Group in 2016. That department was established at controlling company and functions at the Slovenske železnice Group level. That office functions as a standalone and independent support function that reports directly to the controlling company's Management Board in organisational terms. The risk management system is based on the Rules of procedure of the Central Corporate Office for Compliance and Risk Management. The office reviews the effectiveness of proposed activities and adopted measures on a quarterly basis, and drafts reports for the senior management of all companies and the controlling company's Supervisory Board.

The effectiveness of the risk management system was tested in 2020, particularly with respect to the timely assessment of damage due to specific risks and the definition of activities to mitigate the effects of the pandemic in a completely altered business environment.

The Slovenske železnice Group responded quickly following the outbreak of the pandemic with the adoption of risk management measures, including:

- the appointment of a special COVID-19 working group;
- ensuring the safety of the users of all services provided by Slovenske železnice Group companies;
- ensuring the safety of all employees with the introduction of work from home, the furloughing of employees and purchase of a sufficient quantity of personal protection equipment for all employees;
- the adaptation of the strategy and business plans;
- regular communication with employees through notifications on internal portals and message boards;
- the exploitation of government measures to mitigate the effects of the crisis on operations; and
- the acceleration of the redundancy programme.

Risks assessments were amended frequently in 2020, as we were unable to realistically assess the impact on the business environment and the duration of consequences at the outbreak of the pandemic. This was followed by a period of more realistic assessments of impacts. We thus drafted revised business plans for 2020 based on experience from the first two quarters of the year. Risk assessments stabilised and took into account the new reality, with adjusted business objectives.

The focus of the risk management system during the pandemic was on the prevention of potential cases of fraud, which extraordinary situations always encourage. We also faced changing human resource risks that arose as the result of the introduction of work from home, the unavailability of all employees involved in specific processes, the increased scope of sick leave due to quarantine, and the assumption of tasks on account of early retirements.

In the scope of operations with a reduced number of employees and adapted business processes, steps needed to be taken to prevent the omission of process controls due to "urgent" cases, particularly in the supply chain. In extraordinary circumstances, operations rely more than usual on trust, while there is less verification of ordering processes, the financial stability of suppliers, and the quality and timeliness of deliveries. The pandemic has been a test of the integrity of operations and corporate governance.

Risks in connection with information security were crucial, as we had to ensure the necessary safe connection protocols for work from home. We also had to establish a system for the use of and access by home computers with an unknown level of virus protection, and thus ensure an appropriate level of protection against cyber attacks, access control and the prevention of the abuse of passwords.

¹⁸ GRI 102-11



RISKS

The catalogue of risks comprises 23 different active risks broken down into five categories. There was no change in that catalogue in 2020. The highest number of different risks (nine) can be expected in the operational risks category, as these are risks in connection with specific business processes.

Each company has its own risk register, meaning that the same risks arise at several companies, while risk assessments relate solely to the situation at an individual company. The Slovenske železnice Group is exposed to a total of 86 active risks. The most risks (17) are recorded by Slovenske železnice, d. o. o., which takes up the majority of risks to which the entire Group is exposed due the centralised functions of IT, insurance, finance and strategic development, while all other companies are exposed to operational and regulatory risks.

RISKS



S: SRATEGIC RISKS

S1: Strategy



OPERATIONAL RISKS

O1: Risks associated with the condition of the rail infrastructure

O3: Risk of damage/ destruction of property

O4: Safety risks

O5: Risks associated with business continuity

O6: Human resource risks

O7: Purchasing risks

O8: Production risks

09: Sales risks

O10: Process risks



F1: Credit risks

F2: Interest rate risk

FINANCIAL RISKS

F3: Currency risk

F4: Liquidity risk



R2: Risk of legislative changes

R3: Compliance risk

R4: Fraud risk

REGULATORY RISKS

R5: Tax-related risks



RISKS

K1: Information security risks

K6: Risks in connection with the management of communications and operations

K7: Risks in connection with the accessibility of the IT environment

K8: Risks in connection with the maintenance and development of IT systems

K10: Risks associated with business continuity

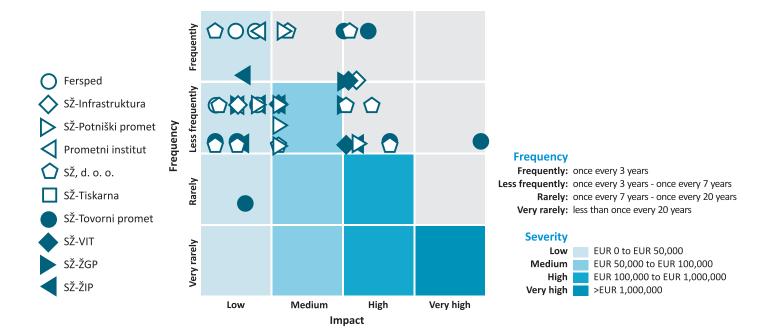


	Financial risks	IT risks	Operational risks	Regulatory risks	Strategic risks	Total
SŽ-Tovorni promet, d. o. o.			9	2	1	12
Fersped, d. o. o.			6	2		8
SŽ-Potniški promet, d. o. o.		2	4	2	1	9
SŽ-VIT, d. o. o.			7	1		8
SŽ-Infrastruktura, d. o. o.		1	7	3	1	12
SŽ-ŽGP, d. d.	2	1	6	2	1	12
SŽ-ŽIP, storitve, d. o. o.			5	2		7
Prometni institut, d. o. o.			1			1
Slovenske železnice, d. o. o.	3	5	5	3	1	17
Total	5	9	50	17	5	86

Risk matrix of the Slovenske železnice Group

Risks are broken down with respect to the impact of a risk (seriousness) and the frequency at which such risk arises. The risk matrix for the typical scenario includes a total of

86 active risks identified by all Slovenske železnice Group companies.



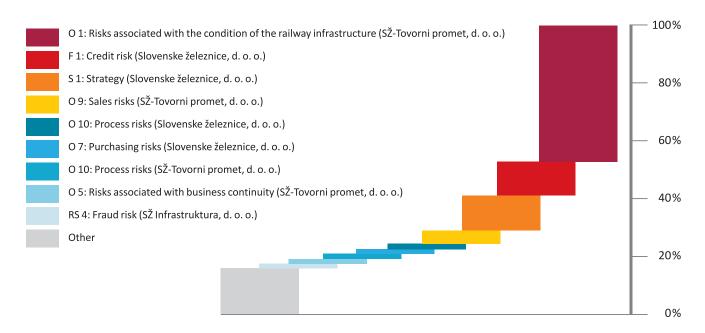


Risk profile of the Slovenske železnice Group

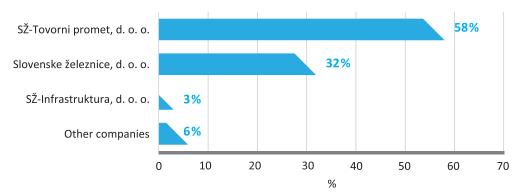
The risk profile tells us what proportion a company's entire risk profile is accounted for by an individual risk. The nine most significant risks of the Slovenske železnice Group account for 84% of the risk profile, while the other 77 risks contribute 16% to the Slovenske železnice Group's risk profile.

Values comprise the negative one-year financial impact of all analysed risks over a twenty-year period in the worst-case scenario, while that impact represents the basis for the calculation of the liquidity reserves required by the Group to cover or hedge against the negative effects of risks on cash flow.

HIGHEST RISKS WITHIN THE SLOVENSKE ŽELEZNICE GROUP



CONTRIBUTION TO THE RISK PROFILE OF THE SLOVENSKE ŽELEZNICE GROUP





The estimated decrease in net cash flow (measured level of risk) due to risks is EUR 23.5 million at the Slovenske železnice Group level.

SŽ-Tovorni promet, d. o. o. and Slovenske železnice, d. o. o. account for 90% of the Slovenske železnice Group's risk profile. The contribution of Slovenske železnice, d. o. o. is high due to the centralisation of key business processes, as it takes up the majority of risks of other Slovenske železnice Group companies in connection with IT, HR policy, strategy, finance and accounting, insurance, corporate governance and the organisation of processes, while it is also responsible for the majority of procurement procedures.

SŽ-Tovorni promet, d. o. o. contributes most to the risk profile of the Slovenske železnice Group due to its exposure to changing conditions on the merchandise transport market.

The contribution of individual risk categories to the Slovenske železnice Group's overall risk profile was unchanged relative to the previous reporting period. The category of operational risk still contributes most (68%), and is followed by strategic and financial risks (each at 13%).

The acceptable level of risk for the Slovenske železnice Group is estimated at a EUR 100 thousand effect on net cash flow upon the realisation of a typical risk scenario following the adoption of measures. In the event of continuous risks, typical damage is not assessed, meaning that the estimated damage of the worst-case scenario is taken into account.

Key risks for the Slovenske železnice Group comprise all risks that could cause damage in excess of the acceptable level of risk (risks classified as high and very high in the risk matrix).

The Slovenske železnice Group has identified 28 key risks that account for 93% of total estimated damage from a typical scenario following the adoption of measures.

The most significant risks to which the Group is exposed are operational risks at SŽ-Tovorni promet, d. o. o. (risks associated with the condition of the rail infrastructure, sales, production and process risks, and risks associated with business continuity) and risks at Slovenske železnice, d. o. o., which the latter assumes from other Group companies due to the centralisation of business processes (credit, regulatory, strategic and information security risks).

The following companies are exposed to procurement risks: SŽ-Infrastruktura, d. o. o., SŽ-Tovorni promet, d. o. o. and Slovenske železnice, d. o. o., which manages public procurement procedures for all Slovenske železnice Group companies.

The fifteen most significant risks contribute to 90% of the Slovenske železnice Group's risk profile. It is therefore crucial that we focus on the management of those risks to ensure the successful operations of the Slovenske železnice Group.

The verification of risk management is carried out centrally at the controlling company, which keeps a register of the risks of all Slovenske železnice Group companies. The appropriateness of measures adopted to manage individual key risks is assessed quarterly, while assessments of other risks are verified half-yearly.

The Central Corporate Office for Compliance and Risk Management drafts quarterly reports for all companies and the controlling company's Supervisory Board.



OPPORTUNITIES

Changes dictated by the business environment and opportunities offered to us by the development policies of Slovenia and the European Union will be seen in the coming five-year period in the replacement of passenger multiple units, which will provide passengers a comfortable, safe and modern mode of transport, the modernisation of machinery for the management of the public rail infrastructure, the construction of the modern Ljubljana Passenger Centre, the harmonisation of rail and bus timetables and the expansion of the geographic coverage of public transport through the spatial optimisation of transport. Last but not least, we intend to become the leading provider of comprehensive freight transport logistics services in the region in cooperation with a strategic partner.

The Slovenske železnice Group is emerging from a period of intensive transformation from a national rail operator into a regional provider of comprehensive merchandise logistics and public mobility services.

Planned in the merchandise logistics pillar is the entry of a strategic partner and the establishment of the joint venture SŽ-EP, d. o. o., which facilitates the further development of this pillar and the easing of the financial burden on the Slovenske železnice Group, which in turn will facilitate investments and acquisitions in other areas of operations. The objectives of the strategic partnership are to extend the logistics chain from pick-up to delivery, to arrange backoffice logistics centres with the necessary warehousing capacities, and to become the leading regional logistics group through the acquisition of companies.

In the fulfilment of its task to pursue the public interest, the Slovenske železnice Group set as one of its key underlying objectives the strategic objective of formulating a multimodal range of mobility services at the national level, such that it will take over government activities in the development of uniform, accessible and efficient public transport, and in the development of areas around train stations and stops, and upgrade those activities through the integration of various types of transport and related transport services into the range of mobility services. Planned is mobility as a service (MaaS), which will make it easier for passengers to travel by rail and other forms of

public transport through transfer points between rail and bus transport, and a harmonised timetable for both types of transport in Slovenia. In addition, multimodal mobility services will make it easier and simpler for passengers to complete the first and last legs of their travel. Parking lots will be organised according to the P+R system at start stations, while a range of services will be developed for electric vehicle hiring services, which will contribute to the reduced use of cars, the reduction of the negative effects of transport on the environment and the formulation of Slovenia's contribution to the achievement of the European Green Deal.

Crucial for the transformation of the Slovenske železnice Group is the successful implementation of digitalisation, which represents the cornerstone of the development of all areas of the Group's operations.

Investments¹⁹

The Slovenske železnice Group made investments in fixed assets in the amount of EUR 59,348 thousand in 2020. Investments were up by 46.8% in 2020 relative to 2019.

A total of 79.3% of all investments in 2020 were earmarked for rolling stock that is required for the uninterrupted provision of passenger and freight transport services. Of that amount, EUR 31,178 thousand (66.3%) was earmarked for the purchase of new passenger trains.

Continuous investments are made in rolling stock and include regular modifications to and the maintenance of vehicles after the expiry of their lifecycle, and the refitting of vehicles. A total of EUR 11,109 thousand (23.6% of investments in rolling stock) was earmarked for regular modifications. Of that amount, EUR 5,722 thousand was earmarked for regular modifications to tractive vehicles, EUR 4,457 thousand for regular modifications to unpowered rolling stock and EUR 930 thousand for regular modifications to special-purpose rail vehicles. EUR 4,332 thousand was earmarked for the refitting of rolling stock, broken down as follows: EUR 4,234 thousand for the refitting of tractive vehicles and EUR 98 thousand for the refitting of unpowered rolling stock.

¹⁹ GRI 203-1



Significant investments were also made in the upgrading of the business information system and other digitalisation programmes (EUR 3,884 thousand), in the purchase and replacement of production equipment (EUR 3,339

thousand) and in real estate, primarily the modification of buildings for house commercial activities (EUR 2,943 thousand).

INVESTMENTS BY THE SLOVENSKE ŽELEZNICE GROUP IN 2020

EUR thousand	2020	2019	Index
Sž-Tovorni promet, d. o. o.	12,102	13,356	90.6
Fersped, d. o. o.	61	211	28.9
VV-LOG, d. o. o.	0	82	0.0
SŽ-Potniški promet, d. o. o.	35,247	11,600	303.9
SŽ-Vleka in tehnika, d. o. o.	2,988	1,849	161.6
Sž-Infrastruktura, d. o. o.	1,814	2,571	70.6
Sž-Železniško gradbeno podjetje Group	4,012	4,216	95.2
SŽ-ŽIP, storitve, d. o. o.	375	922	40.7
Prometni institut Ljubljana, d. o. o.	12	22	54.5
SŽ-Železniška tiskarna, d. d.	0	4	0.0
Slovenske železnice, d. o. o.	2,737	5,593	48.9
Total	59,348	40,426	146.8

INVESTMENTS BY THE SLOVENSKE ŽELEZNICE GROUP IN 2020 BY PURPOSE

EUR thousand	2020	2019	Index
Rolling stock	47,060	24,385	193.0
Construction machinery	858	1,771	48.4
Road vehicles	927	1,834	50.5
Information technology	3,884	4,795	81.0
Property	2,943	4,103	71.7
Production equipment	3,339	3,213	103.9
Communications equipment	112	143	78.3
Other	225	182	123.6
Total	59,348	40,426	146.8



INVESTMENTS BY INDIVIDUAL COMPANY AND PURPOSE IN 2020

	Investments EUR thousand	Slovenske železnice Group	SŽ-Tovorni promet	Fersped	VV-LOG	SŽ-Potniški promet
A.	ROLLING STOCK	47,060	11,409	0	0	34,296
1.	Tractive vehicles	41,200	7,771	0	0	33,429
1.1	New acquisitions	31,244	66	0	0	31,178
1.2	regular modifications	5,722	4,026	0	0	1,696
1.3	refitting	4,234	3,679	0	0	555
2.	Unpowered rolling stock	4,555	3,638	0	0	867
2.1	New acquisitions	0	0	0	0	0
2.2	regular modifications	4,457	3,540	0	0	867
2.3	refitting	98	98	0	0	0
3.	Special-purpose rail vehicles	1,305	0	0	0	0
3.1	New acquisitions	375	0	0	0	0
3.2	regular modifications	930	0	0	0	0
3.3	refitting	0	0	0	0	0
В.	CONSTRUCTION MACHINERY	858	517	0	0	0
1.	heavy machinery	637	517	0	0	0
2.	light machinery	221	0	0	0	0
C.	ROAD VEHICLES	927	50	0	0	26
1.	passenger transport vehicles	0	0	0	0	0
2.	freight vehicles	302	0	0	0	0
3.	transport vehicles	36	0	0	0	0
4.	cars	589	50	0	0	26
5.	other vehicles		0	0	0	0
D.	INFORMATION TECHNOLOGY	3,884	88	11	0	900



SŽ-VIT	SŽ-Infrastruktura	SŽ-ŽGP Group	SŽ-ŽIP	Prometni institut Ljubljana	SŽ-Železniška tiskarna	SŽ, d. o. o.
50	800	505	0	0	0	0
0	0	0	0	0	0	0
0	0	0	0	0	0	0
0	0	0	0	0	0	0
0	0	0	0	0	0	0
50	0	0	0	0	0	0
0	0	0	0	0	0	0
50	0	0	0	0	0	0
0	0	0	0	0	0	0
0	800	505	0	0	0	0
0	122	253	0	0	0	0
0	678	252	0	0	0	0
0	0	0	0	0	0	0
0	234	107	0	0	0	0
0	52	68	0	0	0	0
0	182	39	0	0	0	0
95	141	467	98	0	0	50
0	0	0	0	0	0	0
0	49	253	0	0	0	0
0	0	36	0	0	0	0
95	92	178	98	0	0	50
0	0	0	0	0	0	0
85	214	46	26	11	0	2,503



	Investments EUR thousand	Slovenske železnice Group	SŽ-Tovorni promet	Fersped	VV-LOG	SŽ-Potniški promet
E.	PROPERTY	2,943	21	20	0	4
1.	holiday capacities	65	0	0	0	0
2.	housing	0	0	0	0	0
3.	investment maintenance (buildings)	716	0	0	0	0
4.	maintenance of tracks and switch points	0	0	0	0	0
5.	facilities for commercial activity	1,688	0	18	0	0
6.	land	256	0	0	0	0
7.	equipment	218	21	2	0	4
F.	PRODUCTION EQUIPMENT	3,339	0	28	0	11
1.	machinery and devices	372	0	24	0	11
2.	tools and equipment	361	0	2	0	0
3.	measuring equipment	81	0	0	0	0
4.	lifts and transport equipment	93	0	0	0	0
5.	parking systems	8	0	0	0	0
6.	other equipment	2,424	0	2	0	0
G.	COMMUNICATIONS EQUIPMENT	112	17	2	0	10
1.	control systems	29	0	2	0	0
2.	telephone equipment and switchboards	75	17	0	0	10
3.	video and audio equipment	8	0	0	0	0
4.	network equipment	0	0	0	0	0
н.	OTHER	225	0	0	0	0
	TOTAL	59,348	12,102	61	0	35,247



SŽ-VIT	SŽ-Infrastruktura	SŽ-ŽGP Group	SŽ-ŽIP	Prometni institut Ljubljana	SŽ-Železniška tiskarna	SŽ, d. o. o.
1,877	103	626	137	0	0	155
0	0	1	0	0	0	64
0	0	0	0	0	0	0
174	0	422	120	0	0	0
0	0	0	0	0	0	0
1,588	0	3	11	0	0	68
58	0	198	0	0	0	0
57	103	2	6	0	0	23
869	309	2,032	90	0	0	0
76	239	22	0	0	0	0
239	17	73	30	0	0	0
32	43	6	0	0	0	0
77	10	0	6	0	0	0
0	0	0	8	0	0	0
445	0	1,931	46	0	0	0
12	13	4	24	1	0	29
6	0	0	21	0	0	0
6	13	3	3	1	0	22
0	0	1	0	0	0	7
0	0	0	0	0	0	0
0	0	225	0	0	0	0
2,988	1,814	4,012	375	12	0	2,737



STATUS AND DEVELOPMENT OF CORPORATE REPORTING BY SLOVENSKE ŽELEZNICE²⁰

The Slovenske železnice Group operates in a sustainable manner, and its annual reports are compiled in accordance with the principles of sustainable reporting. We have been improving reporting since 2018 by adapting data in accordance with the Global Reporting Initiative (GRI) Standards, and have thus included new content and disclosures. We see sustainable reporting methods as a tool for the identification of new indicators and means for adapting to and implementing changes in the development function. Described in the GRI table section are general and specific standard disclosures on which we report in the scope of the GRI Standards, the most important including:

- relations with stakeholders, where we present a stakeholder map, forms of engagement and key topics of relevance to specific stakeholders;
- a uniform and more transparent presentation of the competitive environment, achievements, risks and opportunities by activity; and
- the comprehensive treatment of social responsibility through reporting on employees, cooperation with the wider social environment and environmental protection.

Despite the introduction of adjusted data in connection with the operations of Slovenske železnice and the impact of operations on the environment and society, we still do not comply with certain disclosures in accordance with the GRI Standards or only partially comply with them, while certain United Nations guidelines are less relevant for our business model. We are aware that the introduction of sustainable reporting is a process. We will therefore strive to improve the compliance of reporting with the GRI Standards, and continue with the collection of the necessary data, primarily through the unambiguous definition of material topics and boundaries.

The report covers the period 1 January to 31 December 2020.

Further development of corporate reporting will follow valid frameworks of integrated thinking and reporting. In introducing the latter, we are already following certain guiding principles defined by the International Integrated Reporting Council (IIRC), such as a focus on the future, the connectivity of information, conciseness, stakeholder engagement and reliability.

If you have any questions in connection with the annual report, please contact us at info@slo-zeleznice.si.

²⁰ GRI 102-46, 102-49, 102-50, 102-52, 102-53, 102-54, 103-1



GRI TABLE²¹

GENERAL STANDARD DISCLOSURES

Indicator	Disclosure	Section	Page	Comment
GRI 101: Fo	undation 2016			
Organisatio	nal profile			
102-1	Name of the organisation	General information and guidelines	16	
		General information regarding subsidiaries as at 31 December 2020	17	
102-2	Primary brands, products and services	Business model and development policies	20	
		Analysis by activity	67	
102-3	Location of headquarters	General information and guidelines	16	
102-4	Number of countries where the organisation operates, and names of countries where the organisation has significant operations	Analysis by activity	67	The number of countries is captured in part. The drafting of a diagram that will present activities by country is planned.
102.5	O combined the officers	General information and guidelines	16	
102-5	Ownership and legal form	Corporate governance statement	27	
102-6	Markets served (geographic and sectoral breakdown, and breakdown by type of customer)	Analysis by activity	67	
	Scale of the organisation (number of	Employees; Key HR indicators	122	
102-7	employees, number of activities, sales revenue, liabilities/equity,	Analysis of financial performance	55	
	number of products and services)	Analysis by activity	67	
102-8	Employees by type of employment, type of contract, region and gender	Employees; Key HR indicators	122	In accordance with internal rules, we do not disclose data regarding employees by contract type and region.
	Clarification of whether and how the	Corporate governance statement	27	
102-11	organisation takes into account the precautionary principle	Management of risks and opportunities	149	
102-12	Externally-developed economic, environmental and social charters, principles or other initiatives to which the organization subscribes, or which it endorses	Corporate governance statement	27	We disclose codes that relate to corporate governance. We are planning to disclose other codes that apply to the Group.
102-13	Membership in organisations	Participation in the international environment	134	We will also state the names of organisations in the next reporting cycle.

²¹ GRI 102-54, 102-55



Indicator	Disclosure	Section	Page	Comment
Strategy and	d analysis			
102-14	Statement of the highest decision-making body on the importance of sustainable development for the organisation and	Statement of the Director General	14	
102-15	Key impacts, risks and opportunities	Business environment	50	
102-13	key impacts, risks and opportunities	Analysis by activity	67	
Ethics and i	ntegrity			
102-16	Description of values, principles, standards and norms, such as codes of conduct	Business model and development policies	20	
	and ethics	Corporate governance statement	27	
Governance	1			
	Governance structure of the organisation,	General information and guidelines	16	
102-18	including committees of the highest governance body	Corporate governance statement	27	
102-22	Composition of the highest governance body and committees	Corporate governance statement	27	
Stakeholde	rengagement			
102-40	List of stakeholder groups engaged by the organisation	Engagement with the wider environment; Key stakeholders	131	
102-42	Bases for the identification and selection of stakeholders, including the frequency of engagement by stakeholder group	Engagement with the wider environ- ment; Key stakeholders	131	
102-43	Approaches to stakeholder engagement, including the frequency of engagement by stakeholder group	Engagement with the wider environ- ment; Key stakeholders	131	
102-44	Key topics and concerns that have been raised through stakeholder engagement, and how the organisation has responded to them, including through reporting	Engagement with the wider environ- ment; Key stakeholders	131	
Report prof	ile			
102-45	Entities included in the consolidated financial statements	Corporate governance statement	27	
		Corporate governance statement	27	Reporting content includes
102-46	Process of defining report content and aspect boundaries	Status and development of corporate reporting by Slovenske železnice	160	the requirements of codes and plans, and the development of corporate reporting. We are planning the definition of aspect boundaries in the future.
102-49	Significant changes from previous reporting periods in terms of scope and aspect boundaries	Status and development of corporate reporting by Slovenske železnice	160	



Indicator	Disclosure	Section	Page	Comment
102-50	Reporting period	Status and development of corporate reporting by Slovenske železnice	160	
102-51	Date of most recent previous report	Significant events in 2020	10	The audited annual report for 2019 was approved at the 9th session of the Company's Supervisory Board held on 7 August 2020.
102-52	Reporting cycle	Status and development of corporate reporting by Slovenske železnice	160	
		General information and guidelines	16	
102-53	Contact point for questions regarding the report	Status and development of corporate reporting by Slovenske železnice	160	
102-54	Claims of reporting in accordance with GRI Standards	Status and development of corporate reporting by Slovenske železnice	160	
		GRI table	161	
102-55	GRI content index	GRI table	161	
102-56	External assurance of reporting according to the GRI Standards			We are planning the external assurance of reporting according to the GRI Standards.
GRI 103: Ma	anagement approach			
		Business model and development policies		 We are planning a detailed
103-1	Explanation of material topics and their	Corporate governance statement	27	review of material aspect
103-1	boundaries	Status and development of corporate reporting by Slovenske železnice	160	boundaries in the scope of this indicator.



SPECIFIC STANDARD DISCLOSURES

Indicator	Disclosure	Section	Page	Comment
ECONOM	C IMPACTS			
GRI 201: E	conomic performance			
	Direct economic value generated and	Analysis of financial performance	55	
201-1	distributed (revenues, operating costs, employee wages and benefits, payments to the holders of equity, payments to the state (taxes), donations and other community investments)	Analysis by activity; Business performance by individual company/activity	67	
GRI 203: Ir	ndirect economic impacts			
		Analysis by activity	67	
203-1	Development and impact of infrastructure	Investments	154	
	investments and support activities	Prometni institut; Development of activities and results	97	
GRI 205: A	nti-corruption			
205-1	Total number and percentage of operations assessed for risks related to corruption and the significant risks identified	Corporate governance statement	27	
ENVIRON	MENTAL IMPACTS			
GRI 302: E	nergy			
302-1	Energy consumption within the organisation	Environmental responsibility	135	
302-4	Reduction of energy consumption within the organisation	Environmental responsibility	135	
302-5	Reduction in energy requirements of products and services	Environmental responsibility	135	We strive to make improvements in the area of energy efficiency. Specific energy consumption is otherwise in decline.
GRI 304: B	iodiversity			
304-2	Description of significant impacts of activities, products and services on biodiversity in protected areas	Environmental responsibility	135	We plan to enhance this section with specific data regarding impacts.
SOCIAL IM	PACTS			
GRI 401: E	mployment			
401-1	New employee hires and employee turnover	Employees; Key HR indicators	122	
401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees, with respect to core activities	Employees; Key HR indicators	122	In accordance with the provisions of labour law, the Slovenske železnice Group complies with the principle of the equal treatment of all employees.



Indicator	Disclosure	Section	Page	Comment
GRI 403: O	ccupational health and safety			
403-1	Clarification as to whether the organisation has an occupational health and safety system	Employees; Promotion of employee health and safety	122	
403-5	Worker training on occupational health and safety	Employees; Promotion of employee health and safety	122	We monitor the situation through the number of trainings hours.
403-6	Promotion of worker health	Employees; Promotion of employee health and safety	122	
403-9	Occupational injury rate	Employees; Promotion of employee health and safety	122	
GRI 404: T	raining and education			
404-1	Average hours of training per year per employee by gender and by employee category	Employees; Education	122	We monitor the number of training hours by individual company.
GRI 405: D	iversity and equal opportunity			
	Composition of governance bodies and the	Corporate governance statement	27	
405-1	structure of employees by employee category according to gender, age (less than 30 years, 30–50 years and over 50 years), minority group membership and other relevant indicators of diversity	Employees; Key HR indicators	122	
405-2	Ratio of basic salary and remuneration of women to men by employee category, by significant locations of operations	Employees; Key HR indicators	122	The Slovenske železnice Group pursues the principle of equal wages for all employees in accordance with the applicable labour legislation.
GRI 413: L	ocal communities			
413-1	Operations with local community engagement, impact assessments and development programs	Engagement with the wider environment; Key stakeholders	131	

COMPLIANCE WITH UNITED NATIONS GUIDELINES

Sustainable development in the railway industry and transport means finding balance between the needs of a growing population and the health of our planet by respecting environmental sustainability and security. With this in mind, we also pursue the sustainable development goals of the United Nations to support reporting, in addition to the GRI Standards and the principles of the International

Integrated Reporting Council. We make an indirect impact and, to a limited extent, direct impact by pursuing the goals of the United Nations, which are becoming the universal standard for sustainable development and represent a plan to solve the global crisis in an agreed, equitable and environmentally friendly manner.











FINANCIAL REPORT

1. CONSOLIDATED FINANCIAL STATEMENTS OF THE SLOVENSKE ŽELEZNICE GROUP

1.1 CONSOLIDATED STATEMENT OF FINANCIAL POSITION

in EUR	Note	Balance	as at
IN EUR	Note	31 December 2020	31 December 2019
ASSETS		1,008,213,484	984,548,113
A. Non-current assets		600,669,926	719,258,530
Intangible assets	2.3.1.1	25,063,410	14,765,290
Right-of-use assets in connection with leases	2.3.1.2	22,571,403	27,661,840
Property, plant and equipment	2.3.1.3	311,985,666	304,557,643
Investment property	2.3.1.4	42,806,782	43,047,874
Investments in associates	2.3.1.5	13,760,176	13,615,619
Other financial assets	2.3.1.5	2,093,464	2,093,464
Financial receivables	2.3.1.6	2,692,377	61,152,906
Operating receivables	2.3.1.7	129,043,502	243,496,628
Deferred tax assets	2.3.1.8	3,331,185	3,293,505
Other non-current assets	2.3.1.9	47,321,961	5,573,762
B. Current assets		407,543,558	265,289,583
Assets held for sale		30,025	333,029
Inventories	2.3.1.10	39,418,672	35,862,289
Financial receivables	2.3.1.11	63,909,002	6,715,601
Trade receivables	2.3.1.12	55,911,511	65,088,521
Other trade receivables	2.3.1.13	205,430,092	138,549,265
Receivables for corporate income tax	2.3.2.10	376,349	932,767
Cash and cash equivalents	2.3.1.14	42,467,907	17,808,111



		Balance a	as at
in EUR	Note	31 December 2020	31 December 2019
EQUITY AND LIABILITIES		1,008,213,484	984,548,113
A. Equity	2.3.1.15	548,275,424	541,144,769
a) Equity of the owner of the controlling company		542,390,197	535,972,121
Share capital		359,529,921	359,529,921
Share premium account		45,002,141	45,002,140
Legal reserves		3,778,009	3,778,009
Other profit reserves		46,448,165	46,448,165
Fair value reserves		-6,720,962	-3,540,193
Retained earnings		94,354,139	84,755,310
1. Retained earnings		70,367,022	59,241,388
2. Undistributed retained earnings from the financial year		23,987,117	25,513,922
Translation differences		-1,215	-1,231
b) Non-controlling interest		5,885,227	5,172,648
B. Non-current liabilities		299,436,305	281,452,438
Provisions for jubilee benefits and termination benefits	2.3.1.16	28,956,624	30,629,950
Other provisions	2.3.1.16	1,039,840	1,124,267
Non-current deferred income	2.3.1.17	1,651,372	1,645,488
Financial liabilities	2.3.1.18	130,163,570	95,885,417
Lease liabilities	2.3.1.19	13,803,685	19,963,461
Operating liabilities	2.3.1.20	123,821,214	132,203,855
C. Current liabilities		160,501,755	161,950,906
Financial liabilities	2.3.1.18	23,819,368	34,481,954
Lease liabilities	2.3.1.19	6,694,563	6,523,519
Trade payables	2.3.1.21	36,312,894	35,607,685
-			
Other operating liabilities	2.3.1.20	93,674,930	81,513,561

The accounting policies and notes are a constituent part of the financial statements and must be read in connection with them.



1.2 CONSOLIDATED STATEMENT OF PROFIT OR LOSS

in EUR	Note	2020	2019
1. Net sales revenue	2.3.2.1	407,210,561	443,472,213
2. Change in the value of inventories of finished goods and work in progress		1,674,443	-1,239,678
3. Capitalised own products and services	2.3.2.2	8,683,249	27,776,588
4. Other operating revenues	2.3.2.3	119,700,880	131,000,251
5. Costs of goods, materials and services	2.3.2.4	200,843,869	226,720,381
6. Labour costs	2.3.2.5	268,279,610	276,023,024
7. Write-downs	2.3.2.6	47,556,749	49,970,820
8. Other operating expenses	2.3.2.7	4,792,308	6,164,261
9. Operating profit or loss (1 ± 2 + 3 + 4 – 5 – 6 – 7 – 8)		15,796,597	42,130,888
10. Finance income	2.3.2.8	3,317,232	2,717,773
11. Finance costs	2.3.2.9	5,202,732	4,300,359
12. Net finance income/costs (10 – 11)		-1,885,500	-1,582,586
13. Pre-tax profit or loss (9 + 12)		13,911,097	40,548,302
14. Current tax		3,029,311	4,472,386
15. Deferred taxes	2.3.1.7	-37,681	1,045,791
16. Corporate income tax	2.3.2.10	2,991,630	5,518,177
17. Net profit or loss for the accounting period		10,919,467	35,030,125
Net profit or loss for the accounting period pertaining to:			
a) owner of the controlling company		9,773,762	34,266,572
b) non-controlling interest		1,145,705	763,553

The accounting policies and notes are a constituent part of the financial statements and must be read in connection with them.



1.3 CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

in EUR	Note	2020	2019
Net profit or loss for the accounting period		10,919,467	35,030,125
Items that will not be reclassified subsequently to profit or loss		-3,180,835	-676,177
Actuarial gains/losses		-3,180,835	-676,177
Items that may be reclassified subsequently to profit or loss		-203,988	-23,276
Exchange rate differences		15	-2,461
Translation differences		-204,003	-20,815
Other comprehensive income for financial year		-3,384,823	-699,453
Total comprehensive income for the reporting period		7,534,644	34,330,672
Total comprehensive income for the reporting period attributable to:			
a) owner of the controlling company		6,771,091	33,565,562
b) non-controlling interest		763,553	765,110

The accounting policies and notes are a constituent part of the financial statements and must be read in connection with them.



1.4 CONSOLIDATED STATEMENT OF CASH FLOWS

in I	EUR .	Note	2020	2019
A.	CASH FLOWS FROM OPERATING ACTIVITIES			
a)	Net profit or loss		10,919,467	35,030,125
	Pre-tax profit	1.2	13,911,097	40,548,302
	Corporate income tax and other taxes not included in operating expenses		2,991,630	5,518,177
b)	Adjustments for		37,682,822	50,139,541
	Amortisation and depreciation (+)	2.3.2.6	45,275,997	44,996,945
	Revaluation operating revenues (-)		-2,423,169	-2,984,757
	Revaluation operating expenses (+)	2.3.2.6	2,280,752	4,973,875
	Finance income, excluding finance income from operating receivables (-)	2.3.2.8	-2,526,201	-2,318,297
	Finance costs, excluding finance costs from operating liabilities (+)	2.3.2.9	4,836,611	4,056,979
	Revenues from the acquisition of superficies, property, plant and equipment and investment property		-41,303	-526,572
	Actuarial calculation of provisions for employee benefits		-4,727,186	267,240
	Calculation of other provisions		168,260	188,453
	Tax expenses		-3,439,699	2,681,112
	Reversal of accrued revenues and expenses		-1,017,369	-947,751
	Other adjustments to revenues and expenses		-703,871	-247,686
c)	Changes in net working capital (and provisions and deferred tax assets and liabilities) from balance sheet operating items		-8,383,769	-49,356,742
	Opening less closing operating receivables		-1,631,785	-73,295,803
	Opening less closing inventories		-5,170,860	-3,208,194
	Closing less opening operating liabilities		-774,574	28,438,679
	Closing less opening provisions		-806,550	-1,291,424
č)	Net cash flows from operating activities (a + b + c + d + e)		40,218,520	35,812,924
В.	CASH FLOWS FROM INVESTING ACTIVITIES			
a)	Receipts from investing activities		5,352,386	67,694,146
	Inflows from interest received, and shares in the profit of others		2,590,009	852,170
	Inflows from disposal of property, plant and equipment	2.3.1.3	2,087,845	1,625,441
	Inflows from disposal of investment property	2.3.1.4	584,582	1,433,867
	Inflows from the disposal of financial assets		89,950	63,782,668



in	EUR	Note	2020	2019
b)	Disbursements from investing activities		-34,964,714	-260,307,799
	Outflows for acquisition of intangible assets	2.3.1.1	-4,270,443	-1,911,078
	Outflows for acquisition of property, plant and equipment	2.3.1.3	-30,357,794	-229,515,240
	Outflows for acquisition of investment property	2.3.1.4	-44,160	-1,366,148
	Outflows for the acquisition of participating interests in subsidiaries		-287,100	-430,650
	Outflows for the acquisition of financial assets		-5,217	-27,084,683
c)	Net cash flows from investing activities (a + b)		-29,612,328	-192,613,653
C.	CASH FLOWS FROM FINANCING ACTIVITIES			
a)	Proceeds from financing activities		349,000,000	332,150,000
	Inflows from the increase in financial liabilities for recapitalisation		0	0
	Inflows from the increase in financial liabilities	2.3.1.18	349,000,000	332,150,000
b)	Disbursements from financing activities		-334,943,383	-339,063,036
	Outflows for interest paid on leases		-575,869	-703,527
	Outflows for other interest paid		-2,024,064	-2,364,504
	Outflows for the repayment of financial liabilities	2.3.1.18	-325,693,898	-326,897,986
	Outflows for the repayment of lease liabilities	2.3.1.19	-6,245,562	-5,632,050
	Outflows for the payment of dividends and other shares in profit	2.3.1.15	-403,990	-3,464,969
c)	Net cash flow from financing activities (a + b)		14,056,617	-6,913,036
č.	CLOSING BALANCE OF CASH AND CASH EQUIVALENTS	2.3.1.14	42,467,907	17,808,111
x)	Net cash flow in period (sum of Ac, Bc and Cc)		24,662,809	-163,713,765
	+/- Calculated exchange rate differences from foreign currency assets		-3,013	-429
y)	Opening balance of cash and cash equivalents	2.3.1.14	17,808,111	181,522,305

The accounting policies and notes are a constituent part of the financial statements and must be read in connection with them.



1.5 CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

in the period 1 January to 31 December 2020

in EUR	Share capital	Share premium	Legal reserves	Other profit
		account	G	reserves
Opening balance for reporting period	359,529,921	45,002,140	3,778,009	46,448,165
Changes in equity (transactions with owners)	0	0	0	0
Payment of shares in profit and dividends				
Changes in total comprehensive income for the reporting period	0	0	0	0
Entry of net profit or loss for the reporting period				
Items that will not be reclassified subsequently to profit or loss				
Exchange rate differences				
Changes in equity	0	0	0	0
Allocation of remaining portion of net profit for comparable reporting period to other equity items				
Coverage of loss as equity deduction item				
Closing balance for the reporting period	359,529,921	45,002,140	3,778,009	46,448,165



				earnings	Retained	
Total	Non-controlling interest	Equity of the owner of the controlling company	Translation differences	Undistributed net profit or loss for the financial year	Retained earnings	Fair value reserves
541,144,769	5,172,648	535,972,121	-1,231	25,513,922	59,241,388	-3,540,193
-403,990	-403,990	0	0	0	0	0
-403,990	-403,990					
7,534,644	1,116,569	6,418,075	15	9,773,762	-174,933	-3,180,769
10,919,467	1,145,705	9,773,762		9,773,762		
-3,384,838	-29,136	-3,355,702			-174,933	-3,180,769
15		15	15			
0	0	0	0	-11,300,567	11,300,567	0
0		0		-25,513,922	25,513,922	
0		0		14,213,355	-14,213,355	
548,275,423	5,885,227	542,390,196	-1,216	23,987,117	70,367,022	-6,720,962

The accounting policies and notes are a constituent part of the financial statements and must be read in connection with them.



in the period 1 January to 31 December 2019

in EUR	Share capital	Share premium account	Legal reserves	Other profit reserves
Opening balance for reporting period	205,274,421	45,002,140	2,917,693	38,275,168
Changes in equity – transactions with owners	154,255,500	0	0	0
Entry of additional paid-up capital	154,255,500			
Payment of shares in profit and dividends				
Changes in total comprehensive income for the reporting period	0	0	0	0
Entry of net profit or loss for the reporting period				
Actuarial gains/losses				
Exchange rate differences				
Other changes				
Changes within equity	0	0	860,316	8,172,997
Allocation of remaining portion of net profit for comparable reporting period to other equity items				
Allocation of a portion of net profit from the reporting period to other components of equity			860,316	8,172,997
Closing balance for the reporting period	359,529,921	45,002,140	3,778,009	46,448,165



				Retained earnings		
Total	Non-controlling interest	Equity of the owner of the controlling company	Translation differences	Undistributed net profit or loss for the financial year	Retained earnings	Fair value reserves
356,023,566	4,872,507	351,151,059	1,230	17,630,904	45,034,736	-2,985,233
150,790,531	-464,969	151,255,500	0	0	-3,000,000	0
154,255,500		154,255,500				
-3,464,969	-464,969	-3,000,000			-3,000,000	
34,330,672	765,110	33,565,562	-2,461	34,266,572	-143,589	-554,960
35,030,125	763,553	34,266,572		34,266,572		
-676,177		-676,177			-128,593	-547,584
-2,461		-2,461	-2,461			
-20,815	1,557	-22,372			-14,996	-7,376
0	0	0	0	-26,383,554	17,350,241	0
				-17,350,241	17,350,241	
				-9,033,313		
541,144,769	5,172,648	535,972,121	-1,231	25,513,922	59,241,388	-3,540,193

The accounting policies and notes are a constituent part of the financial statements and must be read in connection with them.



2. NOTES TO THE FINANCIAL STATEMENTS

Slovenske železnice, d. o. o. is the controlling company of the Slovenske železnice Group. Its registered office is located at Kolodvorska 11 in Ljubljana. The consolidated financial statements for the period ending 31 December 2020 relate to the Slovenske železnice Group, which comprises the controlling company and its subsidiaries. The consolidated financial statements of the Slovenske železnice Group for the year ending 31 December 2020 are presented below. The consolidated financial statements include Slovenske železnice, d. o. o. and its subsidiaries, and the Slovenske železnice Group's participating interests in associates (hereinafter: the Group). A detailed overview of the composition of the Slovenske železnice Group is presented in the section Governance of subsidiaries in the business report.

2.1 BASIS FOR COMPILING THE FINANCIAL STATEMENTS

Statement of compliance

The financial statements have been compiled in accordance with the International Financial Reporting Standards (IFRS) adopted by the International Accounting Standards Board (IASB) and the interpretations of the International Financial Reporting Interpretations Committee (IFRIC) as adopted by the EU, and in accordance with the Companies Act (ZGD).

In terms of consolidating EU standards, there were no differences in Slovenske železnice, d. o. o.'s accounting policies on the statement of financial position date between the IFRS as applied and the IFRS as adopted by the European Union.

The Management Board of Slovenske železnice, d. o. o. approved the financial statements on 18 June 2021.

Basis of measurement

The financial statements have been compiled on an historical cost basis.

Functional and reporting currency

The financial statements have been compiled in euros (EUR) without cents, the euro being the Company's functional and reporting currency. Minor differences may arise in the sums of figures in tables due to the rounding of values.

Use of estimates and judgements

The compilation of the financial statements is also based on certain estimates and assumptions made by the Company's Management Board that affect the carrying amount of assets and liabilities, as well as the revenues and expenses disclosed during the accounting period. Those estimates include, inter alia, the determination of the useful lives and residual value of property, plant and equipment, intangible assets and assets under lease, adjustments to the value of inventories and receivables, assumptions required for the actuarial calculation in connection with defined employee benefits, assumptions included in the calculation of potential provisions for lawsuits, assumptions regarding future taxable profit for the calculation of deferred taxes, assumptions regarding the future operations of subsidiaries and associates, and assumptions used to determine the potential impairment of other financial assets. Despite the fact that the Company's Management Board carefully considers all factors that affect the drafting of assumptions during that process itself, the actual consequences of events may vary from estimates. Judgement must therefore be used in accounting estimates, and potential changes in the business environment, new business events, additional information and past experiences taken into account. The most significant change in the business environment in 2020 was the result of the COVID-19 epidemic, which the Slovenske železnice Group and Slovenske železnice, d. o. o. handled appropriately.



Presented below are the main assessments and assumptions as at the statement of financial position date that are linked to future operations, including the continuation of the COVID-19 epidemic in 2021, and that could result in material adjustments to the carrying amount of assets and liabilities. Information regarding significant assessments of uncertainty and critical judgements drawn up by the Company's Management Board according to valid accounting policies that have the greatest effect on the amounts in the financial statements are described in the notes that follow. Other disclosures and details are presented in the accounting policies.

• Testing of assets for impairment

Information regarding significant assessments of uncertainty and critical judgements drawn up by the Group and/or Company in the application of accounting policies that have the greatest effect on the amounts in the financial statements were used in the assessment of values of:

- investment property (note 2.3.1.4);
- goodwill (note 2.3.1.1.);
- investments in subsidiaries (note 6.6.1.5);
- non-current financial assets (note 2.3.1.5); and
- other current operating receivables (note 2.3.1.13).

• Post-employment benefits

The present value of retirement benefits is recorded in commitments for post-employments benefits. Those benefits are recognised on the basis of an actuarial calculation which is approved by the management board of the controlling company, which is based on assumptions and estimates valid at the time of the calculation. Those assumptions and estimates may vary from actual assumptions in the future due to changes. The aforementioned changes relate primarily to the definition of the discount rate, estimates of employee turnover and mortality rates, and estimates of wage growth. Commitments for post-employment benefits are sensitive to changes in those estimates due to the complexity of the actuarial calculation and the long-term nature of this item.

• Provisions for lawsuits and contingent liabilities

Provisions are recognised if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation. Contingent liabilities are not disclosed in the financial statements, as their actual existence will be confirmed by the occurrence or non-occurrence of events in the unforeseeable future, over which the Company has no influence. The Management Board of the controlling company regularly verifies whether an outflow of resources embodying economic benefits is probable to settle a contingent liability. If this becomes probable, the contingent liability is reclassified, such that the associated provisions are created in the financial statements at the moment the level of probability changes.

• Deferred tax assets

Deferred tax assets are recognised in connection with the creation of provisions for jubilee benefits and retirement benefits, provisions for guarantees issued, tax losses and unused tax allowances for investments. Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the deferred tax assets can be utilised.



2.2 SIGNIFICANT ACCOUNTING POLICIES

Significant accounting policies

The Slovenske železnice Group applied the same accounting policies in all the periods presented in the enclosed consolidated financial statements. Slovenske železnice Group companies apply standard accounting policies.

The Slovenske železnice Group comprises the following companies:

- Slovenske železnice, d. o. o. (controlling company),
- SŽ-Tovorni promet, d. o. o. (100% owned by the controlling company),
- SŽ-Potniški promet, d. o. o. (100% owned by the controlling company),
- SŽ-Infrastruktura, d. o. o. (100% owned by the controlling company),
- SŽ-Vleka in tehnika, d. o. o. (100% owned by the controlling company),
- SŽ-Železniško gradbeno podjetje Ljubljana, d. d. (79.82% owned by the controlling company),
- Prometni institut Ljubljana, d. o. o. (100% owned by the controlling company),
- SŽ-Železniška tiskarna Ljubljana, d. d. (64.28% owned by the controlling company),

- SŽ-ŽIP, storitve, d. o. o. (100% owned by the controlling company),
- Fersped, d. o. o. (100% owned by the controlling company),
- VV-LOG, d. o. o. (2/3 owned by Fersped, d. o. o. and 1/3 owned by the company itself),
- Kamnolom Verd, d. o. o. (100% owned by SŽ-Železniško gradbeno podjetje Ljubljana, d. d.),
- SŽ-ŽGP, d. o. o., Podgorica, Montenegro (100% owned by SŽ-Železniško gradbeno podjetje Ljubljana, d. d.),
- SŽ-ŽIP, d. o. o., Savudrija, Croatia (100% owned by SŽ-ŽIP, storitve, d. o. o.), and
- SI-Cargo Logistics, d. o. o., Belgrade, Serbia (100% owned by SŽ-Tovorni promet, d. o. o.)

The voting rights connected with all of the aforementioned companies are equal to the participating interests in their capital.

Fercargo, d. o. o., Sarajevo (Bosnia and Herzegovina), which is 70% owned by Fersped, d. o. o., is excluded from consolidation due to a lack of control.

The accounting policies relate to both the Slovenske železnice Group and Slovenske železnice, d. o. o., and are only presented in the first part of the financial report.

NEW STANDARDS AND AMENDMENTS TO EXISTING STANDARDS ISSUED BY THE IASB BUT NOT YET ADOPTED BY THE EU

Standard/interpretation	Effective from	Effect on the financial statements
Amendments to IAS 16 Property, Plant and Equipment	1 January 2022	No material effect
Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets	1 January 2022	Being studied
Amendments to IAS 1 Presentation of Financial Statements	1 January 2023	Being studied



Amendments to IAS 16 Property, Plant and Equipment

The amendments to the standard prohibit the deduction of proceeds from the sale of items produced while preparing items of property, plant and equipment for their intended use. The amendments are effective for annual periods beginning on or after 1 January 2022. Early application of the amendment to the standard is permitted. The European Union has not yet approved the amendments to the standard. The Slovenske železnice Group and Slovenske železnice, d. o. o. do not expect amendments to the standard to have a material impact on their financial statements.

Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets

The amendments relate the determination of the costs that are taken into account when defining the costs of the fulfilment of a contract when determining whether a contract is onerous. The amendments are effective for annual periods beginning on or after 1 January 2022. Early application of the amendment to the standard is permitted. The European Union has not yet approved the amendments to the standard. The Slovenske železnice Group and Slovenske železnice, d. o. o. are studying whether the amendments to the standard will have a material impact on their financial statements.

Amendments to IAS 1 Presentation of Financial Statements

The amendments to the standard are intended to provide assistance in deciding whether debt and other liabilities with an uncertain settlement date should be classified as current or non-current liabilities in the statement of financial position, and thus ensure greater consistency in compliance with requirements. The amendments affect the presentation of liabilities in the statement of financial position, but do not change existing requirements in connection with the measurement or timing of the recognition of assets, liabilities, revenues or expenses, or the information that is disclosed in those items. The amendments to the standard also clarify requirements in connection with the classification of debt that a company could settle through the issue of equity instruments. Early application of the amendment to the standard is permitted. The European Union has not yet approved the amendments to the standard. The Slovenske železnice Group and Slovenske železnice, d. o. o. are studying whether the amendments to the standard will have a material impact on their financial statements.

ENTRY INTO FORCE OF THE LATEST AMENDMENTS TO EXISTING STANDARDS THAT APPLY DURING THE CURRENT ACCOUNTING PERIOD

Standard/interpretation	Effective from	Effect on the financial statements
Conceptual Framework for the IFRS	1 January 2020	No material effect
Amendments to IAS 1 and IAS 8	1 January 2020	No material effect
Amendments to IFRS 3	1 January 2020	No material effect
Amendments to IFRS 9, IAS 39 and IFRS 7	1 January 2020	No material effect
Amendments to IFRS 16	1 January 2020	No material effect



Conceptual Framework for the IFRS

The International Accounting Standards Board has published a revised Conceptual Framework for Financial Reporting. That document includes amendments to IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37 and IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22 and SIC-32. The purpose of the amendments is to offer support in the transition to the revised Conceptual Framework to companies that develop their accounting policies with the help of that framework, based on the instructions set out therein, when certain transactions are not covered by any IFRS. For companies that adopt their accounting standards based on the Conceptual Framework, the revised version of that framework applies for annual periods beginning on or after 1 January 2020. The amendments to the standard did not have a material impact on the financial statements of the Slovenske železnice Group and Slovenske železnice, d. o. o.

Amendments to IAS 1 and IAS 8

The amendments clarify the definition of the term 'material' and how it is used. According to the new definition, information is material if omitting, misstating or obscuring it could reasonably be expected to influence general decisions that the users of financial statements make on the basis of those financial statements, which provide financial information about a reporting entity. The amendments also ensure that the definition of the term 'material' is harmonised with all IFRS. The amendments are effective for annual periods beginning on or after 1 January 2020. The introduction of the amendments to IAS 1 and IAS 8 did not have a material impact on the financial statements of the Slovenske železnice Group and Slovenske železnice, d. o. o.

Amendments to IFRS 3 Business Combinations

The IASB published amendments to the definition of a business with the aim of eliminating uncertainty when determining whether a transaction involves the acquisition of a business or group of assets. Amendments to IFRS 3:

 clearly define the minimum characteristics that a related set of activities and assets must have to be treated as a business;

- eliminate the assessment of market participants' ability to replace missing elements and processes for the continued generation of income;
- provide a narrower definition of a business and income;
 and
- provide for an optional concentration test that simplifies the assessment of whether an acquired set of assets is a business combination or not.

The amendments apply to business combinations for which the acquisition date is in the annual reporting period beginning on or after 1 January 2020 and to asset acquisitions that occur on or after the beginning of that period. The introduction of the amendments to IFRS 3 did not have a material impact on the financial statements of the Slovenske železnice Group and Slovenske železnice, d. o. o.

Amendments to IFRS 9, IAS 39 and IFRS 7

The International Accounting Standards Board published amendments to IFRS 9, IAS 39 and IFRS 7 during the final phase of the response to the effects of interbank offered rate reform on financial reporting by companies. The amendments address matters that could affect financial reporting in the period prior to the replacement of an existing interest rate benchmark with an alternative interest rate, and the implications for specific hedge accounting requirements set out in IFRS 9, IAS 39 and IFRS 7, where the Company must take into account the results of an analysis of future operations. The Company may apply a temporary exemption for recognising all hedges on which the interbank offered rate reform could have a direct effect, and may continue with the recognition of hedge accounting during the period of uncertainty prior to the replacement of an existing interest rate benchmark with an alternative, nearly risk-free interest rate. The amendments to IFRS 7 Financial Instruments relate to additional disclosures regarding uncertainty arising from the interest rate benchmark reform. The introduction of the amendments to IFRS 9, IAS 39 and IFRS 7 did not have a material impact on the financial statements of the Slovenske železnice Group and Slovenske železnice, d. o. o.



Amendments to IFRS 16 Leases

Rent concessions in connection with COVID-19 allow lessees to waive the application of the requirements of IFRS 16 in the calculation of modifications that are the result of the COVID-19 pandemic, but to apply a practical expedient whereby every lease modification that is the direct result of the COVID-19 pandemic is calculated in the same way as other lease modifications under IFRS 16, provided that the following conditions are met:

- a change in lease payments results in a change in consideration for a lease that is equal to or less than the consideration defined immediately prior to that change;
- each reduction in lease payments only affects payments that according to the original agreement fall due for payment on or before 30 June 2021; and
- all other conditions of the lease remain largely unchanged.

The introduction of the amendments to IFRS 16 did not have a material impact on the financial statements of the Slovenske železnice Group and Slovenske železnice, d. o. o.

Individual accounting policies

a) Basis for consolidation

The consolidated financial statements of the Slovenske železnice Group include the financial statements of the controlling company Slovenske železnice, d. o. o. and its subsidiaries. The financial statements of Slovenske železnice Group companies are compiled for the same reporting period as the controlling company and applying the same accounting policies. The COVID-19 epidemic had no impact on the accounting policies of the Slovenske železnice Group in 2020.

Business combinations

Business combinations are accounted for according to the acquisition method on the day of the acquisition or when the acquiring company obtains control. Identifiable assets acquired and liabilities assumed are measured at fair value on the acquisition date.

The Slovenske železnice Group recognises goodwill as an asset that represents future economic benefits deriving

from assets acquired in a business combination that are not defined individually and recognised separately.

Following initial recognition, the Group verifies once a year whether factors exist that could have a negative impact on the future cash flows of a cash-generating unit obtained in a business combination. A reduction in the value of a cash-generating unit is recognised in the financial statements as the impairment of goodwill or the assets of a cash generating unit, and is charged to current operating results.

Subsidiaries

A subsidiary is a legally independent company that is directly or indirectly controlled by Slovenske železnice, d. o. o.

The Company exercises control over another company when:

- it holds the majority of voting rights in the other company;
- it has the right to appoint and recall the majority of members of the Management Board or Supervisory Board of the other, and is also a partner of that company;
- it has the right to a controlling influence over the other company based on an enterprise agreement or other legal basis;
- it is a partner of the other company, and it controls the majority of voting rights based on an agreement with the other partners of that company; and
- it has a controlling influence over the company, i.e. it actually performs the management of that company, or the management of that company is subordinate to it.

The financial statements of subsidiaries are included in the consolidated financial statements of the Slovenske železnice Group from the date that control is assumed until the date that it ceases. The accounting policies of subsidiaries have been harmonised with those of the Slovenske železnice Group.

When the Slovenske železnice Group loses control over a subsidiary:

- the assets and liabilities of the former subsidiary, noncontrolling interests, and other components of equity relating to that subsidiary are derecognised;
- any gain or loss in connection with the loss of control that can be attributed to the former controlling interest is recognised; and



• any interest retained by the Slovenske železnice Group in a former subsidiary is disclosed in other financial assets.

Slovenske železnice, d. o. o. accounts for investments in subsidiaries in its financial statements at historical cost. Slovenske železnice, d. o. o. recognises revenues from financial assets in the amount it receives from the distribution of a subsidiary's profits that accumulated following the date of acquisition of a particular financial asset.

The controlling company takes into account the following signs when assessing whether there is any indication that an asset (i.e. investment in a subsidiary) is impaired:

- from external sources:
- significant changes in the technological, market, economic or legal environment;
- in a period of rising interest rates, the impact of that rise on the discount rate;
- the carrying amount of assets is higher than their market capitalisation:
- · from internal sources:
- the commercial success of an investment is lower than expected;
- the carrying amount of an investment in the separate financial statements exceeds the value of the net assets of the company in which that investment was made in the consolidated financial statements, including the associated goodwill; and
- actual net cash flows or operating results that flow from an investment are significantly lower than planned.

The value of an investment in a subsidiary is assessed using the income-based approach, which requires the identification of returns that are discounted to their present value.

Pursuant to the provisions of Article 533 of the Companies Act, control agreements have been concluded with the following subsidiaries: SŽ-Tovorni promet, d. o. o, SŽ-Potniški promet, d. o. o., SŽ-Infrastruktura, d. o. o., SŽ-Prometni institut, d. o. o., SŽ-Vleka in tehnika, d. o. o., SŽ-ŽIP, d. o. o. and Fersped, d. o. o. Pursuant to Article 542 of the Companies Act, the controlling company must settle the annual losses of a subsidiary for the duration of a control agreement, if such losses are not covered by other profit reserves to which profit was allocated for the duration of an agreement.

Controlled companies within the Slovenske železnice Group disclosed a profit in 2020, with the exception of SŽ-ŽIP, d. o. o. and SŽ-Vleka in tehnika, d. o. o., whose respective losses in the amount of EUR 3,423,014 and EUR 9,688,274 were covered by the controlling company pursuant to Article 542 of the Companies Act.

Investments in associates

Associates are companies over which the Group exercises significant influence, but does not control their financial and business policies. Investments in associates are initially recognised at historical cost in the individual financial statements. In the consolidated financial statements, those investments are accounted for according to the equity method. The consolidated financial statements of the Slovenske železnice Group include the latter's share of the profits and losses of associates calculated according to the equity method. If the Slovenske železnice Group's share in the loss of an associate exceeds its investment in the capital of that company, the carrying amount of the Group's interest is reduced to zero, while its share in future losses is no longer recognised.

If the historical cost of an investment in an associate exceeds the fair value of the assets and liabilities recognised on the acquisition date, that amount is recognised as goodwill, such that historical cost and goodwill comprise the total value of the investment in the associate. If the fair value of recognised assets and liabilities is less than the value of the investment, that difference is recognised in profit or loss on the acquisition date.

Transactions excluded from the consolidated financial statements

Internal assets and liabilities, equity, revenues, expenses and cash flows in connection with transactions between Group companies are excluded in full when compiling the consolidated financial statements. Gains and losses from internal transactions within the Slovenske železnice Group are excluded in full, and recognised in assets, such as inventories and fixed assets. Unrealised gains from transactions with associates (accounted for according to the equity method) are only eliminated to the extent of the Slovenske železnice Group's interest in an associate. Unrealised losses are excluded in the same manner as gains.



b) Conversion of foreign currencies

Transactions in foreign currencies

Transactions denominated in a foreign currency are translated into the functional currency of the Slovenske železnice Group (i.e. the euro) at the applicable exchange rate on the transaction date. Monetary assets and liabilities denominated in a foreign currency at the end of the reporting period are translated into the functional currency at the applicable exchange rate at that time. Positive and negative exchange rate differences comprise differences between amortised cost denominated in the functional currency at the beginning of the period, adjusted for effective interest and payments made during the period, and amortised cost in a foreign currency translated at the exchange rate applicable at the end of the period. Nonmonetary assets and liabilities denominated in a foreign currency and measured at fair value are translated into the functional currency at the exchange rate applicable on the day on which the fair value was determined. Non-monetary items denominated in a foreign currency and measured at historical cost are translated into the functional currency at the exchange rate on the transaction date. Exchange rate differences are recognised in the statement of profit or loss

Financial statements of Slovenske železnice Group companies

The consolidated financial statements of the Slovenske železnice Group are compiled in euros. The items from the financial statements of each Slovenske železnice Group company included in the financial statements are translated to the functional currency in the following manner for the needs of the consolidated financial statements:

- assets and liabilities in each presented statement of financial position (including goodwill) are translated at the ECB's exchange rate on the reporting date; and
- revenues and expenses of foreign companies are translated into euros at the exchange rate applicable on the transaction date.

Exchange rate differences are recognised in other comprehensive income and disclosed in the item 'exchange rate differences' within equity. The proportionate amount of exchange rate differences is allocated to the non-controlling interest for subsidiaries that are not under full ownership. If a foreign subsidiary is disposed of in such

a way that control no longer exists, the relevant amount accumulated in the translation reserve is reallocated to profit or loss as a gain or loss from disposal.

Intangible assets

Intangible assets are non-monetary assets that typically do not exist in physical form. They include intangible assets with finite useful lives, which are disclosed at historical cost less amortisation and any impairment loss, and intangible assets with indeterminable useful lives, which are disclosed at historical cost less any impairment loss.

Intangible assets comprise non-current deferred development costs, investments in industrial property rights (concessions, patents, licences, trademarks, etc.), and other rights and investments in the goodwill of acquired companies.

Intangible assets are recognised in the books of account and statement of financial position if it is probable that the economic benefits embodied within them will flow to the Company and their historical cost can be measured reliably. Intangible assets are derecognised and deleted from the books of account and the statement of financial position upon disposal or whenever no economic benefits whatsoever are expected from their use and subsequent disposal. The carrying amount of an intangible asset is reduced by amortisation over the useful life of the asset. The Company uses the straight-line method of amortisation.

Intangible assets are disclosed in the books of account as a separate historical cost or revalued historical cost, a separate value adjustment as the cumulative write-down resulting from amortisation, and a separate impairment loss; they are disclosed in the statement of financial position at their carrying amount, which is the difference between historical cost and value adjustments, and accumulated impairment losses. Intangible assets are valued using the historical cost model.

Intangible assets must be revalued for reasons of impairment if their carrying amount exceeds their recoverable amount. The recoverable amount is the greater of fair value less selling costs, or value in use.

If the recoverable amount of an intangible asset is lower than its carrying amount, the asset's carrying amount is



reduced to its recoverable amount. Such a reduction is deemed an impairment loss.

The Company takes into account external and internal sources of information when assessing whether there are any indications that an asset is impaired. Significant indications that an asset could be impaired include losses disclosed by the Company over the last three years and business plans that do not indicate a significant improvement in operations in future years. Normalised earnings are used as a criterion.

The present value of expected free cash flows method was used to test goodwill for impairment as at 31 December 2020. The cash flows used in that method are based on the five-year financial plans of the relevant cash-generating unit. All assumptions applied in the calculation of net cash flows are based on a company's past operations and reasonable expectations regarding operations in the future. The only goodwill within the Slovenske železnice Group is disclosed by Fersped, d. o. o. and VV-LOG, d. o. o. Goodwill was tested with the help of a certified business valuer.

Property, plant and equipment

The Company's property, plant and equipment comprises land and buildings, equipment, and other items of property, plant and equipment and small inventory with a useful life exceeding one year. Property, plant and equipment includes small inventory with a useful life exceeding one year, where a specific historical cost according to a supplier calculation does not exceed EUR 500. Otherwise, items of small inventory are classified as material. New purchases of property, plant and equipment are classified to small inventory and equipment in accordance with the initial classification of the same types of assets, notwithstanding the value of EUR 500. Replacement parts used for investments in items of property, plant and equipment are accounted for as inventories of material.

Items of property, plant and equipment are disclosed in the books of account as a separate original cost or revalued original cost, and a separate adjustment to value, where the adjustment to value represents the cumulative writedown resulting from depreciation. They are disclosed in the statement of financial position at their carrying amount (book value), which is equal to historical cost less the accumulated write-down.

Items of property, plant and equipment that meet conditions for recognition are initially recognised according to the historical cost model.

The historical cost of an item of property, plant and equipment comprises the purchase price plus import duties and other non-refundable purchase taxes, and other costs required to make the asset fit for use. Trade and other discounts are subtracted from the purchase price. Historical cost also includes interest expenses and other costs arising from loans for assets that are acquired over a period of six months or more and for which the expected historical cost accounts for more than 1% of the carrying amount of all items of property, plant and equipment, but only until the item of property, plant and equipment is fit for use. Historical cost is increased by the costs of the associated specific-purpose loan; in other cases, borrowing costs are capitalised applying the average interest rate for bank loans.

Estimated costs of decommissioning, disposal and returning a site to its original state do not generally increase the historical cost of items of property, plant and equipment at the time of acquisition, provided that such costs are immaterial (i.e. they do not exceed 10% of the item's historical cost) or if in the majority of cases those costs are covered by the sale of waste material at the time of an item's disposal. The historical cost of an item of property, plant and equipment constructed or manufactured by the Company comprises the costs that arose during the construction or manufacture of that asset, and the indirect costs of construction or manufacture that can be attributed to the asset. When new items of property, plant and equipment (rolling stock and buildings) are purchased, their historical cost is broken down into parts, provided that those parts have different useful lives and/or patterns of usage that are material with respect to the total historical cost of the item of property, plant and equipment in question. Each part of an item of property, plant and equipment is then treated separately. Planned periodic costs associated with regular inspections and repairs of rolling stock are treated as parts of the associated items of property, plant and equipment.



Amortisation/depreciation and revaluation

The straight-line depreciation method is used. Amortisation and depreciation are calculated separately, and are only calculated collectively for small inventory of the same type or similar purpose. The depreciation of items of property,

plant and equipment under finance leasing is in line with the depreciation of similar items of property, plant and equipment owned by the Company or taking into account the lease term, if the latter is shorter.

AMORTISATION AND DEPRECIATION RATES APPLIED IN 2020 AND 2019

	Lowest	Highest
1. Buildings	0.50%	17.00%
2. Production equipment	2.00%	100.00%
3. Computer equipment	14.00%	100.00%
4. Motor vehicles	10.00%	25.00%
5. Other equipment	2.00%	25.00%
6. Intangible assets	5.00%	50.00%

The amortisation and depreciation rates used in 2020 were unchanged relative to the previous year. The revaluation of an item of property, plant and equipment entails a change in its carrying amount as the result of impairment.

Items of property, plant and equipment must be revalued for reasons of impairment if their carrying amount exceeds their recoverable amount. The recoverable amount is the greater of fair value less selling costs, or value in use.

If the recoverable amount of an item of property, plant and equipment is lower than its carrying amount, the asset's carrying amount is reduced to its recoverable amount. Such a reduction is deemed an impairment loss.

The Company takes into account external and internal sources of information when assessing whether there are any indications that an asset is impaired. Significant indications that an asset could be impaired include losses disclosed by the Company over the last three years and business plans that do not indicate a significant improvement in operations in future years. Normalised earnings are used as a criterion.

Leases

The Slovenske železnice Group and Slovenske železnice, d. o. o. have various commercial real estate (land, business premises and buildings), equipment and cars under lease. Lease terms are the subject of individual negotiations and vary depending on the term and type of lease. When entering into a contract, the Slovenske železnice Group and Slovenske železnice, d. o. o. assess whether it is a lease agreement or whether it contains a lease. A contract contains a lease if it conveys the right to control of an identified asset for a period of time (typically longer than one year) in exchange for consideration. The Slovenske železnice Group and Slovenske železnice, d. o. o. define the lease term based on the period in which a lease cannot be terminated, taking into account the period covered by an extension option and the period covered by a termination option. The Slovenske železnice Group and Slovenske železnice, d. o. o. assess the likelihood of the exercise of the aforementioned options.



The lease term depends on the type of asset and varies as follows:

- for land: up to 45 years;
- for business premises and buildings: up to 15 years;
- for rolling stock: up to 20 years;
- · for other equipment: up to 30 years; and
- for vehicles: up to 10 years.

The Slovenske železnice Group and Slovenske železnice, d. o. o. use a standard approach for recognising and measuring all leases, except short-term leases and low-value leases, which are disclosed as a cost in the period to which a lease relates.

The Slovenske železnice Group and Slovenske železnice, d. o. o. recognise a right-of-use asset at the inception of a lease. Right-of-use assets in connection with leases are measured at historical cost less value adjustments and impairment losses, with an adjustment to historical cost at each remeasurement of lease liabilities. The historical cost of right-of-use assets in connection with leases comprises the amount of the initially measured lease liability, initial direct costs and lease payments that were made at or prior to the commencement of a lease, less lease incentives.

The depreciation rates for right-of-use assets in connection with leases are as follows:

land: 2.00% to 50.00%
buildings: 6.00% to 100.00%
rolling stock: 5.00% to 100.00%
other equipment: 3.00% to 50.00%
vehicles: 10.00% to 50.00%

If, at the conclusion of a lease, ownership of the leased asset is transferred to a Slovenske železnice Group company or a Slovenske železnice Group company exercise the purchase option, depreciation is calculated based on the assessed useful life of the asset.

Liabilities for leased assets are recognised at the present value of remaining lease payments over the entire lease, which is calculated as the discounted value of lease payments that the Slovenske železnice Group and Slovenske železnice, d. o. o. will pay over the lease term in accordance with the lease agreement. Lease payments comprise fixed lease payments less all receivables for lease incentives, and variable lease payments. Lease payments also include the exercise price for the purchase option if it is probable that

the Slovenske železnice Group and Slovenske železnice, d. o. o. will exercise that option, as well as the payment of a penalty for the termination of a lease if it is probable that the Slovenske železnice Group and Slovenske železnice, d. o. o. will exercise the termination option.

In calculating the present value of lease payments, the Slovenske železnice Group and Slovenske železnice, d. o. o. apply the incremental borrowing rate on the day a lease commences, as the interest rate cannot be determined in a lease agreement. After the commencement of a lease, the amount of lease liabilities is increased for accrued interest and reduced for all executed lease payments. The carrying amount of lease liabilities is remeasured in the event of an adjustment or change to the lease term, a change in lease payments as the result of a change in the index or rate used to determine those payments, or a change in the assessment of the purchase option.

At the commencement of a lease, lease liabilities are equal to the value of the associated right-of-use asset and is reduced for payments, while the value of the right-of-use asset is reduced by depreciation charged over the lease term. Depreciation rates are set taking into account the lease term. Interest incurred is charged to finance costs in the period in question.

Investment property

Investment property is property purchased to generate rental income and/or increase the value of non-current investments. Investment property is initially recognised at historical cost, comprising the purchase price and associated purchase costs.

If property is used in part for leasing and in part for production or office purposes, those two parts are only treated separately if they can also be sold separately. Property is classified to investment property or property, plant and equipment, taking into account the proportionate use of the property for a specific purpose (calculated based on surface area). If the proportionate use of property for leasing purposes exceeds 90%, the property is disclosed in full as investment property. If the proportionate use of property for leasing purposes is less than 10%, the property is disclosed in full as property, plant and equipment. In other cases, property is classified in part as investment property and in part as property, plant and equipment, with respect to proportionate use.



If the Company, as owner of the property, also provides the lessee ancillary services and those services represent an immaterial element of the entire associated agreement (less than 20% of total revenues under the entire agreement), such property is deemed investment property. When ancillary services account for more than 20% of total revenues from the associated agreement, the property in question is treated as an item of property, plant and equipment.

Investment property is measured using the historical cost model. Investment property must be revalued for reasons of impairment if its carrying amount exceeds its recoverable amount. The recoverable amount is the greater of fair value less selling costs, or value in use.

The Slovenske železnice Group and Slovenske železnice, d. o. o. determine fair value for material items of investment property in a cycle ranging from three to five years for the purpose of disclosing its fair value with the help of certified real estate valuers. Investment property within the Slovenske železnice Group and at Slovenske železnice, d. o. o. is deemed material when the value of that investment property exceeds EUR 100 thousand.

The straight-line method of depreciation is used for investment property, items of which are depreciated individually. The same depreciation rates used for property, plant and equipment are used for that purpose.

Inventories

Inventories comprise stocks of raw materials, materials, replacement parts, small inventory with a useful life of less than one year, work in progress, and inventories of finished goods and merchandise.

Replacement parts that are used for the maintenance of property, plant and equipment and replacement parts that are used for additional investments in property, plant and equipment are accounted for as inventories of material.

Inventories of materials and merchandise of all types are valued at historical cost, which comprises the purchase price, import duties and other non-refundable purchase taxes, and the direct costs of procurement.

The moving average price method is used to disclose the use of inventories of materials, replacement parts and small inventory.

The revaluation of inventories entails a change in their carrying amount, and is performed at the end of the financial year. Inventories are valued at the lower of historical cost and net realisable value. Inventories are only revalued for reasons of impairment.

Inventories of replacement parts that have not changed for several accounting periods (i.e. inventories for which the date of the most recent receipt was five to ten years prior to the current year) are revalued on the statement of financial position date in the amount of three, six, nine, twelve, fifteen and up to a maximum of thirty percent (inventories for which the most recent receipt was ten years prior to the current period). Inventories of material replacement parts for which the date of the most recent receipt was more than ten years prior to the current year are assessed individually for the need of potential revaluation.

Receivables

Receivables comprise rights arising from property and other relationships that entitle their holder to demand the payment of a debt, the delivery of goods or the rendering of services from a specific person. Receivables in connection with the sale of goods and the provision of services are typically recognised simultaneously with revenues. Receivables are initially recognised at amounts recorded in the relevant documents (e.g. invoices, statements of account and statements of fees) under the assumption that they will also be paid.

All subsequent increases and decreases in receivables (subsequent discounts, recognised complaints, defects, etc.) typically increase or decrease the associated operating revenues or finance income. Receivables for which some payments are deferred to the future depending on the fulfilment of certain conditions (e.g. withheld payments) are disclosed separately.

The revaluation of receivables entails a change in their carrying amount; contractual increases and decreases in the carrying amount are not deemed revaluation. Revaluation is done before the compilation of the financial



statements, and rises as the revaluation of receivables due to impairment (if the Company assesses that the recoverable amount of receivables is lower than their carrying amount) or the revaluation of receivables due to the reversal of impairment. The assessment of impairment is based on expected credit losses in connection with the probability of non-payment of receivables over the next 12 months, unless credit risk has risen significantly since initial recognition. In making a collective impairment assessment, the Slovenske železnice Group and Slovenske železnice,

d. o. o. consider past developments in probability of default, the recovery period and the amount of losses adjusted by an assessment of whether, due to current economic and credit conditions, actual losses may in fact be higher or lower than those assumed based on past developments.

When revaluing receivables due to impairment, impairment is recognised before a loss arises based on an expected credit loss model. Receivables were thus impaired as follows:

• ordinary receivables and receivables subject to judicial proceedings according to the criterion of the age of an individual group or category of receivables:

	2020	2019
Non-past-due receivables	0.2%	0.2%
Receivables up to 30 days past due	1%	1%
Receivables between 31 and 90 days past due	8%	8%
Receivables between 91 and 120 days past due	10%	10%
Receivables between 121 and 150 days past due	20%	20%
Receivables between 151 and 180 days past due	30%	30%
Receivables between 181 and 364 days past due	50%	50%
Receivables more than 365 days past due	100%	100%

• trade receivables for which compulsory composition has been confirmed (disclosed on separate accounts):

	2020	2019
Receivables up to 365 days past due	50%	50%
Receivables more than 365 days past due	100%	100%

• trade receivables from customers in bankruptcy (disclosed on separate accounts): impairment in the amount of 100% when the receivables are registered in bankruptcy proceedings (valid for 2020 and 2019).

In addition to the impairments described above, additional impairments of material receivables may be created individually. The impairment of receivables from specific customers may be exceptionally waived based on duly substantiated reasons. Decisions in this regard are made by the Company's Management Board.



Cash and cash equivalents

In addition to cash on business accounts at banks and cash on hand, cash and cash equivalents also include short-term deposits at banks with a maturity of up to three months.

Liabilities

Current and non-current liabilities are initially valued in the amounts deriving from the relevant documents evidencing their occurrence.

Non-current liabilities are disclosed as non-current financial liabilities and non-current operating liabilities. Non-current financial liabilities comprise long-term loans received from banks, other companies and individuals, and non-current lease liabilities, while non-current operating liabilities comprise long-term supplier credits for goods and services purchased, long-term advances received and security deposits, and deferred tax liabilities. They are increased by the amount of accrued interest or reduced by repaid amounts and any other types of settlement where an associated agreement with the creditor exists.

The portion of non-current liabilities that has already fallen due for payment and the portion of non-current liabilities that falls due for payment within one year are disclosed as current liabilities in the statement of financial position. Current liabilities are disclosed separately as current financial liabilities and current operating liabilities. Current financial liabilities comprise loans raised and current lease liabilities. Current operating liabilities comprise advances and security deposits from customers, domestic and foreign trade payables, liabilities for uncharged goods and services, liabilities to employees, liabilities to government institutions and other liabilities.

Non-current and current liabilities expressed in foreign currencies are translated into the domestic currency on the statement of financial position date. An increase in current liabilities increases ordinary finance costs, while a decrease in current liabilities increases ordinary finance income.

Investments in subsidiaries and associates

Investments in subsidiaries and associates comprise investments in the equity of other companies. The

Slovenske železnice Group and Slovenske železnice, d. o. o. classify investments in the equity of other companies into two categories:

- subsidiaries, and
- associates.

Investments in subsidiaries and associates comprise financial assets for which prices are not quoted on an active market, whose fair value cannot be estimated reliably and which the Company does not hold for trading purposes but instead to manage. They are typically held for a period exceeding one year. Such investments are measured at historical cost, meaning that they are disclosed in individual financial statements at historical cost, increased by transaction costs and subsequently reduced for any impairment.

Losses due to the impairment of investments in the equity instruments of other companies measured at historical cost (based on objective and impartial evidence of impairment) are recognised immediately in profit or loss. Dividends received and shares in profit are recognised as finance income.

Financial instruments

In accordance with IFRS 9, the Slovenske železnice Group and Slovenske železnice, d. o. o. classify financial instruments into two categories:

- · financial assets measured at amortised cost, and
- financial assets measured at fair value through profit or
 loss.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted on an active market. In terms of maturity, they are classified as current financial assets (maturity of up to 12 months following the statement of financial position date) or noncurrent financial assets (maturity exceeding 12 months following the statement of financial position date). Loans and operating receivables are measured at amortised cost.

A financial asset is classified at fair value through profit or loss if it is defined as such upon initial recognition. Financial assets are deemed assets at fair value through profit or loss under the condition that the Slovenske železnice Group and Slovenske železnice, d. o. o. are capable of managing those



assets and making decisions to purchase and sell assets on the basis of fair value. Financial assets at fair value through profit or loss are measured at fair value; the amount of changes to fair value is recognised in profit or loss.

Slovenske železnice Group and Slovenske železnice, d. o. o. will use the expected credit loss model for the calculation of impairments of financial instruments, meaning that the impairment of a financial instrument may be recognised before a loss even arises.

Provisions

Provisions are created for the Company's current obligations arising from past events, when the expectation is that they will arise in a period exceeding one year and their amount can be estimated reliably. They primarily comprise provisions for jubilee benefits and ordinary retirement benefits, provisions to cover the costs and/or expenses for restoring a site to its original state and similar provisions, as well as provisions for performance bonds, warranty periods and material amounts of lawsuits.

Provisions are earmarked and used directly for the costs that they were created to cover. Provisions in the books of account and statement of financial position are reversed whenever the reasons for which they were created have been exhausted or when the provisions are no longer needed.

Deferred income that will cover projected expenses over a period exceeding one year is disclosed under non-current deferred income. It also includes state aid and donations received for the acquisition of property, plant and equipment or to cover specific costs. Deferred income is used to cover costs (depreciation or other specific costs), at which time it is reclassified to operating revenues.

Provisions for termination benefits and jubilee benefits

In accordance with the relevant regulations and collective agreement, the Company is obliged to pay its employees termination benefits at retirement and jubilee benefits.

Non-current provisions are created for that purpose in the amount of estimated future payments, discounted on the statement of financial position date. A calculation is made for each employee taking into account the cost of termination benefits at retirement and the cost of expected jubilee benefits until retirement.

Revenue from contracts with customers

In accordance with IFRS 15, the Slovenske železnice Group and Slovenske železnice, d. o. o. use a five-step model to determine the amount of revenue and timing of the recognition thereof. The aforementioned model states that revenue is recognised when the Slovenske železnice Group and Slovenske železnice, d. o. o. transfer services or goods to a customer in the amount to which they expect to be entitled. Taking into account the fulfilment of criteria, revenue is recognised:

- · at a point in time; or
- over time.

The Slovenske železnice Group and Slovenske železnice, d. o. o. recognise revenues from contracts with customers when control over goods and services is transferred to customers in an amount that reflects the compensation to which the Slovenske železnice Group and Slovenske železnice, d. o. o. expect to be entitled. Every promised service or good is treated as a separate performance obligation, provided that it is distinct. It is distinct whenever a customer enjoys a benefit from a rendered service or supplied good. A performance obligation is a promise to provide a customer some service or good.

Revenue is recognised at the moment the Slovenske železnice Group or Slovenske železnice, d. o. o. fulfils its performance obligation, i.e. when control over a service or good is transferred to the customer. Control means that the customer may direct the use of and obtain all material benefits from the asset, and prevent others from directing the use of and obtaining the benefits from the asset.

Discounts approved when a contract is signed are allocated to all performance obligations over the term of a contract. All subsequently approved discounts are recognised in the period in which they are approved, and revenue reduced accordingly.

The Slovenske železnice Group and Slovenske železnice, d. o. o. consistently follow a policy of simultaneously recognising revenue and expenses in the period a service was rendered or a good sold, regardless of when payment is made.



Finance income

Finance income comprises revenue generated from investing activities. It arises in connection with investments, and in connection with receivables in the form of accrued interest and shares in the profit of others.

Expenses

Expenses are recognised if a decrease in economic benefits during the accounting period is associated with a decrease in assets or an increase in liabilities, and that decrease can be measured reliably. Costs are recorded by type based on an analytical chart of accounts, and adjusted to the needs of reporting and the compilation of the consolidated financial statements.

Finance costs are recognised when accrued, irrespective of the related payments.

Taxation

Taxes include current tax liabilities and deferred tax. They are disclosed in the statement of profit or loss, except to the extent that they relate to business combinations or items disclosed directly in other comprehensive income.

Current tax liabilities are calculated on the basis of the taxable income for the financial year. Taxable income differs from the net profit disclosed in profit or loss because it includes revenues and expenses that are taxable or deductible in future tax periods, and items that are never taxable or deductible. The Company's current tax liability is calculated using the tax rates applicable on the reporting date.

Deferred tax is intended to cover temporary differences that arise between the value of assets and liabilities for tax purposes and their carrying amount, and is created using the liability method and currently valid tax rates. Deferred tax assets are recognised to the extent that it is probable that future taxable income will be available against which the deferred tax assets can be utilised. If the Company has incurred or incurs consecutive or major losses, this is deemed convincing evidence that future taxable income will not be available.

Equity

The Company's total equity represents a liability to its owner, and falls due for payment should the Company be wound up. Share capital and the share premium account comprise cash and non-cash contributions by the owner.

Other reserves comprise retained earnings from previous years, and are created based on a resolution adopted by the competent supervisory body and/or owner.

Determination of fair value

Given Slovenske železnice, d. o. o.'s accounting policies, the determination of fair value is required for certain non-financial and financial assets and liabilities, either due to the measurement of individual assets or due to additional disclosures of fair value.

The Company takes into account the following hierarchy when determining the fair value of non-financial and financial assets and liabilities:

- level 1 includes quoted prices on active markets for identical assets or liabilities;
- level 2 comprises values that are not equal to quoted prices included in level 1, but nevertheless may be obtained directly from the market (prices for identical or similar assets or liabilities on less active or inactive markets) or indirectly via recalculations (i.e. values derived from quoted prices on an active market, based on interest rates and yield curves, etc.); and
- level 3 comprises input data for assets and liabilities that are not based on observable market data, where unobservable data must reflect the assumptions that market participants would use to set the price of an asset or liability, including assumptions regarding risks.

The Slovenske železnice Group and Slovenske železnice, d. o. o. use quoted prices as the basis for determining the fair value of financial instruments. If a financial instrument is not quoted on a regulated market or the market in question is deemed inactive, the Slovenske železnice Group uses input data from levels 2 and 3 to assess the fair value of that financial instrument.

The fair value of intangible assets is determined based on the model of discounted cash flows that are expected to be generated from the use or potential sale of an asset.



The fair value of items of property, plant and equipment and investment property is equal to their market value. The market value of property is equal to the appraised value at which the property could be sold for on the valuation date in the context of the appropriate advertising. The market value of equipment is based on the market price offered for similar assets.

The fair value of inventories is determined based on the expected sales value in the course of ordinary operations, less estimated selling costs.

The fair value of financial assets measured at fair value through profit or loss is determined according to a predefined hierarchy used to determine the fair value of financial instruments. The Slovenske železnice Group measures an asset at historical cost if fair value cannot be determined reliably because the difference in estimates of the reasonable fair value is material and the probability of different estimates is difficult to assess.

The fair value of receivables and loans is calculated as the present value of future cash flows discounted according to the market interest rate at the end of the reporting period, taking into account the credit risk associated with such financial assets.

The fair value of non-derivative financial liabilities is calculated for reporting purposes based on the present value of future principal and interest payments, discounted using the market interest rate at the end of the reporting period.

The fair value of an interest rate swap is estimated on the reporting date by discounting future cash flows from a variable interest rate (interest received from a swap) and from a fixed interest rate (payment of interest from a swap).

2.3 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2.3.1 Notes to the statement of financial position

2.3.1.1 Intangible assets

in EUR	31 December 2020	31 December 2019
Long-term property rights	21,305,479	11,177,884
Goodwill	3,568,239	3,568,239
Non-current deferred development costs	189,692	19,167
Total	25,063,410	14,765,290

Computer software and licences account for the majority of long-term property rights.



CHANGES IN INTANGIBLE ASSETS

in EUR	Long-term property rights	Other intangible assets in acquisition	Goodwill	Non-current deferred development costs	Total
Historical cost					
Balance as at 1 January 2019	17,861,479	166,386	3,568,239	189,338	21,785,441
Acquisitions	1,277,920	126,159	0	0	1,404,079
Write-downs	-223,394	0	0	0	-223,394
Balance as at 31 December 2019	18,916,005	292,544	3,568,239	189,338	22,966,126
Balance as at 1 January 2020	18,916,005	292,544	3,568,239	189,338	22,966,126
Acquisitions	3,788,011	554,679	0	175,526	4,518,216
Write-offs	-779,252	0	0	0	-779,252
Transfers from property, plant and equipment	5,768,975	1,205,239	0	0	6,974,214
Balance as at 31 December 2020	27,693,739	2,052,463	3,568,239	364,864	33,679,305
Value adjustment					
Balance as at 1 January 2019	7,315,169	0	0	160,171	7,475,341
Write-downs	-223,334	0	0	0	-223,334
Amortisation	938,831	0	0	10,000	948,831
Balance as at 31 December 2019	8,030,665	0	0	170,171	8,200,837
Balance as at 1 January 2020	8,030,665	0	0	170,171	8,200,837
Write-offs	-779,106	0	0	0	-779,106
Amortisation	1,189,164	0	0	5,000	1,194,164
Balance as at 31 December 2020	8,440,724	0	0	175,171	8,615,896
Carrying amount					
Carrying amount as at 1 January 2019	10,546,310	166,385	3,568,239	29,167	14,310,101
Carrying amount as at 31 December 2019	10,885,339	292,544	3,568,239	19,167	14,765,290
Carrying amount as at 1 January 2020	10,885,339	292,544	3,568,239	19,167	14,765,290
Carrying amount as at 31 December 2020	19,253,015	2,052,463	3,568,239	189,692	25,063,410

The Slovenske železnice Group had commitments for the purchase of intangible assets in the amount of EUR 207,206 as at 31 December 2020 (EUR 0 as at 31 December 2019). The Slovenske železnice Group has not pledged intangible assets as collateral.

A total of 22.0% of all intangible assets in use as at 31 December 2020 have been amortised in full (that

proportion stood at 33.0% as at 31 December 2019). That proportion is calculated taking into account the historical cost of intangible assets.

The majority of investments in 2020 were in the upgrading of the ticketing system in the amount of EUR 2.1 million and the digitalisation programme (EIS) in the amount of EUR 1.1 million.



2.3.1.2 Right-of-use assets in connection with leases

in EUR	31 December 2020	31 December 2019
Right-of-use assets – land	545,031	880,310
Right-of-use assets – buildings	3,076,783	3,520,843
Right-of-use assets – equipment	18,949,589	23,260,686
Total	22,571,403	27,661,840



CHANGES IN LEASES

in EUR	Land	Buildings	Plant and equipment	Total
Historical cost				
Balance as at 1 January 2019	987,725	3,708,794	27,791,404	32,487,923
Increases	75,058	361,945	2,577,522	3,014,525
Decreases	-10,931	-69,454	-27,702	-108,088
Transfers	0	0	-956,869	-956,869
Balance as at 31 December 2019	1,051,852	4,001,285	29,384,355	34,437,492
Balance as at 1 January 2020	1,051,852	4,001,285	29,384,355	34,437,492
Increases	134,304	358,466	7,639,158	8,131,928
Decreases	-363,158	-360,466	-10,127,282	-10,850,907
Transfers	0	0	554,269	554,269
Balance as at 31 December 2020	822,998	3,999,285	27,450,499	32,272,781
Value adjustment				
Balance as at 1 January 2019	0	0	1,438,985	1,438,985
Increases	0	0	365,333	365,333
Decreases	-3,581	0	96,200	99,781
Amortisation	175,123	480,442	5,146,215	5,801,779
Balance as at 31 December 2019	171,541	480,442	6,123,667	6,775,650
Balance as at 1 January 2020	171,541	480,442	6,123,667	6,775,650
Decreases	-50,781	-61,345	-3,144,366	-3,256,491
Amortisation	157,206	503,404	5,544,106	6,204,716
Transfers	0	0	-22,498	-22,498
Balance as at 31 December 2020	277,967	922,501	8,500,910	9,701,378
Carrying amount				
Balance as at 1 January 2019	987,725	3,708,794	26,352,419	31,048,938
Balance as at 31 December 2019	880,310	3,520,843	23,260,688	27,661,840
Balance as at 1 January 2020	880,310	3,520,843	23,260,688	27,661,840
Balance as at 31 December 2020	545,031	3,076,784	18,949,589	22,571,403

The Group had liabilities from right-of-use assets in connection with leases in the amount of EUR 20,498,248 as at 31 December 2020 (EUR 26,486,980 as at 31 December 2019).



2.3.1.3 Property, plant and equipment

in EUR	31 December 2020	31 December 2019
Land	12,638,864	12,368,451
Buildings	51,887,308	53,050,733
Equipment	234,714,701	217,852,475
– rolling stock	213,145,448	195,847,187
– other equipment	21,569,253	22,005,288
Property, plant and equipment in acquisition	12,744,793	21,285,983
Total	311,985,666	304,557,643



CHANGES IN PROPERTY, PLANT AND EQUIPMENT

in EUR	Land	Buildings	Plant and equipment, and investments in the assets of others	Property, plant and equipment in acquisition	Total property, plant and equipment
Historical cost					
Balance as at 1 January 2019	10,042,916	125,631,470	821,651,379	18,220,342	975,546,107
Acquisitions	239,935	1,615,324	31,149,681	3,065,642	36,070,582
Disposals	-587,070	-1,730,131	-24,861,203	0	-27,178,404
Transfers from investments	2,672,672	0	-3,101	0	2,669,571
Transfers from finance leasing and from investment property	0	1,029,421	1,426,808	0	2,456,229
Balance as at 31 December 2019	12,368,453	126,546,084	829,363,564	21,285,984	989,564,085
Balance as at 1 January 2020	12,368,453	126,546,084	829,363,564	21,285,984	989,564,085
Acquisitions	276,373	1,471,210	52,851,706	-1,566,977	53,032,312
Disposals	-203,175	-500,758	-21,706,301	0	-22,410,234
Transfers from finance leasing and from investment property	197,214	-392,766	-554,269	0	-749,822
Transfers to intangible assets	0	0	0	-6,974,214	-6,974,214
Balance as at 31 December 2020	12,638,864	127,123,770	859,954,700	12,744,793	1,012,462,128
Value adjustment					
Balance as at 1 January 2019	0	72,904,555	600,000,052	0	672,904,607
Increases	0	0	502,987	0	502,987
Decreases	0	-1,575,393	-24,633,586	0	-26,208,979
Depreciation	0	2,166,188	35,641,639	0	37,807,827
Balance as at 31 December 2019	0	73,495,350	611,511,092	0	685,006,442
Balance as at 1 January 2020	0	73,495,350	611,511,092	0	685,006,442
Decreases	0	-376,598	-21,577,851	0	-21,954,450
Depreciation	0	2,117,710	35,306,760	0	37,424,470
Balance as at 31 December 2020	0	75,236,462	625,240,000	0	700,476,462
Carrying amount					
Balance as at 1 January 2019	10,042,916	52,726,915	221,651,327	18,220,342	302,641,500
Balance as at 31 December 2019	12,368,453	53,050,734	217,852,472	21,285,984	304,557,643
Balance as at 1 January 2020	12,368,453	53,050,734	217,852,472	21,285,984	304,557,643
Balance as at 31 December 2020	12,638,864	51,887,308	234,714,700	12,744,793	311,985,666



Moveable property and real estate valued at EUR 40,310,921 were pledged as guarantees for long-term loans as at 31 December 2020 (EUR 74,602,220 as at 31 December 2019).

The Group had commitments for the purchase of property, plant and equipment in the amount of EUR 115,375,908 as at 31 December 2020 (EUR 117,728,432 as at 31 December 2019).

A total of 41.3% of all items of property, plant and equipment in use as at 31 December 2020 have been depreciated in full (that proportion stood at 41.6% as at 31 December 2019). That proportion is calculated taking into account the historical cost of property, plant and equipment.

Significant purchases in 2020 included the purchase of new passenger multiple units in the amount of EUR 30.2 million and major periodic repairs of rolling stock in the amount of EUR 16.3 million.

2.3.1.4 Investment property

in EUR	31 December 2020	31 December 2019
Investment property	42,806,782	43,047,874
Total	42,806,782	43,047,874

Investment property comprises warehouses, commercial buildings and land that the Group leases to others.



CHANGES IN INVESTMENT PROPERTY

in EUR	Land	Buildings	Total
Historical cost			
Balance as at 1 January 2019	39,751,892	25,331,375	65,083,267
Acquisitions	0	1,366,148	1,366,148
Disposals	-179,449	-644,071	-823,520
Transfers	-4,513	0	-4,513
Transfers to property, plant and equipment	-2,672,672	-1,029,421	-3,702,093
Balance as at 31 December 2019	36,895,258	25,024,030	61,919,289
Balance as at 1 January 2020	36,895,258	25,024,030	61,919,289
Acquisitions	0	49,102	49,102
Disposals	0	-820,892	-820,892
Rebooking	0	-197,214	-197,214
Transfers to property, plant and equipment	0	392,766	392,766
Balance as at 31 December 2020	36,895,258	24,447,792	61,343,051
Value adjustment			
Balance as at 1 January 2019	0	18,757,546	18,757,546
Depreciation	0	438,508	438,508
Disposals	0	-324,638	-324,638
Balance as at 31 December 2019	0	18,871,415	18,871,415
Balance as at 1 January 2020	0	18,871,415	18,871,415
Depreciation	0	452,647	452,647
Disposals	0	-787,795	-787,795
Balance as at 31 December 2020	0	18,536,268	18,536,268
Carrying amount			
Balance as at 1 January 2019	39,751,892	6,573,829	46,325,721
Balance as at 31 December 2019	36,895,258	6,152,615	43,047,874
Balance as at 1 January 2020	36,895,258	6,152,615	43,047,874
Balance as at 31 December 2020	36,895,258	5,911,524	42,806,782

The Group has not pledged investment property as collateral.

The Group generated rental income of EUR 1,631,894 in 2020 (EUR 1,768,523 in 2019). Depreciation costs associated with investment property totalled EUR 452,647 (EUR 438,508 in 2019).

The fair value of investment property was determined with the help of certified real estate valuers and amounted to EUR 83,837,196 as at 31 December 2020 (EUR 83,759,901 as at 31 December 2019).



2.3.1.5 Non-current financial assets

in EUR	31 December 2020	31 December 2019
Investments in associates	13,760,176	13,615,619
Other financial assets	2,093,464	2,093,464
Total	15,853,640	15,709,083

INFORMATION REGARDING ASSOCIATES AS AT 31 DECEMBER 2020

Business name of associate	Business address of associate	Activity	Ownership as at 31 December 2020	Ownership as at 31 December 2019
Terme Olimia, d. d.	Zdraviliška cesta 24, Podčetrtek	Activities of hotels, campgrounds, catering, sports facilities and health care	23.87%	23.87%
Adria Kombi, d. o. o., Ljubljana	Tivolska cesta 50, Ljubljana	Freight rail transport	33.72%	33.72%
CKTZ, d. d., Zagreb	Trg senjskih uskoka 7-8, Zagreb	Combined transport services	29.41%	29.41%

Business name of	Total e	quity	Profit or loss for the year		
associate	31 December 2020	31 December 2019	2020	2019	
Terme Olimia, d. d.	38,886,489	37,663,292	1,242,422	3,078,495	
Adria Kombi, d. o. o., Ljubljana	12,035,144	12,199,131	1,237,732	1,878,730	
CKTZ, d. d., Zagreb	1,425,966	1,739,221	-287,369	-1,263,782	
Total	52,347,599	51,601,644	2,192,785	3,693,443	

BALANCE OF INVESTMENTS IN ASSOCIATES

in EUR	31 December 2020	31 December 2019
Terme Olimia, d. d.	9,282,523	8,990,536
Adria Kombi, d. o. o., Ljubljana	4,058,250	4,113,547
CKTZ, d. d., Zagreb	419,402	511,536
Total investments in associates	13,760,176	13,615,619



CHANGES IN INVESTMENTS IN ASSOCIATES

	Slovenske železnice Group	
in EUR	31 December 2020	31 December 2019
Balance as at 1 January	13,615,619	13,233,615
Attributable profit/loss	629,419	996,669
Dividends received	-472,080	-581,472
Attributable changes in equity of associates	-12,782	-33,193
Balance as at 31 December	13,760,176	13,615,619

Other financial assets	Parallel and a factor of the O/	Amount of investment in EUR		
	Participating interest in %	31 December 2020 31 December 20		
EUROFIMA	0.42	2,033,709	2,033,709	
HIT RAIL		54,439	54,439	
Fercargo, d. o. o., Sarajevo	70.00	924	924	
Other shares and participating interests		4,392	4,492	
Total		2,093,464	2,093,564	

Due to information received after the statement of financial position date regarding the takeover of shares in Terme Olimia, d. d., we obtained an appraisal of the value of the investment from a certified valuer to confirm that the value of that company according to the equity method is appropriate and roughly equal to fair value calculated on the basis of the future discounted cash flow method.

All investments in shares and participating interests are classified as financial assets measured at fair value through profit or loss. None of the shares and participating interests held by the Slovenske železnice Group at the end of 2020 are quoted on a regulated market Other financial assets are not used as collateral and are free from encumbrances.



2.3.1.6 Non-current financial receivables

in EUR	31 December 2020	31 December 2019
Other non-current financial receivables	0	40,152,258
Receivables for funds paid to institution (Železniški zdravstveni dom)	2,401,003	2,401,003
Deposits placed with banks and others	279,363	18,585,904
Other financial receivables	12,011	13,741
Total	2,692,377	61,152,906

Other non-current financial receivables from commercial banks disclosed by the controlling company Slovenske železnice, d. o. o. in the amount of EUR 40,152,258 as at 31 December 2019 from the sale of receivables based on the agreement of 12 June 2018 on the assignment of claims for consideration between Slovenske železnice, d. o. o. and

SŽ-Potniški promet, d. o. o. and two banks were transferred at the end of 2020 to current receivables because they fall due for payment in 2021 (EUR 40,220,319 as at 31 December 2019). Non-current financial receivables are not secured or pledged as collateral.

2.3.1.7 Non-current operating receivables

in EUR	31 December 2020	31 December 2019
Non-current advances for the purchase of property, plant and equipment:	125,380,192	239,390,817
– for the purchase of passenger multiple units	125,056,890	238,262,550
– other	323,302	1,128,267
Trade receivables	144	4,227
Credits for the purchase of property	3,519,088	3,694,804
Other trade receivables	144,078	406,780
Total	129,043,502	243,496,628

A non-current advance is disclosed based on NAB agreement nos. 40/2018/08INV and 45/2019/08INV on the purchase of new passenger multiple units, concluded between SŽ-Potniški promet, d. o. o., a consortium of Stadler Polska companies and Stadler Bussnang AG, Switzerland.

Receivables for credits for the purchase of property are secured in full by mortgages, while receivables for advances paid to the supplier of new rolling stock are fully secured by advance guarantees.

The aforementioned receivables are not pledged as collateral.



2.3.1.8 Deferred tax assets

in EUR	31 December 2020	31 December 2019
Deferred tax assets	3,331,185	3,293,505

	Consolidated 31 December 2020	Consolidated 31 December 2019
SŽ, d. o. o.	337,292	332,905
Sž-Infrastruktura, d. o. o.	1,195,193	1,217,084
SŽ-Potniški promet, d. o. o.	227,522	253,067
SŽ-Tovorni promet, d. o. o.	457,788	464,413
SŽ-ŽGP Group	441,183	292,546
Fersped, d. o. o.	647,977	701,100
SŽ-Železniška tiskarna, d. d.	3,680	5,158
Prometni institut, d. o. o.	9,659	9,808
VV-LOG, d. o. o.	10,891	17,424
Total	3,331,185	3,293,505

The Slovenske železnice Group recognises deferred tax assets for non-deductible expenses arising from provisions, tax losses, tax allowances for investments and adjustments to the value of receivables, but only up to the amount of revenues from positive tax bases for the next five years.

The tax loss amounted to EUR 21,975,527 (EUR 18,828,982 in 2019) and together with tax allowances for investments represents the unrecognised basis for deferred tax assets in the amount of EUR 31,663,034 (EUR 36,228,389 in 2019).

CHANGES IN DEFERRED TAX ASSETS WITHIN THE SLOVENSKE ŽELEZNICE GROUP

in EUR	Tax loss	Provisions	Tax allowances for investments	Adjustments to the value of receivables	Total
Balance as at 1 January 2019	2,508,089	1,590,224	82,330	158,653	4,339,296
Drawn	-2,267,578	-93,474	-321,395	-25,442	-2,707,889
Created	0	611,655	422,338	628,106	1,662,099
Balance as at 31 December 2019	240,511	2,108,404	183,273	761,317	3,293,505
Drawn	-53,123	-175,050	0	0	-228,173
Created	0	0	212,644	53,209	265,853
Balance as at 31 December 2020	187,388	1,933,355	395,917	814,525	3,331,185



2.3.1.9 Other non-current assets

in EUR	31 December 2020	31 December 2019
Deferred licence maintenance costs	0	149,127
Deferred costs relating to passenger multiple units	4,009,846	5,048,491
Deferred costs for the reserve fund for leased housing	392,604	376,144
Accrued compensation due to traffic disruptions	42,919,511	0
Total	47,321,961	5,573,762

The full amount of deferred costs disclosed in connection with passenger multiple units relates to the discount calculated under the agreement on the assignment of claims for consideration (note 2.3.1.6). The cost of the discount will be charged proportionately to the historical cost of the new passenger multiple units with respect to the value thereof and the timing of delivery of specific wagons.

Accrued compensation relates to a portion of the receivables from traffic disruptions in the period 2018–2020 that the public railway infrastructure manager is entitled to from the owner of the railway infrastructure in the Republic of Slovenia. The portion of receivables that will fall due for payment in the period 2022–2025 was disclosed in other non-current assets at the end of 2020 (more information in Note 2.3.1.13).

2.3.1.10 Inventories

in EUR	31 December 2020	31 December 2019
Materials	11,112,389	12,858,971
Replacement parts	21,704,225	18,153,548
Small inventory and packaging	1,013,859	743,731
Work in progress	3,441,922	1,952,087
Products and merchandise	2,146,277	2,153,952
Total	39,418,672	35,862,289

Write-offs of obsolete inventories and impairments of inventories amounted to EUR 262,904 and EUR 1,352,441 respectively in 2020 (write-offs of inventories amounted to EUR 74,757, while impairments of inventories totalled

EUR 144,345 in 2019). There are no liens on inventories. The carrying amount of inventories did not exceed their realisable value.



2.3.1.11 Current financial receivables

in EUR	31 December 2020	31 December 2019
Financial instruments measured at fair value through profit or loss	0	1,775,857
Current financial receivables – sale of receivables	40,742,670	0
Other financial receivables	23,166,332	4,939,744
Total	63,909,002	6,715,601

Current financial receivables arising from the sale of receivables that fall due for payment in 2021 are disclosed based on the agreement of 12 June 2018 on the assignment of claims for consideration between Slovenske železnice, d. o. o. and SŽ-Potniški promet, d. o. o. and two banks (Note 2.3.1.6).

Other financial receivables comprise receivables from banks for deposits placed, the largest proportion of which is accounted for by a deposit placed in the amount of EUR 22,844,650 for the payment of passenger wagons (EUR 4,855,000 in 2019).

2.3.1.12 Trade receivables

in EUR	31 December 2020	31 December 2019
Current trade receivables from domestic customers	37,862,246	48,100,965
Current trade receivables from foreign customers	18,049,265	16,987,556
Total	55,911,511	65,088,521

in EUR		2020		2019		
	Gross value	Value adjustment	Net value	Gross value	Value adjustment	Net value
Current trade receivables from domestic customers	42,080,385	4,218,139	37,862,246	52,378,598	4,277,633	48,100,965
Current trade receivables from foreign customers	20,059,656	2,010,391	18,049,265	19,180,409	2,192,853	16,987,556
Total	62,140,041	6,228,530	55,911,511	71,559,007	6,470,486	65,088,521

Receivables were not pledged as collateral as at 31 December 2020, while secured receivables amounted to EUR 3,603,906 (EUR 3,557,293 in 2019).



Net adjustments to the value of current trade receivables were created as follows:

in EUR	2020	2019
Balance as at 1 January	6,470,486	7,248,778
Reversal of value adjustments	-327,767	-516,210
Creation of value adjustments	435,428	134,625
Reduction for written-off receivables	-349,617	-396,707
Balance as at 31 December	6,228,530	6,470,486

MATURITY BREAKDOWN OF TRADE RECEIVABLES

in EUR	31 December 2020	31 December 2019
Non-past-due receivables	51,658,553	61,201,965
Past-due receivables	10,481,488	10,357,042
- up to 30 days	3,306,924	2,915,741
- 31 to 90 days	700,872	913,967
- 91 to 365 days	649,684	419,191
- more than 365 days	5,824,008	6,108,143
Total	62,140,041	71,559,007



2.3.1.13 Other current operating receivables

in EUR	31 December 2020	31 December 2019
Receivables from government and other institutions	7,154,088	12,026,686
Receivables from employees	1,911,086	1,945,556
Other receivables associated with finance income	96	0
Current operating receivables based on advances	102,012,573	7,400,776
Current security deposits	2,450	2,487
Receivables based on the agreement on the transfer of the benefits of negotiations in connection with the purchase of rolling stock	29,996,400	29,996,400
Other current operating receivables	1,618,086	1,139,840
Deferred costs	444,716	711,804
Accrued income:	62,197,616	85,243,066
– accrued development element of compensation for the discharge of the PSO	22,971,732	24,649,659
– accrued compensation for the drop in transport revenues due to the COVID-19 epidemic	7,638,535	0
– accrued under-compensation for the discharge of the PSO of passenger transport	3,703,641	8,018,594
– accrued compensation due to traffic disruptions	10,729,878	45,249,142
– accrued revenues from the coverage of costs of the information system (IPT)	1,949,011	0
– accrued revenues from services provided by the manager of the PRI	7,967,211	342,226
– accrued revenues from costs incurred by the manager in the rehabilitation of the PRI	3,533,699	3,313,704
– accrued revenues from claims for damages	1,239,610	1,010,103
– other accrued revenues	2,464,299	2,659,638
VAT on advances received	92,982	82,650
Total	205,430,092	138,549,265

Current operating receivables based on advances primarily relate to advances for the purchase of property, plant and equipment in the amount of EUR 100,698,439 (EUR 5,089,851 at the end of 2019). The highest value of advances paid is disclosed by SŽ-Potniški promet, d. o. o. (EUR 95,378,760 at the end of 2020 and EUR 0 in 2019) based on agreements on the purchase of new passenger multiple units. Taking into account planned deliveries of new passenger multiple units in 2021, a portion of noncurrent receivables from advances was transferred to other current operating receivables at the end of 2020 (Note 2.3.1.7). Current operating receivables based on advances in the amount of EUR 4,000,000 (EUR 4,000,000 in 2019) are disclosed by SŽ-Tovorni promet, d. o. o., likewise for the purchase of rolling stock.

Receivables in the amount of EUR 29,996,400 are the result of additional benefits in connection with the purchase of rolling stock at SŽ-Potniški promet, d. o. o. (operator/contracting authority/buyer of new rolling stock) that are, independent of the public contract procedure and independent of the agreements on the purchase of rolling stock concluded between the contracting authority/buyer and the selected supplier, solely the result of the additional activities, agreements and successful efforts of the controlling company Slovenske železnice, d. o. o. to achieve additional benefits.



The following items account for the highest proportion of accrued income:

- the accrued portion of development compensation for the upgrading and modernisation of rail transport rolling stock, as defined in the amendments to the Agreement on the discharge of the public service obligation in the inland and cross-border regional transport of passengers by rail for the period 2017–2031 in the amount of EUR 22,971,732 (EUR 24,649,659 in 2019);
- accrued revenues from the Ministry of Infrastructure and Spatial Planning for the discharge of the public service obligation in the transport of passengers by rail

 settlement for the period January to November in the amount of EUR 3,703,641 (EUR in 8,018,594 in 2019);
- accrued compensation to cover the loss of transport revenues in public transport due to COVID-19 in the amount of EUR 7,638,535 (EUR 0 in 2019);
- accrued damages for traffic disruptions incurred by operators due to the implementation of investments in the PRI in the amount of EUR 10,729,878 (EUR 45,249,142 in 2019);
- accrued revenues for services provided by the manager of the PRI under contracts with the government in the amount of EUR 7,967,211 (EUR 342,226 in 2019);

- accrued revenues of the manager of the PRI in connection with the rectification of extraordinary events on the PRI in the amount of EUR 3,533,699 (EUR 3,313,704 in 2019); and
- accrued revenues from other loss events in the amount of EUR 1,239,610 (EUR 1,010,103 in 2019), the majority at SŽ-Tovorni promet, d. o. o. and SŽ-Potniški promet, d. o. o. due to damage to rolling stock.

The portion of accrued damages for costs incurred by operators due to the deteriorating availability of the railway network due to the implementation of investments on the PRI in the period 2018–2020 that falls due for payment in the period 2022–2025 was disclosed as other non-current assets as at 31 December 2020 (Note 2.3.1.9).

Write-offs and impairments of trade receivables and other current operating receivables that are disclosed in operating expenses amounted to EUR 449,137 in 2020 (EUR 3,976,680 in 2019).

2.3.1.14 Cash and cash equivalents

in EUR	31 December 2020	31 December 2019
Cash on hand	111,839	473,925
Cash on bank accounts	42,356,068	17,334,186
Total	42,467,907	17,808,111



2.3.1.15 Equity

in EUR	31 December 2020	31 December 2019
Share capital	359,529,921	359,529,921
Share premium account	45,002,140	45,002,140
Legal reserves	3,778,009	3,497,346
Other profit reserves	46,448,165	46,448,165
Fair value reserves	-6,720,962	-3,540,193
Retained earnings	70,367,022	59,241,388
Undistributed retained earnings from the financial year	23,987,117	25,513,923
Translation differences	-1,216	-1,232
Non-controlling interest	5,885,227	5,172,648
Total	548,275,423	541,144,769

Changes in equity	(EUR)
Balance as at 1 January 2019	356,023,566
Capital increase (contribution of Slovenian government)	154,255,500
Net profit for the financial year	35,030,125
Payment of shares in profit	-3,464,969
Actuarial gains and losses	-676,177
Exchange rate differences from the conversion of foreign companies' financial statements	-2,461
Other changes	-20,815
Balance as at 31 December 2019	541,144,769
Balance as at 1 January 2020	541,144,769
Net profit for financial year	10,919,467
Payment of shares in profit	-403,990
Actuarial gains and losses	-3,180,835
Exchange rate differences from the conversion of foreign companies' financial statements	15
Other changes	-204,003
Balance as at 31 December 2020	548,275,423



2.3.1.16 Provisions

PROVISIONS FOR JUBILEE BENEFITS AND TERMINATION BENEFITS

in EUR	31 December 2020	31 December 2019
Provisions for termination benefits	25,203,810	27,017,847
Provisions for jubilee benefits	3,752,814	3,612,103
Total	28,956,624	30,629,950

CHANGES IN PROVISIONS FOR JUBILEE BENEFITS AND TERMINATION BENEFITS

in EUR	Termination benefits	Jubilee benefits	Total
Balance as at 1 January 2019	26,845,794	3,661,234	30,507,028
Used	-854,714	-414,499	-1,269,213
Current employment costs	1,025,287	382,984	1,408,271
Interest (expenses)	417,411	54,573	471,984
Reversal of provisions – closure, rights, etc. (revenues)	-1,068,842	-72,189	-1,141,031
Actuarial gains/losses	652,910	0	652,910
Balance as at 31 December 2019	27,017,847	3,612,103	30,629,950
Balance as at 1 January 2020	27,017,847	3,612,103	30,629,950
Used	-138,577	-387,813	-526,390
Current employment costs	1,094,162	516,619	1,610,781
Interest (expenses)	335,250	42,599	377,849
Reversal of provisions – closure, rights, etc. (revenues)	-6,307,274	-30,693	-6,337,967
Actuarial gains/losses	3,202,402	0	3,202,402
Balance as at 31 December 2020	25,203,810	3,752,814	28,956,624



The following material assumptions were taken into account in the calculation of provisions for termination benefits at retirement and jubilee benefits:

	2020	2019
Average monthly gross wage in Slovenia	EUR 1,850	EUR 1,760
Discount rate	1.25%	1.58%
Overall wage growth	1.50%	2.00%
Retirement conditions (age)		
- men (transitional period)	60	62
- women (transitional period)	60	60
- men	60	65
- women	60	65

in EUR	31 December 2020	31 December 2019
Provisions for litigation	508,875	727,366
Provisions for guarantees issued	530,965	331,826
Provisions for the clean-up of a quarry	0	65,075
Total	1,039,840	1,124,267



CHANGES IN OTHER PROVISIONS

in EUR	Provisions for litigation	Provisions for guarantees issued	Provisions for the clean-up of a quarry	Total
Balance as at 1 January 2019	329,939	245,180	65,075	640,194
Created	473,004	88,035	0	561,039
Reversed	-19,068	0	0	-19,068
Used	-56,509	-1,389	0	-57,898
Balance as at 31 December 2019	727,366	331,826	65,075	1,124,267
Balance as at 1 January 2020	727,366	331,826	65,075	1,124,267
Created	259,291	282,779	0	542,070
Reversed	-2,732	0	-28,898	-31,630
Used	-475,050	-83,640	-36,177	-594,867
Balance as at 31 December 2020	508,875	530,965	0	1,039,840

A total of 77 legal proceedings, primarily labour and economic disputes, were in progress against six Slovenske železnice Group companies in 2020. A total of 44 of those proceedings were completed during the course of the year.

Of the remaining 33 cases with a total value of EUR 3,511,681, provisions in the total amount of EUR 508,875 were created for 12 cases as at 31 December 2020 in

accordance with assessments of the possible outcomes of specific disputes drawn up on the bases of reports prepared by law firms. In the remaining cases it is assessed that rulings will not be handed down in favour of the plaintiffs. In specific cases, insurance coverage was secured, or it is not yet possible to assess the outcome of disputes because the cases involved are in the initial phase.



2.3.1.17 Non-current deferred income

in EUR	Waived contributions	Government grants	Non-current contract liabilities in connection with construction services	Total
Balance as at 1 January 2019	1,801,402	42,250	119,668	1,963,320
Created	5,259,837	0	61,587	5,321,424
Used and/or transferred to current portion	-5,606,204	-3,110	-29,943	-5,639,257
Balance as at 31 December 2019	1,455,035	39,140	151,312	1,645,487
Balance as at 1 January 2020	1,455,035	39,140	151,312	1,645,487
Created	4,566,256	0	104,337	4,670,593
Used and/or transferred to current portion	-4,619,425	-3,112	-42,171	-4,664,708
Balance as at 31 December 2020	1,401,866	36,028	213,478	1,651,372

2.3.1.18 Financial liabilities

in EUR	31 December 2020	31 December 2019
Non-current financial liabilities to domestic banks	122,163,570	95,885,417
Non-current financial liabilities to foreign banks	8,000,000	0
Total non-current financial liabilities	130,163,570	95,885,417
Current financial liabilities to domestic banks	19,721,847	4,708,333
Current financial liabilities to foreign banks	4,000,000	0
Current financial liabilities – EUROFIMA	0	29,751,244
Other current financial liabilities	97,521	22,377
Total current financial liabilities	23,819,368	34,481,954
Total	153,982,938	130,367,371



CHANGES IN FINANCIAL LIABILITIES

in EUR	2020	2019
Non-current financial liabilities		
Balance as at 1 January	95,885,417	40,249,354
- increases	58,000,000	90,114,840
- decreases	-23,721,847	-34,478,777
Balance as at 31 December	130,163,570	95,885,417
Current financial liabilities		
Balance as at 1 January	34,481,954	83,980,164
- increases	317,218,441	279,114,897
- decreases	-327,881,027	-328,613,107
Balance as at 31 December	23,819,368	34,481,954
Total	153,982,938	130,367,371

NON-CURRENT FINANCIAL LIABILITIES

in EUR	Date of agreement or annex	Date of maturity	Balance as at 31 December 2020	Collateral
Financing of rolling stock purchases	5 April 2018	6 December 2024	7,177,083	Rolling stock pledged as collateral, bills of exchange
Financing of locomotive purchases	5 September 2019	15 September 2030	92,986,487	Rolling stock pledged as collateral, bills of exchange
Financing of measures to optimise business processes	23 December 2019	31 December 2023	30,000,000	Bills of exchange
Total			130,163,570	

CURRENT FINANCIAL LIABILITIES

in EUR	Date of agreement or annex	Date of maturity	Balance as at 31 December 2020	Collateral
Financing of locomotive purchases	5 September 2019	31 December 2021	6,513,514	Rolling stock pledged as collateral, bills of exchange
Financing of locomotive purchases	5 September 2019	15 September 2030	2,208,333	Rolling stock pledged as collateral, bills of exchange
Financing of measures to optimise business processes	23 December 2019	31 December 2021	15,000,000	Bills of exchange
Other current liabilities – interest			97,521	
Total			23,819,368	



2.3.1.19 Lease liabilities

in EUR	31 December 2020	31 December 2019
Non-current lease liabilities	13,803,685	19,963,461
Current lease liabilities	6,694,563	6,523,519
Total	20,498,248	26,486,980

CHANGES IN LEASE LIABILITIES

in EUR	2020	2019
Balance as at 1 January	26,486,980	29,338,765
increase	8,021,779	3,901,681
decrease	-7,754,229	-1,152,026
Lease concession	-10,720	0
payments	-6,706,715	-6,204,537
interest	461,153	603,097
Balance as at 31 December	20,498,248	26,486,980

CHANGES IN FINANCIAL LIABILITIES AND LEASE LIABILITIES (CASH FLOW)

in EUR	2020	2019
Balance as at 1 January	156,854,351	281,990,387
Inflows from loans raised	349,000,000	332,150,000
Outflows from loans raised	-325,693,898	-326,897,986
Outflows for the repayment of lease liabilities	-6,245,562	-5,632,050
Transfer of liabilities – change in share capital of Slovenske železnice, d. o. o.	0	-154,255,500
Changes in lease liabilities	256,830	29,050,597
Changes in liabilities from financial instruments	0	-429,968
Changes in liabilities for interest	82,989	-216,769
Exchange rate differences	226,476	1,095,640
Balance as at 31 December	174,481,186	156,854,351



2.3.1.20 Operating liabilities

in EUR	31 December 2020	31 December 2019
Non-current liabilities	123,821,214	132,203,855
Other non-current operating liabilities arising from energy renovation activities	9,572	14,358
Non-current operating liabilities – sales of receivables	118,952,650	131,738,650
Non-current liabilities in connection with superficies	288,156	302,808
Accrued compensation for the closure of lines (maintenance of the public rail infrastructure)	4,569,425	0
Other non-current liabilities	1,411	148,039
Current liabilities	93,674,930	81,513,561
Liabilities based on advances	1,947,161	3,490,156
Liabilities to employees	34,720,432	30,899,878
Liabilities to the state and government institutions	8,997,779	14,260,487
Liabilities to others	19,439,869	14,354,605
Current operating liabilities – sales of receivables	12,786,000	0
Deferred revenues	1,984,703	4,698,731
Accrued costs and expenses	13,798,986	13,809,704
Total	217,496,144	213,717,416

Non-current operating liabilities to the state arising from the sale of receivables based on the agreement of 12 June 2018 on the assignment of claims for consideration

between Slovenske železnice, d. o. o. and SŽ-Potniški promet, d. o. o. and two banks totalled EUR 118,952,650 (EUR 131,738,650 in 2019).



ACCRUED COSTS AND EXPENSES

in EUR	31 December 2020	31 December 2019
Unused annual leave	6,600,055	6,817,715
Accrued compensation for the closure of lines (maintenance of the public rail infrastructure)	1,142,357	4,408,331
Accrued costs of termination benefits	2,868,007	0
Contractual obligations for uncompleted works on projects	1,305,698	562,576
Use of freight wagons	458,572	634,994
Accrued services of foreign railway operators	430,102	151,940
Accrued concession fees	176,924	137,288
Accrued costs of hours worked	151,846	251,180
Accrued compensation in international freight transport	112,461	110,000
Accrued positioning costs for individual work orders	98,107	49,211
Accrued damages according to waybills	30,000	41,707
Accrued cross-border services	8,335	6,369
Other	416,522	638,393
Total	13,798,986	13,809,704

2.3.1.21 Trade payables

in EUR	31 December 2020	31 December 2019
Domestic trade payables	23,284,820	25,801,953
Foreign trade payables	13,028,074	9,805,732
Total	36,312,894	35,607,685

in EUR	31 December 2020	31 December 2019
Non-past-due liabilities	35,407,519	31,693,857
Past-due liabilities	905,375	3,913,828
- up to 30 days	519,329	3,151,860
- 31 to 90 days	174,492	554,280
- 91 to 365 days	137,034	192,664
- more than 365 days	74,520	15,024
Total	36,312,894	35,607,685



CONTINGENT RECEIVABLES AND CONTINGENT LIABILITIES

in EUR	31 December 2020	31 December 2019
Mortgages and liens received	3,519,088	3,694,804
Bank guarantees received, of which:	290,911,635	292,806,261
- for the purchase of rolling stock units	279,285,874	277,473,472
- for performance bonds and warranties	9,438,178	11,327,789
- other	2,187,583	4,005,000
Bills of exchange and enforcements received as collateral for advances, performance bonds and warranties	4,511,608	2,872,754
Merchandise on consignment	5,864	5,865
Withheld dividend payments	35,854	35,854
Total contingent receivables	298,984,049	299,415,538
Bank guarantees issued, of which:	25,282,302	19,928,623
- collateral for contractual liabilities, warranties and performance bonds	14,641,915	13,781,360
- transit insurance	10,050,000	6,000,000
- other	490,387	47,263
- Excise guarantees	100,000	100,000
Bills of exchange and enforcements issued as performance bonds and warranties	3,840,771	1,273,366
Liabilities for merchandise on consignment	5,865	5,865
Contingent liabilities from the sale of real estate	7,968,619	7,968,619
Contingent liabilities for lawsuits	3,002,806	3,916,797
Total contingent liabilities	40,100,363	33,093,270



2.3.2 Notes to the statement of profit or loss

2.3.2.1 Net sales revenue

in EUR	2020	2019
Revenues on the domestic market	233,245,629	259,590,834
Services and products	231,515,400	258,458,000
- services and products in connection with associates	418,175	296,990
- services and products in connection with others	231,097,225	258,161,010
Merchandise and materials	1,730,229	1,132,834
- merchandise and materials in connection with others	1,730,229	1,132,834
Revenues on the foreign market	173,964,932	183,881,379
Services	173,964,932	183,881,379
- services and products in connection with others	173,964,932	183,881,379
Total	407,210,561	443,472,213

NET SALES REVENUE COMPRISES:

in EUR	Consolidated 2020	Consolidated 2019
Slovenske železnice, d. o. o.	1,659,936	1,310,147
SŽ-Tovorni promet Group	145,009,857	162,164,336
SŽ-Potniški promet, d. o. o.	22,546,334	35,835,690
SŽ-Infrastruktura, d. o. o.	145,139,533	140,493,692
SŽ-VIT, d. o. o.	12,613,286	14,032,627
SŽ-ŽIP Group	3,699,254	4,678,573
Prometni institut Ljubljana, d. o. o.	81,642	164,807
SŽ-Železniška tiskarna Ljubljana, d. d.	53,769	42,870
SŽ-ŽGP Group	56,281,771	61,520,470
Fersped, d. o. o.	16,550,741	19,798,564
VV-LOG, d. o. o.	3,574,438	3,430,437
Total	407,210,561	443,472,213



The majority of the Slovenske železnice Group's net revenues are generated by the SŽ-Tovorni promet Group, SŽ-Potniški promet, d. o. o., SŽ-Infrastruktura, d. o. o. and the SŽ-ŽGP Group.

Total transport revenues in the amount of EUR 156,104,287 (EUR 184,546,096 in 2019) were generated on the local

and foreign markets by the SŽ-Tovorni promet Group in the amount of EUR 135,397,408 (EUR 150,679,632 in 2019) and SŽ-Potniški promet, d. o. o. in the amount of EUR 20,706,879 (EUR 33,866,464 in 2019).

SŽ-Infrastruktura, d. o. o., generated the majority of its revenues based on agreements with the Slovenian government:

in EUR	2020	2019
Public service obligation of the maintenance of the PRI	97,279,650	85,540,824
Public service obligation of the functioning of the PRI	35,474,706	37,334,339
Performance of tasks as manager of the PRI	1,956,309	1,574,100
Management and maintenance of housing and buildings that are not part of the PRI	340,196	359,374
Total	135,050,861	124,808,637

The majority of the **SŽ-ŽGP Group's** net revenues are generated in the performance of its core activity, i.e. the renovation of railway lines.

2.3.2.2 Capitalised own products and services

in EUR	2020	2019
Capitalised own products and services	8,683,249	27,776,588

The capitalised own products and services of the Slovenske železnice Group comprise capitalised costs of labour and materials associated with the sale of assets and services between Group companies. The majority of capitalised own products and services relate to replacement parts for locomotives, passenger multiple units, and freight and

passenger wagons. The volume of work in this segment was down sharply in 2020 due to the COVID-19 epidemic, as the scope of major repairs of rolling stock and replacements of parts for such vehicles were down in line with the reduction in passenger and freight transport.



2.3.2.3 Other operating revenues

in EUR	2020	2019
Revenues based on the agreement on benefits in connection with the purchase of rolling stock (Note 2.3.1.13.)	0	29,996,400
Revenues from the discharge of the public service obligation of passenger transport by rail	70,020,177	68,977,853
Revenue from state aid – COVID-19	18,649,980	0
Compensation and fines	15,241,083	19,167,741
of which accrued revenues from the maintenance of PRI lines (traffic disruptions)	13,727,678	16,148,883
Revenues from assigned contributions for the employment of disabled persons	4,360,060	5,263,207
Revenue from other subsidies	724,286	1,092,843
Income from the reversal of provisions	7,695,789	2,709,671
Revenues from the sale of property, plant and equipment, and the revaluation of receivables and liabilities	2,923,298	3,000,401
Other revenues	86,207	792,135
Total	119,700,880	131,000,251



2.3.2.4 Costs of goods, materials and services

in EUR	2020	2019
Historical cost of goods sold and costs of materials used	2,103,808	1,353,323
Costs of materials	38,903,182	39,659,765
Energy costs	29,390,612	29,355,385
Costs of replacement parts	2,447,825	4,708,573
Write-off of small inventory	1,461,991	1,696,060
Costs of office materials	442,083	506,769
Other material costs	1,230,514	479,264
Total cost of goods and materials sold and cost of materials used	75,980,015	77,759,139
Costs from the manufacture of products and provision of services	45,655,036	56,626,858
Transport services	14,544,592	21,340,308
Maintenance services	16,825,024	21,702,765
Reimbursement of employee expenses	2,436,254	3,048,507
Payment transaction and banking services	393,581	606,754
Intellectual and personal services	3,125,013	3,240,325
Insurance premiums	5,988,088	5,096,551
Advertising, publicity and representation	1,289,290	1,985,998
Costs under the RIV Rules	3,721,605	6,088,642
Costs under the RIC Rules	766,085	1,067,021
Costs of other services:	30,119,286	28,157,514
- rental costs	13,387,591	10,467,957
of which:		
- fee for access to public rail infrastructure	12,459,874	8,819,517
- fee for access to public rail infrastructure	536,529	530,053
- short-term leases	195,139	172,601
– short-term leases	1,742,478	1,941,287
– costs of services provided by the Port of Koper	3,130,367	3,544,547
– costs of student services and hired labour	5,834,447	5,401,226



Total	200,843,869	226,720,381
Total costs of services	124,863,854	148,961,242
– other costs	1,597,957	1,684,180
– border services provided by foreign railway administrations	131,266	146,431
– engineering services (ancillary activity in the maintenance of the PRI)	126,995	287,253
– administrative fees, administrative announcements and court fees	497,433	436,355
 membership fees and contributions paid to international organisations and other associations 	616,491	662,827
– costs of services associated with contracted work	489,721	628,287
- cleaning costs for premises, external areas and clothing, and property surveillance	708,486	762,155
 unclaimed VAT in the part where SŽ-Infrastruktura discharges its public service obligation 	1,418,665	1,418,664
– costs of transport services (traction) provided by foreign operators	437,389	776,345
in EUR	2020	2019



THE COSTS OF GOODS, MATERIALS AND SERVICES COMPRISE:

in EUR	Consolidated 2020	Consolidated 2019
Slovenske železnice, d. o. o.	6,728,500	6,417,642
SŽ-Tovorni promet Group	31,066,726	50,554,544
SŽ-Potniški promet, d. o. o.	12,152,612	14,116,282
SŽ-Infrastruktura, d. o. o.	54,177,528	47,840,380
SŽ-VIT, d.o.o.	28,781,758	31,532,880
SŽ-ŽIP Group	7,224,140	11,531,596
Prometni institut Ljubljana, d. o. o.	97,085	183,811
SŽ-Železniška tiskarna Ljubljana, d. d.	99,468	132,915
SŽ-ŽGP Group	47,818,404	50,545,849
Fersped, d. o. o.	10,525,077	12,045,452
VV-LOG, d. o. o.	2,172,571	1,819,030
Total	200,843,869	226,720,381

The most significant energy costs comprise the electricity and other fuels used to drive rolling stock in the amount of EUR 22,526,139 (EUR 22,423,620 in 2019).

The largest item amongst costs of services are the costs of services associated with the manufacture of products and provision of services, which include the costs of others (external contractors) in the performance of Group companies' activities. Almost the entire amount of the aforementioned costs arose at the following entities:

in EUR	Consolidated 2020	Consolidated 2019
SŽ-VIT, d. o. o.	3,327,988	3,292,446
SŽ-ŽIP Group	3,949,370	7,071,000
SŽ-ŽGP Group	27,179,614	33,616,554
Fersped, d. o. o.	9,912,780	11,332,375
VV-LOG, d.o.o.	1,212,547	1,264,664
Total	45,582,299	56,577,039

COSTS OF AUDITOR

in EUR	2020	2019
Auditing of the annual report	123,908	121,400
Other assurance services	6,720	6,500
Total	130,628	127,900



2.3.2.5 Labour costs

in EUR	2020	2010
IN EUK	2020	2019
Costs of wages and salaries	164,373,079	188,347,215
Pension insurance costs	23,337,358	25,812,621
Other social security costs	13,470,442	14,627,196
Other labour costs	67,098,731	47,235,992
– reimbursements	15,682,040	20,012,724
– annual leave allowance	9,799,347	9,221,262
– termination benefits	37,799,239	16,021,322
– provisions for jubilee benefits and termination benefits (actuarial calculation)	1,610,781	1,408,271
– crisis bonus (COVID-19 measure)	2,051,666	0
– contractual penalty for unused annual leave for previous year	0	330,653
– other costs	155,658	241,760
Total	268,279,610	276,023,024

2.3.2.6 Write-downs

in EUR	2020	2019
Amortisation of intangible assets and depreciation of property, plant and equipment	39,071,281	39,195,165
Depreciation of right-of-use assets	6,204,716	5,801,780
Operating expenses for intangible assets and property, plant and equipment	237,343	759,671
Operating expenses for working capital	2,043,409	4,214,204
- revaluation of inventories	1,614,477	222,078
- revaluation of receivablesv	398,598	3,952,921
- write-offs of receivables	30,334	39,205
Total	47,556,749	49,970,820



2.3.2.7 Other operating expenses

in EUR	2020	2019
Fees for the use of building land, and other taxes and levies	1,286,907	1,701,512
Accrued costs for damages due to the closure of lines	1,823,210	1,621,866
Fines and compensation for damage incurred by legal and natural persons	856,727	1,073,875
Claim due to an environmental accident above Hrastovlje	0	818,821
Scholarships and awards for pupils and students on compulsory job training	71,863	447,380
Donations (for sporting, cultural and humanitarian activities)	247,149	225,213
Reimbursement of the PDII for ensuring the rights of Slovenske železnice, d. o. o.'s workers who performed work in organisational units in the territory of the Republic of Croatia	90,171	80,453
Other costs	416,281	195,141
Total	4,792,308	6,164,261

2.3.2.8 Finance income

in EUR	2020	2019
Finance income from participating interests in associates	629,419	996,669
Finance income from participating interests in other companies	42,255	55,133
Finance income from other investments	0	1,165,052
Total finance income from participating interests	671,674	2,216,854
Finance income from loans to others	1,854,527	101,443
Total finance income from loans granted	1,854,527	101,443
Finance income from other operating receivables	791,032	399,476
Total finance income from operating receivables	791,032	399,476
Total	3,317,233	2,717,773

The full amount of **finance income from participating interests** is accounted for by participation in the profit of associates and other companies in the amount of EUR 671,674 (EUR 1,039,655 in 2019).

The majority of **finance income from loans** relates to exchange rate differences in the repayment of foreign currency loans.

Finance income from operating receivables primarily comprises default interest on current receivables in the amount of EUR 67,963 (EUR 359,577 in 2019) and revenues from the revaluation of operating receivables/liabilities in the amount of EUR 102,932 (EUR 30,416 in 2019) and revenues from the reversal of a discount in the amount of EUR 590,412.



2.3.2.9 Finance costs

in EUR	2020	2019
Finance costs from bank loans	1,685,111	1,211,647
Finance costs from leases	575,869	703,527
Finance costs from other financial liabilities	2,575,631	2,141,805
Total finance costs from financial liabilities	4,836,611	4,056,979
Finance costs from trade payables and liabilities from bills of exchange	191,522	74,295
Finance costs from other operating liabilities	174,599	169,085
Total finance costs from operating liabilities	366,121	243,380
Total	5,202,732	4,300,359

Finance costs from financial liabilities comprise:

- interest on loans from banks in the amount of EUR 1,685,111 (EUR 1,211,636 in 2019) and from EUROFIMA in the amount of EUR 421,925 (EUR 505,783 in 2019);
- interest as the result of an actuarial calculation in the amount of EUR 377,849 (EUR 471,984 in 2019);
- interest on leases in the amount of EUR 575,869 (EUR 703,527 in 2019);
- expenses from derivatives (FX forwards) in the amount of EUR 1,775,857 (EUR 239 in 2019).



2.3.2.10 Corporate income tax

in EUR	2020	2019
Current tax	3,029,311	4,472,386
Deferred tax	-37,681	1,045,791
Total corporate income tax	2,991,630	5,518,177
Pre-tax profit	13,911,097	40,548,302
Tax calculated at effective tax rate	2,979,550	8,627,682
Tax from decrease in revenues	-1,106,602	-1,385,418
Tax from increase in revenues	0	0
Tax from decrease in expenses	1,355,129	1,262,732
Tax from increase in expenses	-134,320	-199,381
Tax from decrease in tax base	-21,960	-22,060
Tax from increase in tax base	31,656	800,414
Tax from tax allowances	-3,109,659	-4,611,583
Tax credits	3,035,518	8,204
Total corporate income tax	2,991,630	5,518,177
Effective tax rate	21.51	13.61

The valid corporate income tax rate was 19% in Slovenia in 2020 and 2019, while tax rates for the Group range from 9% to 19%.



2.3.3 Transactions with associates

GROSS EARNINGS OF GROUPS OF PERSONS

in EUR	2020	2019
Management Board of the controlling company	373,076	390,434
Supervisory Board of the controlling company	155,390	143,114
External members of the committees of controlling company's Supervisory Board	9,338	10,075
Management boards of subsidiaries	1,579,029	1,606,920
Supervisory boards of subsidiaries	92,717	101,106
External members of the committees of subsidiaries' supervisory boards	4,984	5,590
Group employees under individual contracts	7,524,751	6,701,386
Total	9,739,285	8,958,625

The earnings of members of the controlling company's Management Board and the directors of subsidiaries include wages, bonuses and any other earnings.

The earnings of supervisory bodies comprise gross earnings from payments for the performance of positions on supervisory boards and the committees thereof, session fees, fringe benefits and the reimbursement of costs.

Except for the earnings listed above, Slovenske železnice Group companies have no other transactions with the members of their management and supervisory bodies.



EARNINGS OF THE MANAGEMENT BOARD DURING THE 2020 FINANCIAL YEAR – SLOVENSKE ŽELEZNICE GROUP

			Variable remuner	ration – gross
Name and surname/ company	Position	Fixed remuneration – gross	Based on quantitative criteria	Based on qualitative criteria
		1		
Controlling company Slov	enske železnice, d. o. o.			
Dušan Mes	Director General (1 January to 23 March 2020 and 24 March to 31 December 2020)	122,425	0	0
Tomaž Kraškovic	Member of the Management Board (1 January to 1 April 2020 and 2 April to 31 December 2020) (Director)	116,780	0	0
Nina Avbelj Lekić	Workers' Director	117,762	0	0
Total		356,968	0	0
SŽ-Tovorni promet, d. o. o				
Melita Rozman Dacar	Director	98,100	0	0
Drago Savić	Workers' Director (1 January to 19 January 2020)	4,155	0	0
Tamara Luskovec	Workers' Director (20 January to 31 December 2020)	73,741	0	0
Total		175,996	0	0
SI Cargo Logistic, d. o. o.,	Beograd			
Dragan Grujić	Director	50,077	0	0
SŽ-Potniški promet, d. o. o	0.			
Darja Kocjan	Director	92,284	0	0
Remzija Cinac	Workers' Director	79,643	0	0
Total		171,926	0	0
SŽ-Infrastruktura, d. o. o.				
Matjaž Kranjc	Director	97,316	0	0
Matjaž Skutnik	Workers' Director (1 January to 1 February 2020 and 1 February 2020 to 31 December 2020)	78,585	0	0
Total		175,901	0	0
SŽ-Vleka in tehnika, d. o. o	0.			
Dušan Žičkar	Director	97,633	0	0
Zdravko Skrbiš	Workers' Director	78,489	0	0
Total		176,122	0	0



						IN EUR
Total	Deferred remuneration	Termination benefits	Fringe benefits	Repayment of previously paid bonuses (clawback)	Total (gross)	Total (net)
2	3	4	5	6	(1 to 6)	
0	0	0	8,546	0	130,971	62,098
0	0	0	3,610	0	120,390	62,899
0	0	0	3,952	0	121,714	61,905
0	0	0	16,108	0	373,075	186,902
0	0	0	4,621	0	102,721	54,558
0	0	0	129	0	4,284	2,250
0	0	0	39	0	73,779	42,841
0	0	0	4,789	0	180,785	99,650
0	0	0	0	0	50.077	37.747
0	0	0	3,976	0	96,260	49,776
0	0	65,000	2,313	0	146,955	80,641
0	0	65,000	6,289	0	243,215	130,417
0	0	0	5,088	0	102,404	51,269
0	0	0	1,675	0	80,260	44,544
0	0	0	6,763	0	182,664	95,813
0	0	0	6,967	0	104,599	50,492
0	0	0	4,942	0	83,431	43,693
0	0	0	11,909	0	188,030	94,185



			Variable remune	ration – gross
Name and surname/ company	Position	Fixed remuneration – gross	Based on quantitative criteria	Based on qualitative criteria
SŽ-ŽIP storitve, d. o. o.				
Vojka Martinčič	Director	91,961	0	0
Vesna Ritlop	Workers' Director	74,385	0	0
Total		166,345		
Fersped, d. o. o.				
Jožef Petrovič	Director	0	0	0
VV-LOG, d. o. o.				
Dean Peršić	Director	70,651	0	0
Daniel Tomljanović	Director (1 January to 31 March 2020)	18,018	0	0
Total		88,670	0	0
Prometni institut, d. o. o.				
Peter Verlič	Director (1 January to 20 September 2020 and 21 September to 31 December 2020)	73,578	0	0
SŽ-Železniška tiskarna, d. d.				
Janez Brezovar	Director (1 January to 31 August 2020)	50,097	0	0
Majda Železnik	Director (1 September to 31 December 2020)	17,673	0	0
Total		67,770	0	0
SŽ-ŽGP, d. d.				
Tine Svoljšak	Director (1 January to 23 November 2020)	87,552	0	0
Dušan Mes	Director (23 November to 31 December 2020)	0	0	0
Pavel Piškur	Workers' Director (1 January to 8 November 2020 and 9 November to 31 December 2020)	78,764	0	0
Total		166,316	0	0
Kamnolom Verd, d. o. o.				
Matjaž Komprej	Director	71,293	0	0
SŽ ŽGP Podgorica, d. o. o.				
Veljko Flis	Director	9,063		
Total		1,750,024	0	0
Other employees on individual contracts		6,918,750	0	0



						IN EUR
Total	Deferred remuneration	Termination benefits	Fringe benefits	Repayment of previously paid bonuses (clawback)	Total (gross)	Total (net)
0	0	0	5,232	0	97,193	51,155
0	0	0	1,919	0	76,304	42,382
			7,152		173,497	93,537
0	0	0		0	0	0
0	0	0	6,774	0	77,425	38,531
0	0	0	2,057	0	20,076	9,500
0	0	0	8,831	0	97,501	48,031
0	0	0	3,652	0	77,230	43,295
0	0	65,000	65	0	115,162	65,413
0	0	0	55	0	17,728	10,722
0	0	65,000	120	0	132,890	76,135
0	0	0	1,595	0	89,147	47,797
0	0	0	0	0	0	0
0	0	0	2,559	0	81,323	44,231
0	0	0	4,154	0	170,470	92,028
0	0	0	2,314	0	73,607	40,716
					9,063	6,072
0	0	130,000	72,080	0	1,952,104	1,044,528
0	0	525,960	80,041	0	7,524,751	4,495,429



EARNINGS OF THE MANAGEMENT BOARD DURING THE 2019 FINANCIAL YEAR – SLOVENSKE ŽELEZNICE GROUP

			Variable remune	ration – gross
Name and surname/ company	Position	Fixed remuneration – gross	Based on quantitative criteria	Based on qualitative criteria
		1		
Controlling company Slovenske žele	eznice, d. o. o.			
Dušan Mes	Director General	113,878	8,685	5,790
Tomaž Kraškovic	Member of the Management Board (Director)	108,524	8,251	5,500
Nina Avbelj Lekić	Workers' Director	109,645	7,233	4,822
Total		332,047	24,169	16,112
SŽ-Tovorni promet, d. o. o.				
Melita Rozman Dacar	Director	105,740	0	0
Drago Savić	Workers' Director	82,758	0	0
Total		188,498	0	0
SI Cargo Logistic, d. o. o., Belgrade				
Dragan Grujić	Director	50,803	0	0
SŽ-Potniški promet, d. o. o.				
Boštjan Koren	Director (1 January to 30 April 2019)	32,477	0	0
Darja Kocjan	Director (1 May to 31 December 2019)	65,716	0	0
Remzija Cinac	Workers' Director	78,257	0	0
Total		176,450	0	0
SŽ-Infrastruktura, d. o. o.				
Matjaž Kranjc	Director	102,928	0	0
Matjaž Skutnik	Workers' Director	82,767	0	0
Total		185,695	0	0
SŽ-Vleka in tehnika, d. o. o.				
Dušan Žičkar	Director	103,156	0	0
Zdravko Skrbiš	Workers' Director	82,647	0	0
Total		185,803	0	0
SŽ-ŽIP storitve, d. o. o.				
Vojka Martinčič	Director	109,484	0	0
Vesna Ritlop	Workers' Director	78,242	0	0
Total		187,726	0	0



						in EUR
Total	Deferred remuneration	Termination benefits	Fringe benefits	Repayment of previously paid bonuses (clawback)	Total (gross)	Total (net)
2	3	4	5	6	(1 to 6)	
		,				
14,475	0	0	10,283	0	138,636	61,502
13,751	0	0	3,117	0	125,392	63,666
12,055	0	0	4,706	0	126,406	61,259
40,281	0	0	18,106	0	390,434	186,427
0	0	0	5,632	0	111,372	56,993
0	0	0	2,851	0	85,609	44,352
0	0	0	8,483	0	196,981	101,345
0	0	0	0	0	50,803	38,927
0	0	0	1,781	0	34,258	17,298
0	0	0	1,062	0	66,778	35,746
0	0	0	3,034	0	81,291	42,095
0	0	0	5,877	0	182,327	95,139
0	0	0	6,179	0	109,107	51,304
0	0	0	2,097	0	84,864	45,362
0	0	0	8,276	0	193,971	96,666
0	0	0	8,087	0	111,243	50,708
0	0	0	1,966	0	84,613	45,654
0	0	0	10,053	0	195,856	96,362
0	0	0	3,870	0	113,354	61,305
0	0	0	2,309	0	80,551	42,470
0	0	0	6,179	0	193,905	103,775



			Variable remuneration – gross	
Name and surname/ company	Position	Fixed remuneration – gross	Based on quantitative criteria	Based on qualitative criteria
Fersped, d. o. o.				
Jožef Petrovič	Director		0	0
VV-LOG, d. o. o.				
Dean Peršić	Director	76,826	0	0
Daniel Tomljanović	Director	74,647	0	0
Total		151,473	0	0
Prometni institut, d. o. o.				
Peter Verlič	Director	78,265		
SŽ-Železniška tiskarna, d. d.				
Janez Brezovar	Director	74,342	0	0
SŽ-ŽGP, d. d.				
Tine Svoljšak	Director	102,897	0	0
Pavel Piškur	Workers' Director	82,933		
Total		185,830	0	0
Kamnolom Verd, d. o. o.				
Matjaž Komprej	Director	74,783	0	0
SŽ ŽGP Podgorica, d. o. o.				
Veljko Flis	Director	9,063	0	0
Total		1,880,777	24,169	16,112
Other employees on individual contracts		6,641,609	0	0



0 81,326 79,613 160,939	Repayment of previously paid bonuses (clawback) 0	Fringe benefits	Termination benefits	Deferred remuneration	Total
81,326 79,613			0		
79,613	0			0	0
79,613	0				
	·	4,500	0	0	0
160,939	0	4,966	0	0	0
<u> </u>	0	9,466	0	0	0
82,676		4,411			
74,440	0	98	0	0	0
105,111	0	2,214	0	0	0
82,933		0			0
188,044	0	2,214	0	0	0
77,915	0	3,132	0	0	0
,					,
9.063	0	0	0	0	0
1,997,354	0	76,296	0	0	40,281
6 701 206	0	E0 777		0	0
74,440 105,111 82,933 188,044 77,915	0 0 0	98 2,214 0 2,214 3,132	0 0 0	0 0 0	



REMUNERATION OF SUPERVISORY BOARD MEMBERS IN 2020

Name and surname/ company	Position	Gross annual wages for performance of position
Slovenske železnice, d. o	. 0.	1
Bojan Brank	Member and Chairman of the Supervisory Board, and member of the HR committee (1 January to 6 June 2020)	6,459
lgor Janez Zajec	Member of the Supervisory Board and member of the HR committee (1 January to 26 February 2020)	2,146
Aleksander Nagode	Member and Deputy Chairman of the Supervisory Board (until 28 September 2020), and member of the audit committee and strategic investments committee (28 September to 31 December 2020)	13,261
Tanja Bolte	Member of the Supervisory Board, member of the audit committee (1 January to 26 August 2020)	7,445
Aleksander Mervar	Member and Chairman of the Supervisory Board (7 August to 31 December 2020), member and chair of the audit committee (1 January to 7 August 2020) and member of the HR committee (7 August to 28 September 2020)	13,989
Adam Vengušt	Member of the Supervisory Board and chair of the HR committee (1 January to 26 August 2020)	8,189
Melita Malgaj	Member of the Supervisory Board and chair of the audit committee (12 June to 31 December 2020)	7,241
Gabrijel Škof	Member of the Supervisory Board, and member of the HR committee and strategic investments committee (27 August to 31 December 2019)	4,902
Boris Markočič	Member of the Supervisory Board (27 August to 31 December 2020), member of the audit committee and member and chair of the strategic investments committee (28 September to 31 December 2020)	5,235
Franci Matoz	Member and Deputy Chairman of the Supervisory Board (27 August to 31 December 2020), and member and chairman of the HR committee (28 September to 31 December 2020)	4,836
Silvo Berdajs	Member and employee representative of the Supervisory Board, member of the audit committee and strategic investments committee	12,574
Zlatko Ratej	Member and employee representative of the Supervisory Board, member of the HR committee	11,909
Jože Pavšek	Member and employee representative of the Supervisory Board	9,527
Barbara Nose	External member of the audit committee	7,622
Total		115,335



			in EUR	
Gross annual attendance fees for Supervisory Board and committee meetings	Fringe benefits	Total (gross)	Total (net)	Travel expenses
2	3	(1 to 3)		
1,669	22	8,150	5,925	27
396	10	2,552	1,846	0
5,682	44	18,987	13,765	0
2,689	32	10,166	7,362	0
4,835	44	18,868	13,679	0
2,560	32	10,781	8,002	265
3,982	21	11,244	8,156	0
3,168	12	8,082	5,866	0
2,992	12	8,239	5,980	0
2,948	12	7,796	5,658	0
5,902	44	18,520	13,426	0
6,003	44	17,956	13,016	0
4,186	44	13,757	9,961	0
1,716	0	9,338	6,791	0
48,728	373	164,436	119,433	292



Name and surname/ company	Position	Gross annual wages for performance of position
SŽ-Infrastruktura, d. o. o.		
Matej Čepeljnik	Member and Deputy Chairman of the Supervisory Board, Chairman of the Supervisory Board (1 January to 23 July 2020)	6,009
Anita Goršek	Member of the Supervisory Board (1 January to 23 July 2020)	5,447
Urška Grmek	Member and Chairwoman of the Supervisory Board (24 July to 31 December 2020)	6,659
Matjaž Trontelj	Member and Deputy Chairman of the Supervisory Board (24 July to 31 December 2020)	4,942
Silvo Berdajs	Member and employee representative of the Supervisory Board (1 January to 7 February 2020)	1,066
Milorad Šljivić	Member and employee representative of the Supervisory Board (18 February to 31 December 2020)	8,166
Total		32,289
SŽ-ŽGP Ljubljana, d. d.		
Gorazd Podbevšek	Chairman of the Supervisory Board and member of the audit committee	16,005
Dušan Mes	Member and Deputy Chairman of the Supervisory Board, member and chair of the audit committee	11,752
Nina Marin	Member of the Supervisory Board, member of the audit committee (17 November to 31 December 2020)	1,502
Silvo Berdajs	Member and employee representative of the Supervisory Board, and member of the audit committee	11,909
Marjeta Mlinar	External member of the audit committee	4,764
Total		45,932
SŽ-Železniška tiskarna Lju	bljana, d. d.	
Boštjan Koren	Chairman of the Supervisory Board	0
Martina Resnik	Member and Deputy Chairwoman of the Supervisory Board	0
Miran Parkelj	Member and employee representative of the Supervisory Board	0
Total		0
Total		193,556



			in EUR	
Gross annual attendance fees for Supervisory Board and committee meetings	Fringe benefits	Total (gross)	Total (net)	Travel expenses
1,551	23	7,583	5,492	0
1,826	28	7,301	5,282	0
2,255	16	8,930	6,479	0
2,255	16	7,213	5,230	0
495	7	1,568	1,133	0
3,586	35	11,787	8,538	0
11,968	125	44,382	32,154	0
1,969	44	18,018	13,061	0
1,694	42	13,488	9,768	0
275	2	1,779	1,292	0
1,969	44	13,922	10,082	0
220	0	4,984	3,625	0
6,127	132	52,191	37,828	0
431	44	475	301	0
242	44	286	164	0
323	44	367	223	0
996	132	1,128	688	0
67,819	762	262,137	190,103	292



REMUNERATION OF SUPERVISORY BOARD MEMBERS IN 2019

Name and surname/ company	Position	Gross annual wages for performance of position
		1
Slovenske železnice, d. o. o.		
Bojan Brank	Member and Chairman of the Supervisory Board, member of the HR committee	17,896
Mitja Križaj	Member of the Supervisory Board, member and chair of the audit committee (1 January to 11 September 2019)	9,874
Aleksander Nagode	Member and Deputy Chairman of the Supervisory Board, member of the audit committee	13,845
Jože Oberstar	Member of the Supervisory Board, member and chair of the HR committee (1 January to 11 September 2019)	9,874
Tanja Bolte	Member of Supervisory Board, member of the audit committee (12 September to 31 December 2019)	3,856
lgor Janez Zajec	Member of the Supervisory Board and member of the HR committee (12 September to 31 December 2019)	3,856
Aleksander Mervar	Member of the Supervisory Board, chair of the audit committee (12 September to 31 December 2019)	4,224
Adam Vengušt	Member of the Supervisory Board, chair of the HR committee (12 September to 31 December 2019)	4,224
Silvo Berdajs	Member and employee representative of the Supervisory Board, member of the audit committee (12 September to 31 December 2019)	3,856
Zlatko Ratej	Member and employee representative of the Supervisory Board, member of the audit committee (1 January to 11 September 2019), member of the HR committee (18 September to 31 December 2019)	12,832
Jože Pavšek	Member and employee representative of the Supervisory Board (1 January to 31 December 2019), member of the HR committee (1 January to 11 September 2019)	12,095
Barbara Nose	External member of the audit committee (1 January to 11 September 2019, 26 September to 31 December 2019)	7,919
Total		104,351



			in EUR	
Gross annual attendance fees for Supervisory Board and committee meetings	Fringe benefits	Total (gross)	Total (net)	Travel expenses
2	3	(1 to 3)		
6,116	48	24,060	17,583	181
3,861	36	13,771	10,050	96
6,336	48	20,229	14,664	0
3,465	36	13,375	10,021	453
2,475	11	6,342	4,601	0
2,651	11	6,518	5,173	610
2,475	11	6,710	4,869	0
2,651	11	6,886	5,365	506
2,475	11	6,342	4,601	0
6,512	48	19,392	14,056	0
5,500	48	17,643	12,784	0
2,156	0	10,075	7,328	0
46,673	319	151,343	111,095	1,846



Name and surname/ company	Position	Gross annual wages for performance of position
SŽ-Infrastruktura, d. o. o.		
	Member and Chairwoman of the Supervisory Board (1 January to 30 April 2019)	5,150
Darja Kocjan		5,150
Matej Čepeljnik	Member and Deputy Chairman of the Supervisory Board (1 January to 30 April 2019), member and Chairman of the Supervisory Board (1 May to 31 December 2019)	13,596
Anita Goršek	Member of the Supervisory Board (7 June to 31 December 2019)	5,836
Silvo Berdajs	Member and employee representative of the Supervisory Board (9 January to 31 December 2019)	10,079
Total		34,661
SŽ-ŽGP Ljubljana, d. d.		
Gorazd Podbevšek	Chairman of the Supervisory Board and member of the audit committee	18,025
Dušan Mes	Member and Deputy Chairman of the Supervisory Board, member and chair of the audit committee	15,192
Silvo Berdajs	Member and employee representative of the Supervisory Board, member of the audit committee (29 January to 31 December 2019)	11,906
Stanislav Debeljak	Member and employee representative of the Supervisory Board, member of the audit committee (1 January to 29 January 2019)	1,004
Marjeta Mlinar	External member of the audit committee	5,150
Total		51,277
SŽ-Železniška tiskarna Ljub	ljana, d. d.	
Boštjan Koren	Chairman of the Supervisory Board	0
Martina Resnik	Member and Deputy Chairwoman of the Supervisory Board	0
Miran Parkelj	Member and employee representative of the Supervisory Board	0
Total		0
Total		190,289



			in EUR	
Gross annual attendance fees for Supervisory Board and committee meetings	Fringe benefits	Total (gross)	Total (net)	Travel expenses
1,210	19	6,379	4,620	0
4,015	48	17,659	12,796	0
2,530	24	8,390	6,079	0
4,015	43	14,137	10,238	0
11,770	134	46,565	33,733	0
2,200	48	20,273	14,697	0
2,695	48	17,935	12,997	0
2,695	41	14,642	10,608	0
0	7	1,011	728	0
440	0	5,590	4,065	0
8,030	144	59,451	43,095	0
215	47	262	144	0
162	47	209	105	0
162	47	209	105	0
539	141	680	354	0
67,012	738	258,039	188,277	1,846



Companies of the Slovenske železnice Group

Transactions with subsidiaries are excluded from the financial statements of the Slovenske železnice Group

during consolidation. Transactions with associates are presented below:

in EUR	Sales	Purchases
2020		
Adria Kombi, d. o. o., Ljubljana	16,802,647	287,796
Terme Olimia, d. d.	0	42,587
CKTZ, d. d., Zagreb	156,303	12,748
Total	16,958,950	343,131
2019		
Adria Kombi, d. o. o., Ljubljana	18,667,068	497,692
Terme Olimia, d. d.	12	210,037
CKTZ, d. d., Zagreb	209,530	67,722
Total	18,876,610	775.451

Sales transactions with the associate Adria Kombi, d. o. o., Ljubljana and CKTZ, d. d., Zagreb relate to rail freight transport services.

in EUR	Customers	Suppliers
Balance as at 31 December 2020		
Adria Kombi, d. o. o., Ljubljana	1,021,422	9,211
Terme Olimia, d. d.	0	0
CKTZ, d. d., Zagreb	0	4,836
Total	1,021,422	14,047
Balance as at 31 December 2019		
Adria Kombi, d. o. o., Ljubljana	1,585,973	16,287
Terme Olimia, d. d.	0	16,287
CKTZ, d. d., Zagreb	5,747	4,836
Total	1,591,720	37,410



Transactions with the government

Slovenske železnice, d. o. o. is 100% owned by the Republic of Slovenia. The Company did not transact directly with the Republic of Slovenia in 2020 and 2019, except in connection with ordinary transactions that are not disclosed separately. These include the payment of all taxes. The same applies to other Group companies.

Only the following companies of the Slovenske železnice Group transacted directly with the government:

- SŽ-Infrastruktura, d. o. o.,
- SŽ-Potniški promet, d. o. o., and
- SŽ-Železniško gradbeno podjetje Ljubljana, d. d.

An explanation is given below.

Revenues from transactions between the government and the subsidiary SŽ-Infrastruktura, d. o. o.

in EUR	2020	2019
Public service obligation of the maintenance of the PRI	97,279,650	85,540,824
Public service obligation of traffic control	35,474,706	37,334,339
Performance of tasks as manager of the PRI	1,956,309	1,574,099
Management and maintenance of housing and buildings that are not part of the PRI	340,196	359,374
Total	135,050,861	124,808,636

Transactions are executed on the basis of an agreement on the provision of services by the public railway infrastructure manager for the period 2016–2020, and annex no. 7 to that agreement for the period 1 January 2020 to 31 July 2020 and annex no. 8 for the period 1 August to 31 December 2020.

Revenues from transactions between the government and the subsidiary SŽ-Potniški promet, d. o. o.

in EUR	2020	2019
Revenues from the discharge of the public service obligation provision of passenger transport	70,020,177	68,977,853

Based on the Agreement on the discharge of the public service obligation (PSO) in the inland and cross-border regional transport of passengers by rail for the period 2017–2031, annex no. 4 to that agreement for the period 1 January to 31 December 2020 and amendments to the aforementioned agreement concluded with the Slovenian government, the company received net compensation of EUR 51,010,663 for services rendered in 2020 in connection with train kilometres travelled to cover a portion of

the costs associated with the discharge of the PSO in accordance with the applicable timetable and obligations under the tariff, as well as other compensation in the amount of EUR 19,009,514 for the discharge of the PSO. That compensation entails a subsidy linked to the price of services, which includes value-added tax in the amount of 9.5%. Revenues are therefore disclosed in the net amount of compensation.



Revenues from transactions between the government and the subsidiary SŽ-ŽGP Ljubljana, d. o. o.

in EUR	2020	2019
Provision of constructions services for:		
- Ministry of Infrastructure of the Republic of Slovenia	26,545,268	34,552,162
- Municipalities	0	0
Total	26,545,268	34,552,162

Transactions with the associates of the owner

in EUR	31 December 2020	31 December 2019
Balance of current trade and other operating receivables	1,849,468	2,568,423
Balance of current trade and other operating liabilities	1,597,919	2,102,149

in EUR	2020	2019
Transport – receivables	9,848,993	12,441,020
Transport – liabilities	19,350,980	25,656,196

The disclosure of transactions with associates of the owner includes companies in SDH, d. d.'s portfolio in which the

participating interest of the Republic of Slovenia and SDH, d. d. is greater than 20%.

2.3.4 Events after the end of the accounting period

Events after the accounting period within the Slovenske železnice Group were characterised by the COVID-19 epidemic. Due to the adoption of measures in connection with the COVID-19 epidemic, the Slovenske železnice Group settled its liabilities to all stakeholders (suppliers, employees, banks, the state, etc.) without problems in 2020, such that the liquidity of the Slovenske železnice

Group was not at risk during that period, nor does the Group expect a liquidity crunch in 2021.

The Slovenske železnice Group continued with procedures in connection with a strategic partnership between SŽ-Tovorni promet, d. o. o. and Fersped, d. o. o. and EP Logistics International, a. s.



3. FINANCIAL RISKS WITHIN THE SLOVENSKE ŽELEZNICE GROUP

The financial risks to which the Slovenske železnice Group is exposed include interest rate risk, currency risk, liquidity risk and credit risk. Exposure to financial risks is monitored monthly, while measures to manage those risks are adopted continuously. The COVID-19 epidemic did not have

an additional negative effect on financial risks to which Slovenske železnice Group companies were exposed in 2020, as the Group adopted measures in a timely manner to neutralise the epidemic.

INTEREST RATE RISK

The Slovenske železnice Group manages interest rate risk in accordance with the Policy on the comprehensive management of risks within the Slovenske železnice Group. The Slovenske železnice Group's entire loan portfolio

comprises loans raised with a fixed interest rate based on an underlying agreement. Its exposure to interest-rate risk is thus minimal.

Financial instruments	in EUR	Balance as at 31 December 2020	Balance as at 31 December 2019
Financial receivables		66,601,379	67,868,507
Financial liabilities		174,481,186	156,854,351
Net financial instruments		-107,879,807	-88,985,844

The following instruments are used to hedge exposure to interest rate risk:

- primarily loans with a fixed interest rate; and
- in part through current operations, by linking the interest rates on the Slovenske železnice Group's operating receivables to changes in the EURIBOR.

BALANCE OF LOAN LIABILITIES WITH A VARIABLE INTEREST RATE:

(EUR)	Balance as at 31 December 2020	Balance as at 31 December 2019
Total loans (principal)	0	29,759,089

BALANCE OF LOAN LIABILITIES WITH A FIXED INTEREST RATE:

in EUR	Balance as at 31 December 2020	Balance as at 31 December 2019
Total loans (principal)	153.885.417	100.593.750

The annual effect on pre-tax profit of a one percentage point change in the reference interest rate would be positive or negative in the amount of EUR 48 thousand.



CURRENCY RISK

The Slovenske železnice Group likewise manages currency risk in accordance with the Policy on the comprehensive management of risks within the Slovenske železnice Group. The Slovenske železnice Group is less exposed to currency risk, as the majority of the Group's transactions are in euros, while the number of transactions in other currencies is relatively small and linked exclusively to transactions with subsidiaries in the territory of the former Yugoslavia. We

assess that the Slovenske železnice Group is not exposed to major risks in this regard, as the volatility of local currencies is relatively low, which is evident from the table below. We manage the majority of such risks using hedges. Thus, an unfavourable change in any currency pairing of 10% would not have a significant impact on the Group's operating results (operating results would have been reduced by a maximum of EUR 197,355 in 2020 and EUR 139,048 in 2019).

for EUR 1	31 December 2020	31 December 2019
HRK	7.5460	7.4485
RSD	117.5300	117.3800
USD	1.2281	1.1189

31 December 2020					
in EUR	EUR	HRK	RSD	USD	Total
Cash and cash equivalents	42,012,656	217,149	238,102		42,467,907
Current operating receivables (excluding receivables from the government)	52,302,926	3,408,252	172,108	28,225	55,911,511
Non-current operating receivables	129,043,502				129,043,502
Current financial receivables	63,909,002				63,909,002
Non-current financial receivables	2,692,377				2,692,377
Non-current operating liabilities (excluding other liabilities)	119,251,789				119,251,789
Current operating liabilities (excluding liabilities to the state and employees, and liabilities from advances)	34,222,607	2,047,776	4,067	38,444	36,312,894
Non-current financial liabilities	143,967,255				143,967,255
Current financial liabilities	30,513,931				30,513,931
Exposure in the statement of financial position	-37,995,119	1,577,625	406,143	-10,219	-36,021,570



31 December 2019						
in EUR	EUR	CHF	HRK	RSD	USD	Total
Cash and cash equivalents	17,433,696		179,347	195,068		17,808,111
Current operating receivables (excluding receivables from the government)	63,170,273		1,684,001	227,274	6,973	65,088,521
Non-current operating receivables	243,496,628					243,496,628
Current financial receivables	6,715,601					6,715,601
Non-current financial receivables	61,152,906					61,152,906
Non-current operating liabilities (excluding other liabilities)	132,203,855					132,203,855
Current operating liabilities (excluding liabilities to the state and employees, and liabilities from advances)	34,705,499		875,760	6,901	19,525	35,607,685
Non-current financial liabilities	115,848,878					115,848,878
Current financial liabilities	11,254,229	29.751.244				41,005,473
Exposure in the statement of financial position	97,956,643	-29,751,244	987,588	415,441	-12,552	69,595,876
Nominal value of concluded forward transactions	-29,751,244	29,751,244				
Net exposure disclosed in the statement of financial position	68,205,399	0	987,588	415,441	-12,552	69,595,876

The Slovenske železnice Group's entire credit portfolio is in euros. Its credit obligations are thus not exposed to currency risk.

Loan liabilities by currency	Balance as at 31 December 2020	Balance as at 31 December 2019
EUR	153,885,417	100,601,595
CHF	0	29,751,244
Total loans (principal)	153,885,417	130,352,839



LIQUIDITY RISK

With the aim of managing liquidity risk, the Slovenske železnice Group implemented a policy on the regular management of its liquidity and solvency in 2020. It used that policy for the daily, monthly and annual monitoring of the liquidity position of the Group as a whole and of subsidiaries.

Liquidity risk management requires the management of such risks by individual category:

- the management of liquidity risk from operations, which is closely linked to credit risk; and
- the management of liquidity risk from financing, which represents a risk linked to securing sufficient financial resources for the Group's operations and investments.

Liquidity risk management is centralised at the controlling company for all Group companies. The continuous monitoring of cash flows, the implementation of the Slovenske železnice Group's cash management policy (Group companies have signed a cash-pooling agreement for the purpose of managing and balancing liquidity within the Group), and the securing and availability of the necessary short-term credit lines in the amount of EUR 60 million ensured that the liquidity of the Slovenske železnice Group was controlled and ensured in 2020, and that liquidity risk was well-managed. Current credit lines are regularly rolled-over.

MATURITY BREAKDOWN OF LIABILITIES:

in EUR	Contractual cash flows					
	Carrying amount of liabilities	Total contractual obligations	0 to 6 months	6 to 12 months	From 1 to 3 years	More than 3 years
Non-current borrowings received	130,163,570	136,364,464			64,492,556	71,871,908
Non-current lease liabilities	13,803,685	14,698,921			11,394,434	3,304,487
Other non-current operating liabilities	119,251,789	119,251,789			38,358,000	80,893,789
Current borrowings received	23,819,368	25,247,144	10,098,858	15,148,286		
Current lease liabilities	5,694,563	7,101,987	3,660,714	3,441,273		
Other current financial liabilities	97,521	97,521	97,521			
Current operating liabilities (excluding liabilities to the state and employees, and liabilities from advances)	36,312,894	36,312,894	36,312,894			
Balance as at 31 December 2020	329,143,390	339,074,720	50,169,987	18,589,559	114,244,990	156,070,184



in EUR		Contra	ctual cash flow	/S		
	Carrying amount of liabilities	Total contractual obligations	0 to 6 months	6 to 12 months	From 1 to 3 years	More than 3 years
Non-current borrowings received	95,885,417	102,080,392			35,939,009	66,141,383
Non-current lease liabilities	19,963,461	19,963,464			17,233,776	2,729,688
Other non-current operating liabilities	132,203,855	132,203,855			38,358,000	93,845,855
Current borrowings received	34,459,577	36,001,229	1,670,787	34,330,442		
Current lease liabilities	6,523,519	6,523,519	3,278,863	3,244,656		
Other current financial liabilities	22,377	22,377		22,377		
Current operating liabilities (excluding liabilities to the state and employees, and liabilities from advances)	35,607,685	35,607,685	35,607,685			
Balance as at 31 December 2019	324,665,891	332,402,521	40,557,335	37,597,475	91,530,785	162,716,926



CREDIT RISK

The deteriorating liquidity of partners on the market requires additional attention when monitoring their credit ratings and thus the provision of the appropriate collateral. Investments in a new system for monitoring the credit ratings of our partners has reduced credit risk, which will be reflected in the reduced value of past-due receivables and more secure operations. The adverse economic conditions and the associated increased probability of failure to fulfil contractually defined obligations by partners require the Company to pay special attention to the management of credit risks. For this reason, the credit risk management process actively includes several departments.

The credit risk management process is supplemented during the formulation of the portfolio through the careful selection of partners, followed by the regular review of the credit quality of those partners through the assignment of credit ratings.

Data regarding the operations of the banks with which the Group cooperates are monitored as part of the credit risk management process. Risk is further managed by diversifying the placement of cash at individual banks and by investing cash for current operations over the short term.

Credit risks were appropriately managed in 2020, and there were no material credit-related events that had a significant impact on operations. A great deal of attention is being given to the development of a system for monitoring the credit ratings of business partners based on publicly accessible information and internal experiences in operations with those partners.

Domestic and foreign customers were verified in 2020 according to an internal credit assessment process, with the help of credit ratings and published information. The operations and financial position of specific customers were monitored regularly, as was the Group's exposure to those customers. Risk management measures were adopted as required. Value adjustments are created for older receivables (see note 2.3.1.11).

MATURITY OF TRADE RECEIVABLES (GROSS AMOUNT):

in EUR	in EUR Maturity							
As at	Non-		Pa	st-due		Total	Adjustments to the value of receivables	Net value of receivables
	past-due	up to 30 days	31 to 90 days	91 to 365 days	more than 365 days			
31 December 2020	51,658,553	3,306,924	700,872	649,684	5,824,008	62,140,041	6,228,530	55,911,511
31 December	61,201,965	2,915,741	913,967	419,191	6,108,143	71,559,007	6,470,486	65,088,521



4. CAPITAL ADEQUACY MANAGEMENT

The underlying purpose of capital management is to ensure capital adequacy, the highest possible level of financial

stability, long-term solvency and the maximisation of value for the Group's owners.

in EUR	2020	2019
Non-current financial liabilities	143,967,255	115,848,878
Current financial liabilities	30,513,931	41,005,473
Total financial liabilities	174,481,186	156,854,351
Total equity	548,275,424	541,144,769
Debt/equity	0.32	0.29
Cash and cash equivalents	42,467,907	17,808,111
Net financial liabilities	132,013,279	139,046,240
Net debt/equity	0.24	0.26



5 CARRYING AMOUNT AND FAIR VALUE OF FINANCIAL INSTRUMENTS

The table below only includes information regarding classification to the fair value hierarchy for assets and

financial liabilities measured at fair value and for which fair value is disclosed.

in EUR		31 D	ecember 2020		
	Carrying amount	Fair value	1st level	2nd level	3rd level
Non-current financial assets					
Investments in shares and participating interests measured at fair value through profit or loss that are not quoted on a regulated market	2,093,464	2,093,464			2,093,464
Long-term deposits at banks	279,363	279,363			279,363
Other non-current financial assets	2,413,014	2,413,014			2,413,014
Current financial assets					
Trade receivables	55,911,511	55,911,511			55,911,511
Other current assets	63,909,002	63,909,002			63,909,002
Cash and cash equivalents	42,467,907	42,467,907	42,467,907		
Non-current financial liabilities					
Loans received	130,163,570	130,163,570			130,163,570
Lease liabilities	13,803,685	13,803,685			13,803,685
Current financial liabilities					
Loans received	23,819,368	23,819,368			23,819,368
Lease liabilities	6,694,563	6,694,563			6,694,563
Other financial liabilities	97,521	97,521			97,521
Trade payables	36,312,894	36,312,894			36,312,894



in EUR		31 D	ecember 2019		
	Carrying amount	Fair value	1st level	2nd level	3rd level
Non-current financial assets					
Investments in shares and participating interests measured at fair value through profit or loss that are not quoted on a regulated market	2,093,464	2,093,464			2,093,464
Non-current financial receivables from the sale of receivables	40,152,258	40,152,258			40,152,258
Long-term deposits at banks	18,585,904	18,585,904			18,585,904
Other non-current financial assets	2,414,744	2,414,744			2,414,744
Current financial assets					
Financial instruments measured at fair value through profit or loss that are not quoted on a regulated market	1,775,857	1,775,857			1,775,857
Trade receivables	65,088,521	65,088,521			65,088,521
Cash and cash equivalents	17,808,111	17,808,111	17,808,111		
Other current assets	4,939,744	4,939,744			4,939,744
Non-current financial liabilities					
Loans received	95,885,417	95,885,417			95,885,417
Lease liabilities	19,963,461	19,963,461			19,963,461
Current financial liabilities					
Loans received	34,459,577	34,459,577			34,459,577
Lease liabilities	6,523,519	6,523,519			6,523,519
Other financial liabilities	22,377	22,377			22,377
Trade payables	35,607,685	35,607,685			35,607,685

The Slovenske železnice Group did not record any transitions between fair value levels in 2020.



6. FINANCIAL STATEMENTS OF SLOVENSKE ŽELEZNICE, D. O. O.

6.1 STATEMENT OF FINANCIAL POSITION

		Balance	as at
in EUR	Note	31 December 2020	31 December 2019
ASSETS		716,618,928	738,444,035
A. Non-current assets		594,297,642	643,909,247
Intangible assets	6.6.1.1	18,222,356	9,924,514
Right-of-use assets in connection with leases	6.6.1.2	405,900	480,838
Property, plant and equipment	6.6.1.3	13,633,404	21,117,499
Investment property	6.6.1.4	44,929,798	45,179,136
Investments in subsidiaries	6.6.1.5	426,810,333	426,810,333
Investments in associates	6.6.1.5	3,079,623	3,079,623
Other financial assets	6.6.1.5	2,090,491	2,090,491
Financial receivables	6.6.1.6	80,744,746	130,440,958
Operating receivables	6.6.1.7	3,659,469	3,933,591
Deferred tax assets	6.6.1.8	337,291	332,905
Other non-current assets		384,231	519,359
B. Current assets		122,321,286	94,534,788
Assets held for sale		30,025	66,136
Inventories		0	0
Financial receivables	6.6.1.9	68,416,343	55,712,615
Trade receivables	6.6.1.10	3,755,417	3,589,993
Other trade receivables	6.6.1.11	30,973,581	32,212,095
Receivables for corporate income tax		1,235,069	0
Cash and cash equivalents	6.6.1.12	17,910,851	2,953,949



	Balance a	as at	
in EUR	Note	31 December 2020	31 December 2019
EQUITY AND LIABILITIES		716,618,928	738,444,035
A. Equity	6.6.1.13	461,432,745	475,762,455
Share capital		359,529,921	359,529,921
Share premium account		45,002,140	45,002,140
Legal reserves		3,778,009	3,778,009
Other profit reserves		46,448,165	46,448,165
Fair value reserves		-535,726	-420,530
Retained earnings		7,210,236	21,424,750
1. Retained earnings		7,210,236	13,251,753
2. Undistributed retained earnings from the financial year		0	8,172,997
B. Non-current liabilities		108,792,740	142,533,267
Provisions for jubilee benefits and termination benefits	6.6.1.14	2,079,030	2,198,957
Non-current deferred income		2,258	1,773
Financial liabilities	6.6.1.15	103,677,083	136,037,675
Lease liabilities	6.6.1.16	348,808	405,825
Operating liabilities	6.6.1.17	2,685,561	3,889,037
C. Current liabilities		146,393,443	120,148,313
Financial liabilities	6.6.1.15	125,121,428	99,183,281
Lease liabilities	6.6.1.16	66,261	80,789
Trade payables	6.6.1.18	16,218,806	15,087,733
Other operating liabilities	6.6.1.17	4,986,948	4,149,751
Income tax payable		0	1,646,759

The accounting policies and notes are a constituent part of the financial statements and must be read in connection with them.



6.2 STATEMENT OF PROFIT OR LOSS

in EUR	Note	2020	2019
1. Net sales revenue	6.6.2.1	21,354,435	20,842,747
4. Other operating revenues (including revaluation operating revenues)	6.6.2.2	4,777,517	33,517,545
5. Costs of goods, materials and services	6.6.2.3	7,747,044	7,736,246
6. Labour costs	6.6.2.4	18,718,512	19,249,791
7. Write-downs	6.6.2.5	2,082,084	2,032,228
8. Other operating expenses	6.6.2.6	13,708,850	11,367,487
9. Operating profit or loss (1 ± 2 + 3 + 4 – 5 – 6 – 7 – 8)		-16,124,538	13,974,540
10. Finance income	6.6.2.7	6,719,034	13,507,690
11. Finance costs	6.6.2.8	4,812,238	7,737,059
12. Net finance income/costs (11 – 12)		1,906,796	5,770,631
13. Pre-tax profit or loss (9 + 13)		-14,217,742	19,745,171
14. Current tax		0	1,646,759
15. Deferred taxes	6.6.1.8	-4,387	892,102
16. Corporate income tax	6.6.2.9	-4,387	2,538,861
17. Net profit or loss for the accounting period		-14,213,355	17,206,310

The accounting policies and notes are a constituent part of the financial statements and must be read in connection with them.

6.3 STATEMENT OF OTHER COMPREHENSIVE INCOME

in EUR	Note	2020	2019
Net profit or loss for the accounting period		-14,213,356	17,206,310
Items that will not be reclassified subsequently to profit or loss		-116,355	-42,263
Actuarial gains/losses		-116,355	-42,263
Other comprehensive income for financial year		-116,355	-42,263
Total comprehensive income for the reporting period		-14,329,711	17,164,047

The accounting policies and notes are a constituent part of the financial statements and must be read in connection with them.



6.4 STATEMENT OF CASH FLOWS

in EUR		Note	2020	2019
A.	CASH FLOWS FROM OPERATING ACTIVITIES			
a)	Net profit or loss	6.2	-14,213,356	17,206,310
	Pre-tax profit		-14,217,742	19,745,171
	Corporate income tax and other taxes not included in operating expenses		-4,386	2,538,861
b)	Adjustments for		-4,573,926	-3,513,770
	Amortisation and depreciation (+)	6.6.2.5	1,942,984	1,766,847
	Revaluation operating revenues (-)		-1,395,103	-1,714,773
	Revaluation operating expenses (+)	6.6.2.5	139,100	265,381
	Finance income, excluding finance income from operating receivables (-)	6.6.2.7	-6,106,760	-13,492,306
	Finance costs, excluding finance costs from operating liabilities (+)	6.6.2.8	4,742,641	7,670,144
	Revenues from the acquisition of property, plant and equipment and investment property free of charge		-41,303	-534,781
	Actuarial calculation of provisions for employee benefits		-234,178	13,189
	Tax expenses		-2,886,214	2,538,861
	Revenues from the reversal of accrued expenses for unused annual leave		-143,405	-26,332
	Other adjustments to revenues and expenses		-591,688	0
c)	Changes in net working capital (and provisions and deferred tax assets and liabilities) from balance sheet operating items		2,500,125	-20,843,812
	Opening less closing operating receivables		1,464,661	-31,692,679
	Opening less closing inventories		0	565
	Closing less opening operating liabilities		1,064,386	10,918,561
	Closing less opening provisions		-28,922	-70,259
č)	Net cash flows from operating activities (a + b + c + d + e)		-16,287,157	-7,151,272
В.	CASH FLOWS FROM INVESTING ACTIVITIES			
a)	Receipts from investing activities		308,090,264	384,532,576
	Inflows from interest received, and shares in the profit of others		6,113,194	11,163,132
	Inflows from disposal of property, plant and equipment	6.6.1.3	1,192,322	928,579
	Inflows from disposal of investment property	6.6.1.4	469,333	1,167,670
	Inflows from the disposal of financial assets		300,315,415	371,273,195



in EUR		Note	2020	2019
b)	Disbursements from investing activities		-267,190,336	-472,382,938
	Outflows for acquisition of intangible assets	6.6.1.1	-2,098,347	-1,466,192
	Outflows for acquisition of property, plant and equipment	6.6.1.3	-718,548	-3,255,266
	Outflows for acquisition of investment property	6.6.1.4	-89,260	-1,288,497
	Outflows for the acquisition of financial assets – increase in SŽ-Potniški promet, d. o. o.'s capital	6.6.1.13	0	-154,255,500
	Outflows for the acquisition of financial assets		-264,284,181	-312,117,483
c)	Net cash flows from investing activities (a + b)		40,899,928	-87,850,362
C.	CASH FLOWS FROM FINANCING ACTIVITIES			
a)	Proceeds from financing activities		598,053,000	582,062,000
	Inflows from the increase in financial liabilities	6.6.1.15	598,053,000	582,062,000
b)	Disbursements from financing activities		-607,708,871	-640,359,756
	Outflows for interest paid on leases		-11,351	-12,822
	Outflows for other interest paid		-2,322,998	-6,964,945
	Outflows for the repayment of financial liabilities	6.6.1.15	-605,307,053	-630,314,373
	Outflows for the repayment of lease liabilities	6.6.1.16	-67,469	-67,616
	Outflows for the payment of dividends and other shares in profit	6.6.1.13	0	-3,000,000
c)	Net cash flows from financing activities (a + b)		-9,655,871	-58,297,756
č.	CLOSING BALANCE OF CASH AND CASH EQUIVALENTS	6.6.1.12	17,910,851	2,953,949
x)	Net cash flow in period (sum of Ac, Bc and Cc)		14,956,900	-153,299,390
	+/- Calculated exchange rate differences from foreign currency assets		2	0
у)	Opening balance of cash and cash equivalents	6.6.1.12	2,953,949	156,253,339

The accounting policies and notes are a constituent part of the financial statements and must be read in connection with them.



6.5 STATEMENT OF CHANGES IN EQUITY

IN THE PERIOD 1 JANUARY TO 31 DECEMBER 2020

						Retained	earnings	
in EUR	Share capital	Share premium account	Legal reserves	Other profit reserves	Fair value reserves	Retained earnings	Undistrib- uted net profit or loss for the financial year	Total
Opening balance for reporting period	359,529,921	45,002,140	3,778,009	46,448,165	-420,530	13,251,753	8,172,997	475,762,455
Changes in total comprehensive income for the reporting period	0	0	0	0	-115,197	-1,158	-14,213,356	-14,329,711
Entry of net profit for reporting period							-14,213,356	-14,213,356
Actuarial gains/losses					-115,197	-1,158		-116,355
Changes in equity	0	0	0	0	0	-6,040,359	6,040,359	0
Allocation of remaining portion of net profit for comparable reporting period to other equity items						8,172,997	-8,172,997	0
Coverage of loss as equity deduction item						-14,213,356	14,213,356	0
Closing balance for the reporting period	359,529,921	45,002,140	3,778,009	46,448,165	-535,727	7,210,236	0	461,432,744



IN THE PERIOD 1 JANUARY TO 31 DECEMBER 2019

						Retained	l earnings	
in EUR	Share capital	Share premium account	Legal reserves	Other profit reserves	Fair value reserves	Retained earnings	Undistrib- uted net profit or loss for the financial year	Total
Opening balance for reporting period	205,274,421	45,002,140	2,917,693	38,275,168	-385,614	6,299,890	9,959,210	307,342,908
Changes in equity – transactions with owners	154,255,500	0	0	0	0	-3,000,000	0	151,255,500
Entry of additional paid-up capital increase funded by the Slovenian government)	154,255,500							154,255,500
Payment of shares in profit						-3,000,000		-3,000,000
Changes in total comprehensive income for the reporting period	0	0	0	0	-34,916	-7,347	17,206,310	17,164,047
Entry of net profit or loss for the reporting period							17,206,310	17,206,310
Actuarial gains/losses					-34,916	-7,347		-42,263
Changes within equity	0	0	860,316	8,172,997	0	9,959,210	-18,992,523	0
Allocation of remaining portion of net profit for the comparable reporting period to other components of equity						9,959,210	-9,959,210	
Allocation of a portion of net profit from the reporting period to other components of equity pursuant to resolution of management and supervisory bodies			860,316	8,172,997			-9,033,313	
Closing balance for the reporting period	359,529,921	45,002,140	3,778,009	46,448,165	-420,530	13,251,753	8,172,997	475,762,455

The accounting policies and notes are a constituent part of the financial statements and must be read in connection with them.



DISTRIBUTABLE PROFIT

in EUR	31 December 2020	31. december 2019
Mandatory use of net profit		
Net profit (loss)	-14,213,356	17,206,310
Coverage of net loss brought forward	14,213,356	0
Creation of legal reserves	0	860,316
Net profit or loss following mandatory use	0	16,345,994
Creation of other profit reserves	0	8,172,997
Determination of distributable profit		
Net profit	0	8,172,997
Retained earnings	7,210,236	13,251,753
Distributable profit	7,210,236	21,424,750

Pursuant to the resolution of Slovenske železnice, d. o. o.'s Management Board of 5 May 2021, the Company's net loss for 2020 in the amount of EUR 14,213,355.51 was covered by undistributed retained earnings. The Company's retained earnings amounted to EUR 21,424,749.76 as at 31 December 2019, which due to an actuarial loss in 2020 is EUR 116,354.75 more than as at 31 December 2020, prior to the coverage of the operating loss (see the statement

of changes in equity for 2020). The remainder of retained earnings in the amount of EUR 7,210,235.92 represents distributable profit. On 5 May 2021, the Management Board of Slovenske železnice, d. o. o. adopted a resolution under which distributable profit in the amount of EUR 7,210,235.92 as at 31 December 2020 remains undistributed.



6.6 NOTES TO THE FINANCIAL STATEMENTS

6.6.1 Notes to the statement of financial position

6.6.1.1 Intangible assets

Intangible assets comprise licences and software.

CHANGES IN INTANGIBLE ASSETS

in EUR	Long-term property rights	Other intangible assets in acquisition	Non-current deferred development costs	Total
Historical cost				
Balance as at 1 January 2019	13,592,148	0	129,683	13,721,831
Acquisitions	962,428	46,114	0	1,008,542
Write-downs	-13,540	0	0	-13,540
Balance as at 31 December 2019	14,541,036	46,114	129,683	14,716,833
Balance as at 1 January 2020	14,541,036	46,114	129,683	14,716,833
Acquisitions	1,519,198	556,008	0	2,075,206
Write-offs	-733,227	0	0	-733,227
Transfers from property, plant and equipment	5,768,975	1,205,239	0	6,974,214
Balance as at 31 December 2020	21,095,982	1,807,361	129,683	23,033,025
Value adjustment				
Balance as at 1 January 2019	4,044,656	0	129,683	4,174,338
Write-downs	-13,540	0	0	-13,540
Amortisation	631,520	0	0	631,520
Balance as at 31 December 2019	4,662,636	0	129,683	4,792,319
Balance as at 1 January 2020	4,662,636	0	129,683	4,792,319
Write-offs	-733,227	0	0	-733,227
Amortisation	751,578	0	0	751,578
Balance as at 31 December 2020	4,680,987	0	129,683	4,810,670
Carrying amount				
Carrying amount as at 1 January 2019	9,547,492	0	0	9,547,492
Carrying amount as at 31 December 2019	9,878,400	46,114	0	9,924,514
Carrying amount as at 1 January 2020	9,878,400	46,114	0	9,924,514
Carrying amount as at 31 January 2020	16,414,995	1,807,361	0	18,222,356



Slovenske železnice, d. o. o. had commitments for the purchase of intangible assets in the amount of EUR 196,143 as at 31 December 2020 (EUR 0 as at 31 December 2019). Slovenske železnice, d. o. o. has not pledged intangible assets as collateral.

A total of 15.6% of all intangible assets in use as at 31 December 2020 have been amortised in full (that proportion stood at 25.6% as at 31 December 2019). That

proportion is calculated taking into account the historical cost of intangible assets.

That significant increase in 2020 is the result of investments in the BIS digitalisation programme in the amount of EUR 1.1 million.

6.6.1.2 Right-of-use assets in connection with leases

in EUR	31 December 2020	31 December 2019
Right-of-use assets - buildings	396,591	446,570
Right-of-use assets - equipment	9,309	34,268
Total	405,900	480,838



CHANGES IN RIGHT-OF-USE ASSETS

EUR	Land	Buildings	Plant and equipment	Total
Historical cost				
Balance as at 1 January 2019	0	487,440	58,338	545,778
Increases	0	8,452	0	8,452
Balance as at 31 December 2019	0	495,892	58,338	554,230
Balance as at 1 January 2020	0	495,892	58,338	554,230
Increases	0	41,977	0	41,977
Decreases	0	-49,289	-3,585	-52,874
Balance as at 31 December 2020	0	488,580	54,753	543,333
Value adjustment				
Balance as at 1 January 2019	0	0	0	0
Depreciation	0	49,322	24,070	73,392
Balance as at 31 December 2019	0	49,322	24,070	73,392
Balance as at 1 January 2020	0	49,322	24,070	73,392
Decreases	0	-8,096	0	-8,096
Depreciation	0	50,763	21,374	72,136
Balance as at 31 December 2020	0	91,989	45,443	137,432
Carrying amount				
Balance as at 1 January 2019	0	487,440	58,338	545,778
Balance as at 31 December 2019	0	446,570	34,268	480,838
Balance as at 1 January 2020	0	446,570	34,268	480,838
Balance as at 31 December 2020	0	396,591	9,310	405,900

The Company had liabilities from right-of-use assets in connection with leases in the amount of EUR 415,068 as at 31 December 2020 (EUR 486,614 as at 31 December 2019).

6.6.1.3 Property, plant and equipment

in EUR	31 December 2020	31 December 2019
Land	4,318,915	4,501,664
Buildings	6,365,219	6,403,256
Equipment	2,304,126	2,360,320
Property, plant and equipment in acquisition	645,144	7,852,259
Total	13,633,404	21,117,499



CHANGES IN PROPERTY, PLANT AND EQUIPMENT

in EUR	Land	Buildings	Plant and equipment, and investments in the assets of others	Property, plant and equipment in acquisition	Total Property, plant and equipment
Historical cost					
Balance as at 1 January 2019	1,920,598	18,277,145	9,788,468	5,245,251	35,231,462
Acquisitions	0	556,587	746,226	2,607,009	3,909,822
Disposals	-91,607	-403,711	-208,897	0	-704,215
Transfers from investments	2,672,672	0	0	0	2,672,672
Balance as at 31 December 2019	4,501,663	18,430,021	10,325,797	7,852,259	41,109,740
Balance as at 1 January 2020	4,501,663	18,430,021	10,325,797	7,852,259	41,109,740
Acquisitions	16,122	339,708	530,749	-232,902	653,677
Disposals	-198,871	-303,761	-343,521	0	-846,153
Transfers to intangible assets	0	0	0	-6,974,214	-6,974,214
Balance as at 31 December 2020	4,318,915	18,465,968	10,513,025	645,143	33,943,051
Historical cost					
Balance as at 1 January 2019	0	12,059,642	7,564,694	0	19,624,336
Increases	0	0	61,528	0	61,528
Decreases	0	-301,650	-204,392	0	-506,042
Depreciation	0	268,773	543,646	0	812,419
Balance as at 31 December 2019	0	12,026,765	7,965,476	0	19,992,241
Balance as at 1 January 2020	0	12,026,765	7,965,476	0	19,992,241
Decreases	0	-201,638	-334,760	0	-536,398
Depreciation	0	275,623	578,182	0	853,805
Balance as at 31 December 2020	0	12,100,750	8,208,898	0	20,309,648
Carrying amount					
Balance as at 1 January 2019	1,920,598	6,217,503	2,223,774	5,245,251	15,607,125
Balance as at 31 December 2019	4,501,663	6,403,256	2,360,321	7,852,259	21,117,499
Balance as at 1 January 2020	4,501,663	6,403,256	2,360,321	7,852,259	21,117,499
Balance as at 31 December 2020	4,318,915	6,365,219	2,304,126	645,144	13,633,404



The Company's moveable property and real estate were not pledged as guarantees for long-term loans as at 31 December 2020, nor at 31 December 2019.

The Company had commitments for the purchase of property, plant and equipment in the amount of EUR 548,861 as at 31 December 2020 (EUR 939,626 as at 31 December 2019).

A total of 38.1% of all items of property, plant and equipment in use as at 31 December 2020 have been depreciated in full (that proportion stood at 38.6% as at 31 December 2019). That proportion is calculated taking into account the historical cost of property, plant and equipment.

6.6.1.4 Investment property

in EUR	31 December 2020	31 December 2019
Investment property	44,929,798	45,179,136
Total	44,929,798	45,179,136

Investment property comprises warehouses, commercial buildings and land that the Company leases to others.



CHANGES IN INVESTMENT PROPERTY

in EUR	Land	Buildings	Total
Historical cost			
Balance as at 1 January 2019	39,346,334	17,263,959	56,610,293
Acquisitions	0	1,240,131	1,240,131
Disposals	-179,226	-457,035	-636,262
Transfers for sale	-4,513	0	-4,513
Transfers from property, plant and equipment	-2,672,672	0	-2,672,672
Balance as at 31 December 2019	36,489,923	18,047,055	54,536,977
Balance as at 1 January 2020	36,489,923	18,047,055	54,536,977
Acquisitions	0	49,102	49,102
Disposals	0	-820,183	-820,183
Balance as at 31 December 2020	36,489,923	17,275,973	53,765,896
Value adjustment			
Balance as at 1 January 2019	0	9,350,142	9,350,142
Depreciation	0	249,516	249,516
Disposals	0	-241,817	-241,817
Balance as at 31 December 2019	0	9,357,842	9,357,842
Balance as at 1 January 2020	0	9,357,842	9,357,842
Depreciation	0	265,465	265,465
Disposals	0	-787,208	-787,208
Balance as at 31 December 2020	0	8,836,099	8,836,099
Carrying amount			
Balance as at 1 January 2019	39,346,334	7,913,817	47,260,151
Balance as at 31 December 2019	36,489,923	8,689,213	45,179,136
Balance as at 1 January 2020	36,489,923	8,689,213	45,179,136
Balance as at 31 December 2020	36,489,923	8,439,875	44,929,798

The Company has not pledged investment property as collateral.



Slovenske železnice, d. o. o. generated rental income of EUR 1,971,418 in 2020 (EUR 1,519,831 in 2019).

A total of 19.6% of all investment property in use as at 31 December 2020 has been depreciated in full (22.6% as at 31 December 2019). That proportion is calculated taking into account the historical cost of investment property.

The fair value of investment property was determined with the help of certified real estate valuers and amounted to EUR 92,091,799 as at 31 December 2020 (EUR 89,497,289 as at 31 December 2019).

6.6.1.5 Non-current financial assets

in EUR	31 December 2020	31 December 2019
Investments in subsidiaries	426,810,333	426,810,333
Investments in associates	3,079,623	3,079,623
Other financial assets	2,090,491	2,090,491
Total	431,980,447	431,980,447

The Company had no non-current financial assets pledged as guarantees for long-term loans as at 31 December 2020, nor at 31 December 2019.



CHANGES IN NON-CURRENT FINANCIAL ASSETS

in EUR	Investments in subsidiaries	Investments in associates	Other financial assets
Historical cost			
Balance as at 1 January 2019	272,754,779	5,609,252	2,110,070
Recapitalisation of SŽ-Potniški promet, d. o. o.	154,255,500	0	0
Sale of shares in Telemach	0	0	-101
Balance as at 31 December 2019	427,010,279	5,609,252	2,109,969
Balance as at 1 January 2020	427,010,279	5,609,252	2,109,969
Balance as at 31 December 2020	427,010,279	5,609,252	2,109,969
Value adjustment			
Balance as at 1 January 2019	199,946	2,529,629	19,478
Balance as at 31 December 2019	199,946	2,529,629	19,478
Balance as at 1 January 2020	199,946	2,529,629	19,478
Balance as at 31 December 2020	199,946	2,529,629	19,478
Carrying amount			
Balance as at 1 January 2019	272,554,833	3,079,623	2,090,592
Balance as at 31 December 2019	426,810,333	3,079,623	2,090,491
Balance as at 1 January 2020	426,810,333	3,079,623	2,090,491
Balance as at 31 December 2020	426,810,333	3,079,623	2,090,491



PARTICIPATING INTERESTS IN SUBSIDIARIES

in EUR	Participating interest*	Share capital*	Total equity		amount of ng interest	Profit of for the	
	31 December 2020	31 December 2020	31 December 2020	31 December 2020	31 December 2019	2020	2019
SŽ-Tovorni promet, d. o. o.	100%	36,860,942	88,219,817	61,615,541	61,615,541	3,269,494	4,801,645
SŽ-Potniški promet, d. o. o.	100%	285,939,661	319,203,182	288,087,658	288,087,658	13,018,458	8,942,680
SŽ-Infrastruktura, d. o. o.	100%	15,828,186	21,731,346	17,411,005	17,411,005	2,891,499	2,685,811
SŽ-Vleka in tehnika, d. o. o.	100%	26,068,145	31,976,509	41,718,205	41,718,205	0	0
Prometni institut Ljubljana, d. o. o.	100%	162,328	604,424	338,846	338,846	73,802	207,194
SŽ-ŽIP, storitve, d. o. o.	100%	6,072,597	6,701,758	4,782,426	4,782,426	-2,069	0
Fersped, d. o. o.	100%	3,138,557	7,925,582	8,940,000	8,940,000	1,403,727	1,652,702
SŽ-ŽGP Ljubljana, d. d.	79.82%	3,152,412	23,922,095	3,388,034	3,388,034	5,576,200	3,155,480
SŽ-Železniška tiskarna Ljubljana, d. d.	64.28%	265,160	727,271	528,618	528,618	-116,479	-58,426
Total			501,011,984	426,810,333	426,810,333	26,114,632	21,387,086

INFORMATION REGARDING ASSOCIATES AS AT 31 DECEMBER 2020

Business name of associate	Business address of associate	Activity	Ownership as at 31 December 2020	Ownership as at 31 December 2019
Terme Olimia, d. d.	Zdraviliška cesta 24, Podčetrtek	Activities of hotels, campgrounds, catering, sports facilities and health care	23.87%	23.87%
Adria Kombi, d. o. o., Ljubljana	Tivolska cesta 50, Ljubljana	Freight rail transport	33.72%	33.72%

in EUR		Total equity	Profit or	loss for the year
	31 December 2020	31 December 2019	2020	2019
Terme Olimia, d. d.	38,886,489	37,663,292	1,242,422	3,078,495
Adria Kombi, d. o. o., Ljubljana	12,035,144	12,199,131	1,237,732	1,878,730
Total investments	50,921,633	49,862,423	2,480,154	4,957,225



BALANCE OF INVESTMENTS IN ASSOCIATES

in EUR	31 December 2020	31 December 2019
Terme Olimia, d. d.	3,064,172	3,064,172
Adria Kombi, d. o. o., Ljubljana	15,451	15,451
Total investments in associates	3,079,623	3,079,623

OTHER FINANCIAL ASSETS

in EUR	Participating interest	Value of invest	tment
	31 December 2020	31 December 2020	31 December 2019
EUROFIMA	0.42%	2,033,709	2,033,709
HIT RAIL		54,439	54,439
Other shares and participating interests		2,343	2,343
Total		2,090,491	2.090.491

All other investments in shares and participating interests are classified as financial assets measured at fair value through profit or loss. None of the shares and participating interests held by Slovenske železnice, d. o. o. at the end of 2020 are quoted on a regulated market. The fair value

of the investment in EUROFIMA was verified by assessing the value of equity for financial reporting purposes. That valuation did not indicate a major difference between fair value and carrying amount. Other financial assets are not used as collateral and are free from encumbrances.

6.6.1.6 Non-current financial receivables

in EUR	31 December 2020	31 December 2019
Non-current financial receivables from Group companies	78,343,743	87,885,417
Other non-current financial receivables	2,401,003	42,555,541
Total	80,744,746	130,440,958



The majority of non-current financial receivables from Group companies relate to Slovenske železnice, d. o. o.'s receivables from the subsidiary SŽ-Tovorni promet, d. o. o. in the amount of EUR 73,677,083 (EUR 80,885,416 as at 31 December 2019) as the result of non-current liabilities to banks and others, for which Slovenske železnice, d. o. o. discloses non-current financial receivables from the aforementioned subsidiary (see Note 6.6.1.15).

Other non-current financial receivables arising from the sale of receivables based on the agreement of 12 June 2018

on the assignment of claims for consideration between Slovenske železnice, d. o. o. and SŽ-Potniški promet, d. o. o. and two banks in the amount of EUR 40,152,258, which fall due for payment in 2021, were transferred to current financial receivables on the statement of financial position date (Note 6.6.1.9).

Thus, other non-current financial receivables only comprise financial receivables from SŽ-Železniški zdravstveni dom Ljubljana in the amount of EUR 2,401,003 (same as in 2019).

CHANGES IN NON-CURRENT FINANCIAL RECEIVABLES

in EUR	2020	2019
Balance as at 1 January	130,440,958	82,872,956
increases	0	82,114,840
transferred to current portion	-50,284,344	-34,478,777
write-offs by resolution	-2,280	0
write-offs by resolution	590,412	-68,061
Balance as at 31 December	80,744,746	130,440,958

6.6.1.7 Non-current operating receivables

in EUR	31 December 2020	31 December 2019
Non-current operating receivables from Group companies	234,958	346,981
Credits for the purchase of property	3,424,512	3,586,610
Total	3,659,470	3,933,591

The Company believes that long-term loans for the purchase of property secured by a mortgage are not exposed to risks.

The Company did not disclose any receivables from members of management and supervisory bodies.



6.6.1.8 Deferred tax assets

in EUR	31 December 2020	31 December 2019
Deferred tax assets	337,291	332,905

in EUR	Tax loss	Provisions	Adjustments to the value of receivables	Tax allowances for investments	Total
Balance as at 1 January 2019	717,332	343,825	0	163,850	1,225,007
Credited/debited to operating results	-717,332	-10,920	0	-163,850	-892,102
Balance as at 31 December 2019	0	332,905	0	0	332,905
Balance as at 1 January 2020	0	332,905	0	0	332,905
Credited/debited to operating results	0	-44,625	49,011	0	4,387
Balance as at 31 December 2020	0	288,280	49,011	0	337,291

The Company drew up a projection of the amount of positive future tax bases for the next five years for tax losses and tax relief for investments. Based on planned operating results and planned investments in the next five years, the Company did not recognise deferred tax assets for tax losses and tax relief for investments in 2020. In the calculation of taxes, the Company regularly applies a tax deduction for provisions created for jubilee benefits and

termination benefits, and for adjustments to the value of receivables, and therefore recognised deferred tax assets for that purpose.

The tax loss amounts to EUR 15,859,643 (EUR 0 in 2019) and together with tax allowances for investments represents the unrecognised basis for deferred tax assets in the amount of EUR 16,882,827 (EUR 0 in 2019).

TOTAL SOURCES FOR THE CREATION OF DEFERRED TAX ASSETS ARE AS FOLLOWS:

in EUR	Provisions	Adjustments to the value of receivables	Total
Balance as at 31 December 2019	332,905	0	332,905
Balance as at 31 December 2020	288,280	49,011	337,291



6.6.1.9 Current financial receivables

in EUR	31 December 2020	31 December 2019
Financial receivables from subsidiaries	27,673,673	53,936,577
Current financial receivables – sale of receivables	40,742,670	0
Financial instruments measured at fair value through profit or loss	0	1,775,857
Financial receivables from others	0	181
Total	68,416,343	55,712,615

CHANGES IN CURRENT FINANCIAL RECEIVABLES

in EUR	2020	2019
Balance as at 1 January	55,712,615	160,376,513
- Loans granted	264,284,181	231,117,483
- Transfer from non-current financial receivables	50,284,343	34,478,777
- Loan repayments received	-300,315,415	-371,272,675
- Loan repayments received	-1,775,857	1,031,717
- Exchange rate differences	226,476	-19,200
Balance as at 31 December	68,416,343	55,712,615

Current financial receivables from subsidiaries primarily comprise receivables that arose on the basis of cash-pooling agreements and from current credit lines granted to Slovenske železnice Group companies in the amount of EUR 18,132,000 (EUR 19,477,000 as at 31 December 2019).

The Company discloses an additional EUR 7,208,333 (EUR 4,708,333 in 2019) in receivables from SŽ-Tovorni promet, d. o. o. from the short-term portion of bank loans to finance the purchase of rolling stock and EUR 2,333,340 (EUR 0 in 2019) in receivables from SŽ-VIT, d. o. o. and SŽ-ŽIP, storitve, d. o. o. based on the short-term portion of a loan to finance the implementation of measures to optimise business processes.

Other current financial receivables arising from the sale of receivables that fall due for payment in 2021 are disclosed based on the agreement of 12 June 2018 on the assignment of claims for consideration between Slovenske železnice, d. o. o. and SŽ-Potniški promet, d. o. o. and two banks (Note 6.6.1.6).

Interest is charged between Slovenske železnice Group companies at the tax-deductible interest rate applicable for related parties.



6.6.1.10 Trade receivables

in EUR	31 December 2020	31 December 2019
Current receivables from Group companies	3,599,183	3,331,341
Current trade receivables from domestic customers	145,634	248,319
Current trade receivables from foreign customers	10,600	10,333
Total	3,755,417	3,589,993

in EUR	Gross value as at 31 December 2020	Value adjustment as at 31 December 2020	Net value as at 31 December 2020	Net value as at 31 December 2019
Current receivables from Group companies	3,599,183	0	3,599,183	3,331,341
Current trade receivables from domestic customers	202,606	56,972	145,634	248,319
Current trade receivables from foreign customers	10,600	0	10,600	10,333
Total	3,812,389	56,972	3,755,417	3,589,993

NET ADJUSTMENTS TO THE VALUE OF CURRENT TRADE RECEIVABLES WERE CREATED AS FOLLOWS:

in EUR	2020	2019
Balance as at 1 January	83,755	108,886
Reduction for written-off receivables	-32,858	-12,653
Reversal of value adjustments	0	-12,478
Creation of value adjustments	6,075	0
Balance as at 31 December	56,972	83,755



MATURITY BREAKDOWN OF RECEIVABLES:

in EUR	31 December 2020	31 December 2019
Non-past-due receivables	3,587,010	3,401,326
Past-due receivables	225,379	272,422
- up to 30 days	83,020	100,666
- 31 to 90 days	88,863	92,403
- 91 to 365 days	14,830	8,258
- more than 365 days	38,666	71,095
Total	3,812,389	3,673,748

6.6.1.11 Other current operating receivables

in EUR	31 December 2020	31 December 2019
Receivables from government and other institutions	182,330	1,367,993
Receivables from employees	362,597	364,911
Current operating receivables based on advances	104	0
Other current operating receivables	98,336	26,823
Receivables based on the agreement on the transfer of the benefits of negotiations in connection with the purchase of new rolling stock	29,996,400	29,996,400
Deferred costs	292,761	358,062
Accrued revenues	40,599	97,906
Securities and other current deferred costs and accrued income	454	0
Total	30,973,581	32,212,095

An explanation of receivables based on the agreement on the transfer of the benefits of negotiations in connection with the purchase of new rolling stock is given in note 2.3.1.13.

Write-offs and impairments of current operating receivables in 2020 are disclosed in operating expenses in the amount of EUR 16,072 (EUR 708 in 2019).



6.6.1.12 Cash and cash equivalents

in EUR	31 December 2020	31 December 2019
Cash on hand	126	355
Cash on bank accounts	17,910,725	2,953,594
Total	17,910,851	2,953,949

6.6.1.13 Equity

in EUR	31 December 2020	31 December 2019
Share capital	359,529,921	359,529,921
Share premium account	45,002,140	45,002,140
Legal reserves	3,778,009	3,778,009
Other profit reserves	46,448,165	46,448,165
Fair value reserves	-535,726	-420,530
Retained earnings	7,210,236	13,251,753
Undistributed retained earnings from the financial year	0	8,172,997
Total	461,432,745	475,762,455

Changes in equity	(EUR)
Balance as at 1 January 2019	307,342,908
Net profit for the financial year	17,206,310
Capital increase (contribution of Slovenian government)	154,255,500
Payment of shares in profit	-3,000,000
Actuarial gains and losses	-42,263
Balance as at 31 December 2019	475,762,455
Balance as at 1 January 2020	475,762,455
Net loss for the financial year	-14,213,355
Actuarial gains and losses	-116,355
Balance as at 31 December 2020	461,432,745



6.6.1.14 Provisions and non-current deferred income

in EUR	31 December 2020	31 December 2019
Provisions for jubilee benefits and termination benefits	2,079,030	2,198,957
Non-current deferred income	2,257	1,773
Total	2,081,287	2,200,730

A total of four legal proceedings in the total amount of EUR 406,246 (labour, civil and economic disputes) were in progress against Slovenske železnice, d. o. o. during 2020. Provisions were recognised at the subsidiary SŽ-Potniški promet, d. o. o. for two disputes in accordance with the demerger plan from 2011.

In accordance with assessments of the possible outcomes of the other two disputes, drawn up on the bases of reports prepared by law firms, it was assessed that there is a more than 50% probability that rulings will not be handed down in favour of the plaintiffs. Provisions were thus not recognised.

CHANGES IN PROVISIONS FOR JUBILEE BENEFITS AND TERMINATION BENEFITS

in EUR	Termination benefits	Jubilee benefits	Total
Balance as at 1 January 2019	2,007,632	171,497	2,179,129
Used	-38,849	-30,655	-69,504
Current employment costs	78,999	30,119	109,118
Interest (expenses)	31,414	2,467	33,881
Reversal of provisions – closure, rights, etc. (revenues)	-95,930	0	-95,930
Actuarial gains/losses	42,263	0	42,263
Balance as at 31 December 2019	2,025,529	173,428	2,198,957
Balance as at 1 January 2020	2,025,529	173,428	2,198,957
Used	-5,634	-23,773	-29,407
Current employment costs	73,228	36,763	109,991
Interest (expenses)	25,284	2,019	27,303
Reversal of provisions – closure, rights, etc. (revenues)	-344,169	0	-344,169
Actuarial gains/losses	116,355	0	116,355
Balance as at 31 December 2020	1,890,593	188,437	2,079,030



THE FOLLOWING MATERIAL ASSUMPTIONS WERE TAKEN INTO ACCOUNT IN THE CALCULATION OF PROVISIONS FOR TERMINATION BENEFITS AT RETIREMENT AND JUBILEE BENEFITS:

	2020	2019
Average monthly gross wage in Slovenia	EUR 1,850	EUR 1,760
Discount rate	1.25%	1.58%
Overall wage growth	1.50%	2.00%
Retirement conditions (age)		
- men (transitional period)	60	62
- women (transitional period)	60	60
- men	60	65
- women	60	65

6.6.1.15 Financial liabilities

in EUR	31 December 2020	31 December 2019
Non-current financial liabilities to Group companies from the sale of receivables	0	40,152,258
Non-current financial liabilities to domestic banks	95,677,083	95,885,417
Non-current financial liabilities to foreign banks	8,000,000	0
Total non-current financial liabilities	103,677,083	136,037,675
Current financial liabilities to Group companies	62,141,084	64,709,454
Current financial liabilities to Group companies from the sale of receivables	40,742,670	0
Current financial liabilities to domestic banks	18,208,333	4,708,333
Current financial liabilities to foreign banks	4,000,000	0
Other current financial liabilities to domestic entities	29,341	14,250
Other current financial liabilities to foreign entities (EUROFIMA)	0	29,751,244
Total current financial liabilities	125,121,428	99,183,281
Total	228,798,511	235,220,956



CHANGES IN FINANCIAL LIABILITIES

in EUR	2020	2019
Non-current financial liabilities to Group companies		
Balance as at 1 January	40,152,258	40,220,319
- increases	0	0
- decreases	-40,152,258	-68,061
Balance as at 31 December	0	40,152,258
Non-current financial liabilities to banks and others		
Balance as at 1 January	95,885,417	40,249,354
- increases	30,000,000	90,114,840
- decreases	-22,208,334	-34,478,777
Balance as at 31 December	103,677,083	95,885,417
Total non-current financial liabilities	103,677,083	136,037,675
Current financial liabilities to Group companies		
Balance as at 1 January	64,709,454	118,226,504
- increases	319.152.990	250,705,232
- decreases	-280,978,690	-304,222,282
Balance as at 31 December	102,883,754	64,709,454
Current financial liabilities to banks and others		
Balance as at 1 January	34,473,827	238,643,615
- increases	315,446,483	278,580,050
- decreases	-327,682,636	-482,749,839
Balance as at 31 December	22,237,674	34,473,827
Total current financial liabilities	125,121,428	99,183,281
Total	228,798,511	235,220,956



NON-CURRENT FINANCIAL LIABILITIES

in EUR	Date of agreement or annex	Date of maturity	Balance as at 31 December 2020	Collateral
Financing of rolling stock purchases (SŽ-Tovorni promet)	5 April 2018	6 December 2024	7,177,083	Rolling stock pledged as collateral, bills of exchange
Financing of measures to optimise business processes	23 December 2019	31 December 2023	30,000,000	Bills of exchange
Refinancing of liabilities to EUROFIMA – purchase of 20 locomotives	5 April 2019	5 September 2029	66,500,000	Bills of exchange
Total			103,677,083	

Current financial liabilities to Group companies comprise liabilities arising from the agreement on the assignment of claims for consideration between Slovenske železnice, d. o. o. and SŽ-Potniški promet, d. o. o. and two banks (EUR 40,742,670 as at 31 December 2020) and liabilities to Group companies based on the cash pooling agreement in the amount of EUR 62,106,000 as at 31 December 2020 (EUR 67,674,000 at the end of 2019).

Slovenske železnice, d. o. o. discloses both liabilities to creditors and receivables from the subsidiaries SŽ-Tovorni promet, d. o. o. and SŽ-Potniški promet, d. o. o for the loans stated above.

6.6.1.16 Lease liabilities

in EUR	31 December 2020	31 December 2019
Non-current lease liabilities	348,808	405,825
Current lease liabilities	66,260	80,789
Total	415,068	486,614



CHANGES IN LEASE LIABILITIES

in EUR	2020	2019
Balance as at 1 January	486,614	545,778
increase	41,976	8,452
decrease	-45,582	0
lease concession	-471	0
payments	-78,820	-80,438
interest	11,351	12,822
Balance as at 31 December	415,068	486,614

In accordance with the relevant agreements, the Company discloses liabilities for assets under lease, calculated in accordance with IFRS 16, in this item. Primarily commercial

premises (lease term of 5 to 10 years) and equipment (lease term of 2 to 3 years) are under lease.

CHANGES IN FINANCIAL LIABILITIES AND LEASE LIABILITIES (CASH FLOW)

in EUR	2020	2019
Balance as at 1 January	235,707,570	437,339,792
Inflows from loans raised	598,053,000	582,062,000
Outflows from loans raised	-605,306,582	-630,314,373
Outflows for the repayment of lease liabilities	-67,469	-67,616
Liabilities to SŽ-Potniški promet, d. o. o. – sale of receivables to SID banka	590,411	-68,061
Transfer of liabilities – increase in share capital of Slovenske železnice, d. o. o.	0	-154,255,500
Changes in lease liabilities	-4,547	554,230
Changes in liabilities from financial instruments	0	-429,968
Changes in liabilities for interest	14,720	-208,574
Exchange rate differences	226,476	1,095,640
Balance as at 31 December	229,213,579	235,707,570



6.6.1.17 Operating liabilities

in EUR	31 December 2020	31 December 2019
Non-current liabilities	2,685,561	3,889,037
Liabilities to Group companies	2,684,150	3,884,815
Other operating liabilities	1,411	4,222
Current liabilities	4,986,948	4,149,751
Liabilities for advances received	68,599	151,265
Liabilities to employees	3,194,773	2,222,914
Liabilities to the state and government institutions	654,268	648,926
Liabilities to others	350,308	426,729
Deferred revenues	6,268	52,843
Accrued costs and expenses	712,732	647,075
Total	7,672,509	8,038,788

Non-current operating liabilities

Non-current liabilities to Group companies in the amount of EUR 2,665,563 (EUR 3,855,647 in 2019) comprise the non-current liabilities of the transferring company Slovenske železnice, d. o. o. to SŽ-Tovorni promet, d. o. o. in the amount of EUR 2,356,239 (EUR 3,408,221 as at 31 December 2019) and to SŽ-Potniški promet, d. o. o. in the amount of EUR 309,324 (EUR 447,426 as at 31 December 2019). In 2010, pursuant to Article 5a of the Act Amending the Slovenske Železnice Act (Official Gazette of the Republic of Slovenia, No. 43/2011 of 3 September 2011), a claim was established against the Ministry of Infrastructure and Spatial Planning for compensation for the fall in equity in the amount of EUR 134,261,600, which remained on the post-demerger balance sheet as an asset of the transferring company Slovenske železnice, d. o. o. With the adoption of the Fiscal Balance Act (Official Gazette of the Republic of Slovenia, No. 40/2012 of 30 May 2012), Article 5a of the aforementioned act was amended, such that the government will settle that claim in the period 2014 to 2023.

In 2014, Slovenske železnice, d. o. o. sold four instalments of the aforementioned claim to banks, while the Company sold the remaining five instalments in 2016. The Company used the consideration it received to settle a portion of its debt. Liabilities to both companies were increased in 2020 by accrued interest in the amount of EUR 34,249 based on an agreement regulating mutual relations, and reduced for the transfer of the current portion of non-current liabilities in the amount of EUR 1,224,333, which falls due for payment in 2020.

Current operating liabilities

Accrued costs and expenses primarily comprise the accrued costs of unused annual leave in the amount of EUR 394,103 (EUR 537,508 as at 31 December 2019), and accrued costs in the amount of EUR 258,620 for termination benefits paid to redundant workers whose employment was terminated effective 31 December 2020. Those termination benefits were not paid until the receipt of decisions from the Employment Agency of Slovenia in January 2021.



6.6.1.18 Trade payables

in EUR	31 December 2020	31 December 2019
Liabilities to Group companies	14,818,098	13,931,312
Domestic trade payables	1,278,183	1,153,856
Foreign trade payables	122,525	2,565
Total	16,218,806	15,087,733

in EUR	31 December 2020	31 December 2019
Non-past-due liabilities	16,106,164	15,083,469
Past-due liabilities	112,642	4,264
- up to 30 days	105,818	4,264
- 31 to 90 days	619	0
- 91 to 365 days	6,205	0
- more than 365 days	0	0
Total	16,218,806	15,087,733

CONTINGENT RECEIVABLES AND CONTINGENT LIABILITIES

in EUR	31 December 2020	31 December 2019
Mortgages and liens received	3,424,512	3,586,610
Bank guarantees received	484,474	357,779
Merchandise on consignment	205	205
Total contingent receivables	3,909,191	3,944,594
Liabilities for merchandise on consignment	205	205
Contingent liabilities for lawsuits	406,246	463,383
Total contingent liabilities	406.451	463.588



6.6.2 Notes to the statement of profit or loss

6.6.2.1 Notes to the statement of profit or loss

in EUR	2020	2019
Revenues on the domestic market	21,263,729	20,751,953
Services and products	21,263,729	20,751,953
- services and products in connection with Group companies	19,604,169	19,442,270
- services and products in connection with others	1,659,559	1,309,683
Merchandise and materials	0	0
- Merchandise and materials in connection with Group companies	0	0
Revenues on the foreign market	90,706	90,794
Services and products	90,706	90,794
- services and products in connection with Group companies	90,330	90,330
- services and products in connection with others	376	464
Total	21,354,435	20,842,747

Sales revenue primarily comprises revenues from transactions with Group companies. A total of 81% of those revenues are accounted for by support services (professional, technical and organisational) that the

controlling company Slovenske železnice, d. o. o. provided on the basis of agreements with Group companies in the amount of EUR 15,888,665 (EUR 16,219,356 in 2019).



6.6.2.2 Other operating revenues

in EUR	2020	2019
Income based on the agreement on the transfer of the benefits of negotiations in connection with the purchase of new rolling stock at SŽ-Potniški promet, d. o. o. (see note 2.3.1.12).	0	29,996,400
Gains on the sale of property, plant and equipment	1,408,677	1,714,494
Reimbursement of the costs of termination benefits for rehired employees under agreements on the reassignment of workers within the Slovenske železnice Group	1,049,174	922,101
Handover of building and acquisition of superficies based on the court settlement with Emonika NS, d. o. o.	0	503,660
Revenues from assigned contributions for the employment of disabled persons	39,301	47,067
Revenue from state aid – COVID-19 (under the ZIUZEOP)	1,759,564	0
Acquisition of property on the basis of a judicial decision	25,181	0
Revenues from the reimbursement of the court fees	0	134,150
Compensation	3,110	45,901
Revenues from the reversal of provisions and accrued costs	487,574	122,262
Other revenues	4,936	31,510
Total	4,777,517	33,517,545



6.6.2.3 Costs of goods, materials and services

in EUR	2020	2019
Historical cost of goods and materials sold and costs of materials used	104,734	97,298
Energy costs	160,980	170,662
Other material costs	748,069	42,143
Total cost of goods and materials sold and cost of materials used	1,013,783	310,103
Transport services	165,899	218,640
Maintenance services	1,853,304	1,782,116
Reimbursement of employee expenses	350,868	277,818
Payment transaction and banking services	117,885	130,313
Intellectual and personal services	1,300,504	1,545,129
Insurance premiums	137,205	119,071
Advertising, publicity and representation	1,021,803	1,477,059
Costs of other services	1,785,793	1,875,997
– membership fees for international organisations and other associations	331,880	345,391
– municipal services	185,606	216,008
– services associated with contracted work	237,596	214,899
– property surveillance services	161,970	183,790
– cleaning of premises and outside areas	146,748	196,306
– costs of providing ancillary administrative and technical services (SŽ-ŽIP, storitve, d. o. o.)	48,539	126,042
– rental costs	41,756	34,753
of which: low-value leases	12,501	13,285
short-term leases	0	11,465
– costs of labour of officials on the works councils of companies linked through capital investments	69,839	79,066
– other	561,859	479,742
Total costs of services	6,733,261	7,426,143
Total	7,747,044	7,736,246



COSTS OF AUDITOR

in EUR	2020	2019
Auditing of the annual report	18,100	18,100
Total	18,100	18,100

6.6.2.4 Labour costs

in EUR	2020	2019
Costs of wages and salaries	11,924,234	13,133,824
Pension insurance costs	1,360,044	1,477,088
Other social security costs	995,379	1,045,882
Other labour costs:	4,438,855	3,592,997
– reimbursements	717,740	1,024,602
– annual leave allowance	588,752	563,545
– termination benefits	2,933,676	1,857,837
– provisions for jubilee benefits and termination benefits (actuarial calculation)	109,991	109,118
– crisis bonus (COVID-19 measure)	76,174	0
– other labour costs	12,522	37,895
Total	18,718,512	19,249,791

6.6.2.5 Write-downs

in EUR	2020	2019
Amortisation of intangible assets and depreciation of property, plant and equipment	1,870,848	1,693,455
Depreciation of right-of-use assets	72,136	73,392
Operating expenses for intangible assets and property, plant and equipment	123,028	261,697
Operating expenses for working capital	16,072	3,684
Total	2,082,084	2,032,228



6.6.2.6 Other operating expenses

in EUR	2020	2019
Coverage of the annual losses of Sž-VIT, d. o. o. and Sž-ŽIP, d. o. o. for 2020 (resolution)	13,111,287	5,598,345
Reimbursement of SŽ-Tovorni promet, d. o. o. for unplanned costs for commercial success and termination benefits in the scope of the redundant worker programme in 2020	0	5,027,650
Donations (for sporting, cultural and humanitarian activities)	220,089	235,749
Fees for the use of building land, and other taxes and levies	93,236	280,105
Scholarships and awards for pupils and students on compulsory job training	15,397	40,450
Reimbursement of the PDII for ensuring the rights of Slovenske železnice, d. o. o.'s workers who performed work in organisational units in the territory of the Republic of Croatia	90,171	80,453
Other costs	178,670	104,735
Total	13,708,850	11,367,487

In accordance with the Companies Act and the relevant control agreements, Slovenske železnice, d. o. o. covered the losses generated in 2020 by SŽ-Vleka in tehnika, d. o. o.

in the amount of EUR 9,688,273 and SŽ-ŽIP, storitve, d. o. o. in the amount of EUR 3,423,014.

6.6.2.7 Finance income

in EUR	2020	2019
Finance income from participating interests in Group companies	1,597,937	4,539,135
Finance income from participating interests in associates	472,080	581,472
Finance income from participating interests in other companies	42,255	43,406
Finance income from other investments	0	1,165,052
Total finance income from participating interests	2,112,272	6,329,065
Finance income from loans to Group companies	2,201,408	7,101,778
Finance income from loans to others	1,793,080	61,464
Total finance income from loans granted	3,994,488	7,163,242
Finance income from operating receivables from Group companies	0	1,265
Finance income from other operating receivables	612,274	14,118
Total finance income from operating receivables	612,274	15,383
Total	6,719,034	13,507,690



Finance income from participating interests comprises:

- income from participation in the profit of subsidiaries, associates and other companies in the amount of EUR 2,112,272 (EUR 5,164,013 in 2019); and
- income from a currency option for the purchase and sale
 of foreign currencies (FX forward) in the amount of EUR
 0 (EUR 1,165,052 in 2019).

Finance income from loans granted primarily comprises income from relationships within the Group and relate to the following in terms of content:

 income from the conversion of a loan denominated in a foreign currency (exchange rate differences) in the amount of EUR 226,476 (EUR 1,095,640 in 2019);

- interest on loans charged to Group companies in the amount of EUR 1,788,709 (EUR 1,466,462 in 2019); and
- bank fees for the organisation and management of the purchase of receivables in the amount of EUR 165,687 (EUR 152,765 in 2019).

The majority of finance income from loans to others relates to exchange rate differences in the repayment of foreign currency loans.

6.6.2.8 Finance costs

in EUR	2020	2019
Finance costs from impairments and write-downs of financial assets at other companies	0	0
Finance costs from loans from Group companies	939,773	427,626
Finance costs from bank loans	1,561,961	1,211,636
Finance costs from leases	7,309	8,428
Finance costs from other financial liabilities	2,233,598	6,022,454
Total finance costs from financial liabilities	4,742,641	7,670,144
Finance costs from operating liabilities to Group companies	34,249	50,593
Finance costs from trade payables and liabilities from bills of exchange	1,237	684
Finance costs from other operating liabilities	34,111	15,638
Total finance costs from operating liabilities	69,597	66,915
Total	4,812,238	7,737,059



Finance costs from financial liabilities comprise:

- expenses from relations within the Group, including interest expenses from loans and the pooling of assets based on cash-pooling agreements in the amount of EUR 939,773 (EUR 427,626 in 2019); and
- expenses vis-a-vis banks and others, which in terms of content comprise:
 - expenses from the revaluation of financial liabilities (exchange rate differences) in the amount of EUR 226,476 (EUR 1,095,640 in 2019);
- interest on loans from banks in the amount of EUR 1,561,961 (EUR 1,211,636 in 2019) and from EUROFIMA in the amount of EUR 430,438 (EUR 505,783 in 2019),
- interest as the result of an actuarial calculation in the amount of EUR 27,303 (EUR 33,881 in 2019);
- interest on leases in the amount of EUR 7,309 (EUR 8,428 in 2019); and
- expenses from derivatives (FX forwards) in the amount of EUR 1,775,857 (EUR 239 in 2019).

6.6.2.9 Corporate income tax

in EUR	2020	2019
Current tax	0	1,646,759
Deferred tax	-4,387	892,102
Total taxes	-4,387	2,538,861
Pre-tax profit or loss	-14,217,742	19,745,171
Tax calculated at effective tax rate	-2,701,371	3,751,582
Tax from decrease in revenues	-466,724	-1,002,274
Tax from decrease in expenses	143,476	157,642
Tax from increase in expenses	-9,572	-12,642
Tax from increase in tax base	20,859	50,963
Tax from tax allowances	0	-1,298,512
Tax credits	3,013,332	0
Total taxes	-4,387	2,538,861
Effective tax rate	0.00	12.86

The valid corporate income tax rate was 19% in Slovenia in 2020 and 2019.



6.6.3 Transactions with related parties

The table below presents transactions with Group companies and associates:

2020 in EUR	Sales	Purchases	Loans received	Loans granted
SŽ-Tovorni promet, d. o. o.	5,789,097	91,289	127,187,706	10,906,618
SŽ-Potniški promet, d. o. o.	2,485,953	125,239	95,152,046	43,499,725
SŽ-Infrastruktura, d. o. o.	9,480,296	441,524	51,026,079	101,728,645
SŽ-VIT Ljubljana, d. o. o.	4,701,507	9,933,273	400	111,936,934
SŽ-ŽIP, storitve, d. o. o.	825,562	4,098,928	8,010,326	8,028,923
SŽ-ŽGP Ljubljana. d. d.	1,428,953	10,577	13,419,828	2,811,567
Prometni institut Ljubljana, d. o. o.	146,717	84,381	446,161	104
SŽ-Železniška tiskarna Ljubljana, d. d.	8,895	79,596	125,197	413
Fersped, d. o. o.	188,946	6,272	7,620,317	386
VV-LOG, d. o. o.	37,146	364	16,482,620	1,134,143
Kamnolom Verd, d. o. o.	2,970	0	0	103
SŽ-ŽIP, d. o. o., Croatia	90,330	0	0	0
Group companies	25,186,372	14,871,443	319,470,680	280,047,561
Terme Olimia, d. d.	0	7,960	0	0
Associates	0	7,960	0	0
Total associates	25,186,372	14,879,403	319,470,680	280,047,561



2019 in EUR	Sales	Purchases	Loans received	Loans granted
SŽ-Tovorni promet, d. o. o.	5,902,411	6,312,775	124,615,038	112,599,485
SŽ-Potniški promet, d. o. o.	9,198,043	204,835	26,896,712	58,588,697
SŽ-Infrastruktura, d. o. o.	9,369,754	416,613	72,236,497	55,780,103
SŽ-VIT Ljubljana, d. o. o.	4,419,598	469,965	1,996	100,888,726
SŽ-ŽIP, storitve, d. o. o.	847,498	1,841,370	2,871,169	17,235,220
SŽ-ŽGP Ljubljana, d. d.	954,776	332,071	12,711,576	6,068,298
Prometni institut Ljubljana, d. o. o.	155,211	92,895	545,438	214,096
SŽ-Železniška tiskarna Ljubljana, d. d.	9,832	35,327	82,967	1,299
Fersped, d. o. o.	119,983	6,039	6,808,860	3,069,098
VV-LOG, d. o. o.	40,409	34,817	5,140,203	7,703
Kamnolom Verd, d. o. o.	2,647	0	0	62
SŽ-ŽIP, d. o. o., Croatia	90,893	8,806	0	0
Group companies	31,111,055	9,755,513	251,910,456	354,452,786
Terme Olimia, d. d.	0	12,924	0	0
Associates	0	12,924	0	0
Total associates	31,111,055	9,768,437	251,910,456	354,452,786

Balance as at 31 December 2020 (in EUR)	Customers	Suppliers	Financial receivables	Financial liabilities
SŽ-Tovorni promet, d. o. o.	751,626	74,851	80,950,324	37,513,949
SŽ-Potniški promet, d. o. o.	468,621	15,824	25,919	47,085,625
SŽ-Infrastruktura, d. o. o.	1,102,989	115,668	90,565	17,810,200
SŽ-VIT Ljubljana, d. o. o.	660,417	139,772	23,246,609	
SŽ-ŽIP, storitve, d. o. o.	65,398	81,151	2,013,726	230,415
SŽ-ŽGP Ljubljana. d. d.	378,078	9,424	21,637	3,082
Prometni institut Ljubljana, d. o. o.	32,123	11,251	10,144	259,999
SŽ-Železniška tiskarna Ljubljana, d. d.	479	25,471	413	160,112
Fersped, d. o. o.	12,258	904	3,335	2,692,661
VV-LOG, d. o. o.	3,755	364	103	1,047,749
Kamnolom Verd, d. o. o.	44	0	103	0
SŽ-ŽIP, d.o.o., Croatia	60,220	0	0	0
Group companies	3,536,008	474,680	106,362,878	106,803,792
Terme Olimia, d. d.				
Associates	0	0	0	0
Total associates	3,536,008	474,680	106,362,878	106,803,792



Balance as at 31 December 2019 (in EUR)	Customers	Suppliers	Financial receivables	Financial liabilities
SŽ-Tovorni promet, d. o. o.	744,344	6,258,503	115,484,419	44,431,618
SŽ-Potniški promet, d. o. o.	805,550	42,556	32,331	50,856,432
SŽ-Infrastruktura, d. o. o.	895,647	96,109	107,775	11,933,805
SŽ-VIT Ljubljana, d. o. o.	608,226	377,811	24,631,078	0
SŽ-ŽIP, storitve, d. o. o.	66,665	265,738	2,015,437	738,449
SŽ-ŽGP Ljubljana, d. d.	91,534	4,530	22,108	3,571
Prometni institut Ljubljana, d. o. o.	17,336	11,840	10,103	82,905
SŽ-Železniška tiskarna Ljubljana, d. d.	497	3,785	249	316,242
Fersped, d. o. o.	9,432	671	3,577	1,231,088
VV-LOG, d. o. o.	3,406	34,817	125	390,553
Kamnolom Verd, d. o. o.	299	0	0	0
SŽ-ŽIP, d. o. o., Croatia	60,431	0	0	0
Group companies	3,303,367	7,102,435	142,307,201	109,984,663
Terme Olimia, d. d.				
Associates	0	0	0	0
Total associates	3,303,367	7,102,435	142,307,201	109,984,663

Group companies transact on the basis of concluded agreements, where the market prices of products and services are applied.

Interest is charged between Group companies at the tax-deductible interest rate applicable for related parties.



TRANSACTIONS WITH THE ASSOCIATES OF THE OWNER

in EUR	31 December 2020	31 December 2019
Balance of current trade and other operating receivables	2,203	2,203
Balance of current trade and other operating liabilities	66,075	67,317

in EUR	2020	2019
Revenues	16,471	135,908
Expenses (costs)	419,961	2,093,271

The disclosure of transactions with associates of the owner includes companies in SDH, d. d.'s portfolio in which the participating interest of the Republic of Slovenia and SDH, d. d. is greater than 20%.

Gross earnings of groups of persons

The earnings of members of the Management Board and supervisory bodies are presented in point 2.3.3 for Slovenske železnice, d. o. o.

6.6.4 Events after the accounting period

Slovenske železnice, d. o. o. continued with measures and activities in connection with COVID-19.

Procedures continued in connection with the strategic partnership at SŽ-Tovorni promet, d. o. o. and Fersped, d. o. o.



7. FINANCIAL RISKS AT SLOVENSKE ŽELEZNICE, d.o.o.

The financial risks to which Slovenske železnice, d. o. o. is exposed include interest rate risk, currency risk, liquidity risk and credit risk. Exposure to financial risks is monitored monthly, while measures to manage those risks

are adopted continuously. The COVID-19 epidemic did not have an additional negative effect on financial risks within Slovenske železnice, d. o. o.in 2020, as the Company adopted measures in a timely manner to neutralise the epidemic.

INTEREST RATE RISK

Slovenske železnice, d. o. o. manages interest rate risk in accordance with the Policy on the comprehensive

management of risks within the Slovenske železnice Group. Slovenske železnice, d. o. o.'s entire loan portfolio comprises loans raised from banks with a fixed interest rate based on an underlying agreement.

Financial instruments	in EUR	Balance as at 31 December 2020	Balance as at 31 December 2019
Financial receivables		149.161.089	186.153.573
Financial liabilities		-229.213.579	-235.707.570
Net financial instruments		-80.052.490	-49.553.997

Financial receivables	in EUR	Balance as at 31 December 2020	Balance as at 31 December 2019
Financial receivables from Group companies		106,017,417	141,821,994
Financial receivables from others		43,143,672	44,331,579
Total financial receivables		149,161,089	186,153,573

Financial liabilities	in EUR	Balance as at 31 December 2020	Balance as at 31 December 2019
Financial liabilities to Group companies		102,848,670	104,826,258
Liabilities to banks from credit transactions (princip	al)	125,885,416	130,344,994
Other financial liabilities		479,493	536,318
Total financial liabilities		229.213.579	235.707.570

The following instruments are used to hedge exposure to interest rate risk:

- loans with a fixed interest rate; and
- in part through current operations, by linking the interest rates on Slovenske železnice, d. o. o.'s operating receivables to changes in the EURIBOR.



BALANCE OF LOAN LIABILITIES (PRINCIPAL) WITH A FIXED INTEREST RATE:

in EUR	Balance as at 31 December 2020	Balance as at 31 December 2019
Total loans (principal)	125,885,416	100,593,750

BALANCE OF LOAN LIABILITIES (PRINCIPAL) WITH A VARIABLE INTEREST RATE:

in EUR	Balance as at 31 December 2020	Balance as at 31 December 2019
Total loans (principal)	0	29,751,244

Given that Slovenske železnice, d. o. o.'s entire credit portfolio bears a fixed interest rate, a change in the reference interest rate has no effect on its pre-tax profit.

CURRENCY RISK

Slovenske železnice, d. o. o. likewise manages currency risk in accordance with the Policy on the comprehensive management of risks within the Slovenske železnice Group. Slovenske železnice, d. o. o. is less exposed to currency risk,

as the majority of the Company's transactions are in euros, while the number of transactions in other currencies is negligible. The Company thus has almost no exposure to currency risk in ordinary operations. Slovenske železnice, d. o. o.'s entire credit portfolio is likewise denominated in euros.

As at in EUR		Trade receivables	Loan liabilities (short- and long-term – principal)	Trade payables
31 December 2020	EUR	3,806,040	125,885,416	16,213,840
	HRK	6,350	0	4,966
31 December 2019	EUR	3,667,291	100,593,750	15,087,448
-	CHF	0	29,751,244	0
	HRK	6,457	0	0



LIQUIDITY RISK

With the aim of managing liquidity risk, Slovenske železnice, d. o. o. implemented a policy in 2020 on the regular management of liquidity and solvency. That policy was applied for the daily, monthly and annual monitoring of the liquidity position of the Group as a whole and of subsidiaries.

Liquidity risk management requires the management of such risks by individual category:

- the management of liquidity risk from operations, which is closely linked to credit risk; and
- the management of liquidity risk from financing, which represents a risk linked to securing sufficient financial resources for the Group's operations and investments.

Liquidity risk management is centralised at the controlling company for all Group companies. The continuous monitoring of cash flows, the implementation of the Slovenske železnice Group's cash management policy (Group companies have signed a cash-pooling agreement for the purpose of managing and balancing liquidity within the Group), and the availability and securing of the necessary short-term credit lines in the amount of EUR 60 million, which are regularly rolled over, ensured that the liquidity of the Slovenske železnice Group was controlled and ensured in 2020, and that liquidity risk was well-managed. This also applies to Slovenske železnice, d. o. o.

MATURITY BREAKDOWN OF LIABILITIES:

in EUR Contractual cash flow						
	Carrying amount of liabilities	Liabilities	0 to 6 months	6 to 12 months	From 1 to 3 years	More than 3 years
Non-current borrowings received	103,677,083	108,759,618	0	0	54,766,065	53,993,553
Non-current liabilities within the Group	2,684,150	2,745,865	0	0	2,745,865	0
Non-current lease liabilities	348,808	382,200	0	0	169,967	212,233
Current borrowings received	22,208,333	23,465,773	9,386,309	14,079,464	0	0
Current financial liabilities within the Group	102,848,670	103,465,762	103,465,762	0	0	0
Current lease liabilities	66,261	67,729	35,635	32,094	0	0
Other current financial liabilities	64,424	64,424	64,424	0	0	0
Current operating liabilities (excluding liabilities to the state and employees, and liabilities from advances)	16,218,806	16,218,806	16,218,806	0	0	0
Balance as at 31 December 2020	248,116,535	255,170,177	129,170,936	14,111,558	57,681,897	54,205,786



in EUR			Contractual o	cash flows		
	Carrying amount of liabilities	Liabilities	0 to 6 months	6 to 12 months	From 1 to 3 years	More than 3 years
Non-current borrowings received	95,885,417	102,080,392	0	0	35,939,009	66,141,383
Non-current liabilities within the Group	44,037,073	45,049,586	0	0	45,049,586	0
Non-current lease liabilities	405,825	405,825	0	0	242,367	163,458
Current borrowings received	34,459,577	36,001,229	1,670,787	34,330,442	0	0
Current financial liabilities within the Group	64,674,000	65,385,414	65,385,414	0	0	0
Current lease liabilities	80,789	80,789	40,394	40,395	0	0
Other current financial liabilities	49,704	49,704	49,704	0	0	0
Current operating liabilities (excluding liabilities to the state and employees, and liabilities from advances)	15,087,733	15,087,733	15,087,733	0	0	0
Balance as at 31 December 2019	254,680,118	264,140,672	82,234,032	34,370,837	81,230,962	66,304,841

CREDIT RISK

The deteriorating liquidity of partners on the market requires additional attention when monitoring their credit ratings and the provision of the appropriate collateral. Investments in a new system for monitoring the credit ratings of our partners has reduced credit risk, which was reflected in the reduced value of past-due receivables and more secure operations. The adverse economic conditions and the associated increased probability of failure to fulfil contractually defined obligations by partners require the Company to pay special attention to the management of credit risks. For this reason, the credit risk management process actively includes several departments.

The credit risk management process is supplemented during the formulation of the portfolio through the careful selection of partners, followed by the regular review of the credit quality of those partners through the assignment of credit ratings.

An active approach is taken to the recovery process, which ensured a reduction in the proportion of total trade payables accounted for by past-due trade payables relative to the previous year (from 7.4% to 5.9%).

Data regarding the operations of the banks with which the Group cooperates are monitored as part of the credit risk management process. Risk is further managed by diversifying the placement of cash at individual banks and by investing cash for current operations over the short term

Credit risks were appropriately managed in 2020, and there were no material credit-related events that had a significant impact on operations. A great deal of attention is being given to the development of a system for monitoring the credit ratings of business partners based on publicly accessible information and internal experiences in operations with those partners.



Domestic and foreign customers were verified in 2020 according to an internal credit assessment process, with the help of credit ratings and published information. The operations and financial position of specific customers

were monitored regularly, as was the Company's exposure to those customers. Risk management measures were adopted as required. Value adjustments are created for older receivables (see note 6.6.1.10).

MATURITY OF TRADE RECEIVABLES (GROSS AMOUNT):

in EUR		Maturity				
As at	Non past due			Past-due		Total
As at Non-past-di	Non-past-due	up to 30 days	31 to 90 days	91 to 365 days	more than 365 days	
31 December 2020	3,587,010	83,020	88,863	14,830	38,666	3,812,389
31 December 2019	3,401,326	100,666	92,403	8,258	71,095	3,673,748

8. CAPITAL ADEQUACY MANAGEMENT

The underlying purpose of capital management is to ensure capital adequacy, the highest possible level of financial

stability, long-term solvency and the maximisation of value for the Company's owner.

in EUR	2020	2019
Non-current financial liabilities	104,025,891	136,443,500
Current financial liabilities	125,187,688	99,264,070
Total financial liabilities	229,213,579	235,707,570
Total equity	461,432,744	475,762,455
Debt/equity	0.50	0.50
Cash and cash equivalents	17,910,851	2,953,949
Net financial liabilities	211,302,728	232,753,621
Net debt/equity	0.46	0.49



9. CARRYING AMOUNT AND FAIR VALUE OF FINANCIAL INSTRUMENTS

The table below only includes information regarding classification to the fair value hierarchy for assets and

financial liabilities measured at fair value and for which fair value is disclosed.

in EUR		31 [December 2020		
	Carrying amount	Fair value	1st level	2nd level	3rd level
Non-current financial assets					
Non-current financial receivables from Group companies	78,343,743	78,343,743			78,343,743
Investments in shares and participating interests measured at fair value through profit or loss that are not quoted on a regulated market	2,090,491	2,090,491			2,090,491
Other non-current financial assets	2,401,003	2,401,003			2,401,003
Operating receivables	3,659,469	3,659,469			3,659,469
Cash and cash equivalents	17,910,851	17,910,851	17,910,851		
Current financial assets					
Current financial receivables from Group companies	27,673,673	27,673,673			27,673,673
Current financial receivables from the sale of receivables	40,742,670	40,742,670			40,742,670
Non-current financial liabilities					
Liabilities from loans	103,677,083	103,677,083			103,677,083
Lease liabilities	348,808	348,808			348,808
Current financial liabilities					
Current financial liabilities to Group companies	102,848,670	102,848,670			102,848,670
Liabilities from loans	22,208,333	22,208,333			22,208,333
Lease liabilities	66,261	66,261			66,261
Other financial liabilities	64,424	64,424			64,424
Operating liabilities	16,218,806	16,218,806			16,218,806



in EUR		31 [December 2019		
	Carrying amount	Fair value	1st level	2nd level	3rd level
Non-current financial assets					
Non-current financial receivables from Group companies	87,885,417	87,885,417			87,885,417
Investments in shares and participating interests measured at fair value through profit or loss that are not quoted on a regulated market	2,090,491	2,090,491			2,090,491
Non-current financial receivables from the sale of receivables	40,152,258	40,152,258			40,152,258
Other non-current financial assets	2,403,283	2,403,283			2,403,283
Current financial assets					
Current financial receivables from Group compa- nies	53,936,577	53,936,577			53,936,577
Financial instruments measured at fair value through profit or loss that are not quoted on a regulated market	1,775,857	1,775,857			1,775,857
Other current assets	181	181			181
Operating receivables	3,993,591	3,993,591			3,993,591
Cash and cash equivalents	2,953,949	2,953,949	2,953,949		
Non-current financial liabilities					
Non-current financial liabilities to Group companies	40,152,258	40,152,258			40,152,258
Liabilities from loans	95,885,417	95,885,417			95,885,417
Lease liabilities	405,825	405,825			405,825
Current financial liabilities					
Current financial liabilities to Group companies	64,674,000	64,674,000			64,674,000
Liabilities from loans	34,459,577	34,459,577			34,459,577
Lease liabilities	80,789	80,789			80,789
Other financial liabilities	49,704	49,704			49,704
Operating liabilities	15,087,733	15,087,733			15,087,733

Slovenske železnice, d. o. o. did not record any transitions between fair value levels in 2020.





AUDIT REPORT OF SLOVENSKE ŽELEZNICE, D. O. O. FOR 2020



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INDEPENDENT AUDITOR'S REPORT to the owners of Slovenske železnice, d. o. o.

Report on the audit of the financial statements

Opinion

We have audited the enclosed separate financial statements of Slovenske železnice, d. o. o. (hereinafter: the Company) and the consolidated financial statements of Slovenske železnice, d. o. o. and its subsidiaries (hereinafter: the Group), which include the separate and consolidated statements of financial position as at 31 December 2020, and the separate and consolidated statements of profit or loss, the separate and consolidated statements of other comprehensive income, the separate and consolidated statements of changes in equity and the separate and consolidated cash flow statements for the year then ended, as well as the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the enclosed separate and consolidated financial statements present fairly, in all material aspects, the financial position of the Company and Group as at 31 December 2020, and their operating results and cash flows for the year then ended, in accordance with the International Financial Reporting Standards, as adopted by the European Union (hereinafter: the IFRS).

Basis for our opinion

We performed our audit in accordance with the International Standards on Auditing and Regulation (EU) No 537/2014 of the European Parliament and of the Council of 16 April 2014 on specific requirements regarding statutory audit of public-interest entities (hereinafter: the Regulation). Our responsibilities on the basis of those rules are described in this report in the section Auditor's responsibilities for the auditing of the separate and consolidated financial statements. In accordance with the Code of Ethics for Accounting Professionals issued by the International Ethics Standards Board for Accountants (IESBA Code) and the ethical requirements relating to the auditing of separate and consolidated financial statements in Slovenia, we hereby confirm our independence from the Company and Group, and our fulfilment of all other ethical obligations in accordance with those requirements and the IESBA Code. We believe that the auditing evidence obtained is a sufficient and appropriate basis for our opinion.



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Deloitte revizija d.o.o. – Company entered in the companies register at Ljubljana District Court; registration number: 1647105; VAT ID number: SI62560085; share capital: EUR 74,214.30.

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Key audit matters

Key audit matters are those matters that, in our professional judgement, were of the most significance in the audit of the separate and consolidated financial statements for the financial year that ended 31 December 2020. Those matters were addressed in the scope of our audit of the separate and consolidated financial statements as a whole, and in the formulation of our opinion regarding those statements. We do not, however, issue a separate opinion regarding those matters.

Recognition of revenues in the separate and consolidated financial statements

The Group recognised net sales revenue in the amount of EUR 407,211 thousand and other operating revenues in the amount of EUR 119,700 thousand in its statement of profit or loss for the year ending 31 December 2020. The Company recognised net sales revenue in the amount of EUR 21,354 thousand in its statement of profit or loss for the year ending 31 December 2020.

Key audit matter

As explained in section 2.2 Significant accounting policies – Revenues from contracts with customers, revenues are recognised when control over goods or services is transferred to the customer. Revenues from contracts with customers are recognised at the moment the Company or Group fulfils its performance obligation, i.e. when control over a service or good is transferred to the customer.

Revenues from sales to customers are an important indicator of the performance of the Company and Group. Due to the materiality of this item in the financial statements and the impact of the Management Board's assessment on the amount of revenues recognised, we determined that this area is a key audit matter.

How did we handle the matter in our audit?

In performing our audit, we assessed the appropriateness of accounting policies in connection with the recognition of revenues from contracts with customers and its compliance with IFRS 15, and conducted the following audit procedures:

- we verified the basis and implementation of internal controls in connection with the recognition of revenues in terms of the appropriateness of the recording of revenues;
- we verified the effectiveness of identified internal controls that we assessed as material in terms of our audit;
- based on a selected sample, we analytically verified in great detail the appropriateness of the recording of recognised revenues;
- for the controlling company's revenues from transactions with associates, we reconciled those revenues with the turnover of subsidiaries (*Note 6.6.2.1*);
- for revenues from construction contracts, we verified the appropriateness of the methodology used by the Management Board to recognise revenues over time, as well as the relevance of applied assumptions and the accuracy of input data that served as the basis of the estimate for each individual project;
- for other operating revenues from the transport of passengers (discharge of the public service obligation), we verified payments from the government according to monthly calculations (*Note 2.3.2.3.*); and



- for other operating revenues from traffic disruptions, we obtained independent confirmation from the Ministry of Infrastructure regarding the timing of payment, and verified the appropriateness of discounting due to the non-current component (*Note 2.3.2.3.*).

We also reviewed information in the financial statements in order to assess whether disclosures in connection with revenues from contracts with customers are appropriate.

Valuation of investments in subsidiaries (separate financial statements)

The value of investments in subsidiaries disclosed in the Company's financial statements as at 31 December 2020 was EUR 426,810 thousand.

Key audit matter

As required by IAS 36 Impairment of Assets, the Management Board performs annual impairment tests to estimate the recoverable amount of investments in subsidiaries. In accordance with IAS 36, value in use is determined for the recoverable amount, and an estimate made of the present value of future cash flows expected to be generated by a subsidiary. The Company obtained an independent assessment of the recoverable value of its investments in Fersped, VV-LOG and SŽ-Tovorni promet for the year ending 31 December 2020.

The definition of critical assumptions and the planning of expected cash flows requires a high level of judgement on the part of the Management Board. The testing of such assets for impairment thus represents a key audit matter.

The Management Board provided information regarding the valuation of investments in subsidiaries in Note 2.2 Significant accounting policies — Subsidiaries and in Note 6.5.1.5 Investments in subsidiaries.

How did we handle the matter in our audit?

In performing our audit, we assessed the appropriateness of the Company's accounting policies in connection with the impairment of investments in subsidiaries.

Our audit approach included an assessment of whether the Management Board's judgement is appropriate and whether the requirements of IAS 36 were met, including:

- an assessment of whether the model that the Management Board used to calculate value in use for specific investments meets the requirements of IAS 36 Impairments of Assets, and whether the assumptions applied are reasonable and whether they are supported by the current macroeconomic conditions and expected future performance:
- with the help of our own experts, we assessed whether the methodology used by the Management Board's expert is appropriate and whether significant assumptions applied are in line with their intended purpose; and
- an assessment of whether the information disclosed in the notes to the financial statements meet the requirements of valid financial reporting standards.



Other information

Management is responsible for other information. Other information comprises information presented in the annual report, except the separate and consolidated financial statements and the auditor's report regarding those statements.

Our opinion regarding the financial statements does not relate to the other information referred to above, and we do not provide any assurance whatsoever in connection with that information.

In connection with our audit of the separate and consolidated financial statements, it is our responsibility to interpret other information and assess whether it fails to conform materially to the separate and consolidated financial statements, legal requirements or with the knowledge we have obtained through our audit, and whether that information is otherwise materially misstated. If on the basis of our work we conclude that there exists a material misstatement of other information, we are obliged to report on such circumstances. In that regard and based on the procedures described above, we hereby report that:

- other information is in line, in all material aspects, with the separate and consolidated financial statements;
- other information has been compiled in accordance with the applicable laws and regulations; and
- we did not identify any material misstatements based on our knowledge and understanding of the Company and Group and their environment, which we gained during our audit.

Responsibility of the Management Board and other persons responsible for the separate and consolidated financial statements

The Management Board is responsible for the compilation and fair presentation of the separate and consolidated financial statements in accordance with the IFRS, and for the internal controls that it deems necessary to enable the compilation of separate and consolidated financial statements that are free from material misstatements due to fraud or error.

In compiling the separate and consolidated financial statements of the Company and Group, the Management Board is responsible for assessing the ability of the Company and Group to continue functioning as going concerns, for the disclosure of matters associated with the Company and Group as a going concern and for the application of the assumption of a going concern as the basis for accounting, unless the Management Board intends to liquidate or wind up the Company or Group, or if it has no real choice between one or the other.

Governance bodies are responsible for control over the preparation of the separate and consolidated financial statements and for approving the audited annual report.

Auditor's responsibility for the auditing of the financial statements

Our objectives are to obtain acceptable assurance as to whether the separate and consolidated financial statements as a whole are free from material misstatements due to fraud or errors, and to issue an audit report that includes our opinion. Acceptable assurance means a high degree of assurance, but no guarantee, that our audit, conducted in accordance with the relevant auditing rules, will uncover all material misstatements should they exist. Misstatements may be the result of fraud or errors, and are deemed material if it is reasonable to expect that they may, individually or collectively, impact the business decisions adopted by users on the basis of the separate and consolidated financial statements.

We make use of professional assessments and maintain professional scepticism in conducting audits in accordance with auditing rules. We also:

Identify and assess the risks associated with material misstatements in the separate and
consolidated financial statements due to fraud or errors, formulate and implement audit
procedures as a response to assessed risks, and obtain sufficient audit evidence as the basis for
our opinion. The risk that we will



fail to uncover material misstatements due to fraud is greater than the risk associated with such an error, as fraud may include secret agreements, forgery, intentional omissions, erroneous interpretations or the avoidance of internal controls.

- Obtain an understanding of internal controls relevant to auditing for the purpose of formulating audit procedures appropriate to the environment, but not for the purpose of expressing an opinion regarding the effectiveness of the internal controls of the Company and Group.
- Assess the appropriateness of applied accounting policies, as well as the acceptability of accounting estimates and the associated disclosures by management.
- Adopt a decision on the acceptability of management's application of the assumption of the Company and Group as going concerns as an accounting basis, taking into account audit evidence obtained regarding the existence of significant uncertainties with regard to events or circumstances that raise doubts about the ability of the organisation to continue operating as a going concern. Should we adopt a decision on the existence of significant uncertainties, we are responsible for using the auditor's report as a vehicle to raise concerns regarding the appropriateness of disclosures in the separate and consolidated financial statements, and for amending our opinion if those disclosures are inappropriate. The auditor's decisions are based on audit evidence obtained up to the date of issuance of the auditor's report. However, ensuing events or circumstances can cause the Company or Group to cease operating as a going concern.
- Assess the general presentation, structure and content of the separate and consolidated financial statements, including disclosures, and assess whether the separate and consolidated financial statements present transactions and events in such a way that a fair presentation is achieved.
- Obtain sufficient and appropriate audit evidence in connection with the financial information and business activities of Group companies, in order to express our opinion about the consolidated financial statements. We are responsible for managing, overseeing and conducting the audit of the Group. We are solely responsible for our audit opinion.

We notify governance bodies, inter alia, about the planned scope and timing of the audit, and about significant audit findings, including deficiencies that we identified during our audit.

We also submitted a statement to governance bodies that we have fulfilled all ethical requirements in connection with independence, and notified those bodies of all relationships and other requirements that can be justifiably deemed to impact our independence and briefed those bodies on associated measures.

Of all matters that governance bodies were briefed on, we designated matters that were the most relevant in the audit of the separate and consolidated financial statements for the audited period as key audit matters. The aforementioned matters are described in the audit report, unless legal and regulatory provisions prohibit the public disclosure of such matters.

Report on other legal and regulatory matters

Appointment of the auditor and duration of engagement

Deloitte revizija, d. o. o. was appointed to serve as the statutory auditor of the Company and Group at the General Meeting of Shareholders held on 26 August 2019. We were engaged to provide audit services for a continuous period of six years.

Confirmation to the audit committee

We hereby confirm that our audit opinion regarding the separate and consolidated financial statements in this report is in line with the additional report to the Company's audit committee of 18 June 2021 in accordance with Article 11 of Regulation (EU) No 537/2014 of the European Parliament and the Council.



Provision of non-audit services

We hereby declare that we did not provide any of the prohibited non-audit services set out in Article 5(1) of Regulation (EU) No 537/2014 of the European Parliament and of the Council. We did not provide any other services for the audited company or its subsidiaries that are not disclosed in this annual report, in addition to the mandatory audit.

Katarina Kadunc is responsible for the performed audit on behalf of the audit firm Deloitte revizija, d. o. o.

Deloitte Revizija d.o.o. Dunajska 165 1000 Ljubljana

Katarina Kadunc Certified Auditor Ljubljana, 18 June 2021



For signature please refer to the original Slovenian version.

TRANSLATION ONLY - SLOVENIAN ORIGINAL PREVAILS

Annual report of

Slovenske železnice, d. o. o. and the Slovenske železnice Group for 2020

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