



ANNUAL REPORT FOR 2021

SLOVENSKE ŽELEZNICE, d.o.o.,
AND THE SLOVENSKE ŽELEZNICE GROUP

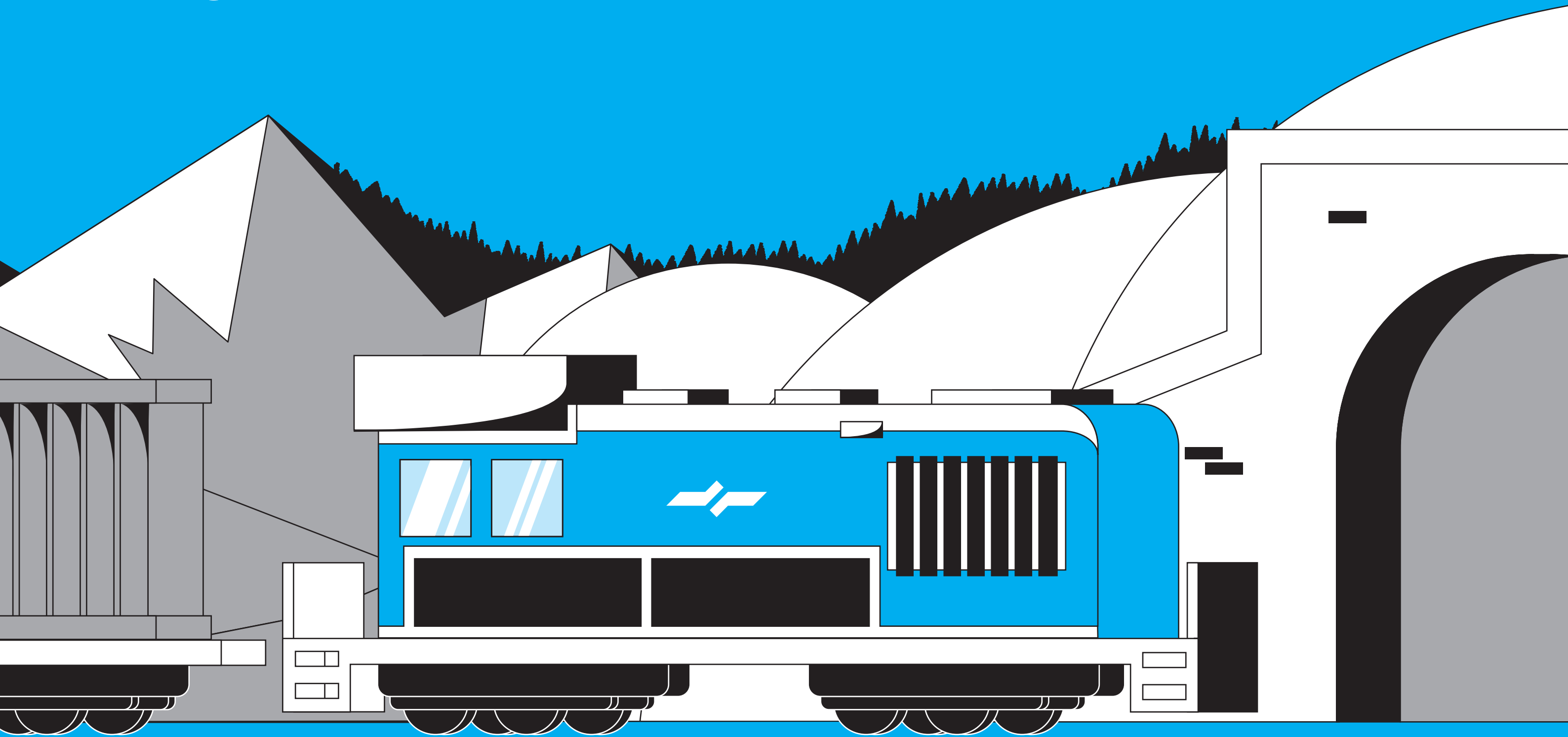
May 2022

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PERFORMANCE HIGHLIGHTS IN 2021



KEY PERFORMANCE INDICATORS OF THE SLOVENSKE ŽELEZNICE GROUP¹

Performance in figures				
	Unit	2021	2020	Index
Operating revenues	EUR thousand	542,798	537,269	101.0
EBIT	EUR thousand	34,099	15,796	215.9
EBITDA	EUR thousand	83,772	61,072	137.2
Net profit	EUR thousand	29,321	10,919	268.5
Assets	EUR thousand	988,974	1,008,213	98.1
Equity	EUR thousand	576,332	548,275	105.1
Net financial debt	EUR thousand	17,806	132,013	13.5

Financial indicators				
	Unit	2021	2020	Index
Return on equity (ROE)	%	5.2	2.0	258.6
Return on assets (ROA)	%	2.9	1.1	267.1
Net financial debt/EBITDA		0.2	2.2	9.1
Value-added per employee	EUR	50,766	49,322	102.9

¹GRI 102-6, 102-7

Volume sold				
	Unit	2021	2020	Index
Goods transported	in thousand tonnes	18,925.3	18,666.4	101.4
Net tonne kilometres	million NTKM	4,756.3	4,643.8	102.4
Passengers carried	in thousand	11,860.4	8,150.9	145.5
Passenger kilometres	million PKM	541.8	396.9	136.5
Specific consumption of electricity for traction	kWh/thousand GTKM	20.58	20.22	101.8
Specific gas oil consumption	kg/thousand GTKM	9.51	8.45	112.5

Non-financial indicators				
	Unit	2021	2020	Index
No. of employees as at 31 December		6,752	6,925	97.5
Average number of employees		6,612	6,967	94.9
No. of extraordinary events		18	18	100.0
Renovation and upgrading of lines	in km	10,920	27,670	39.5
Freight transport delays	min./100 km	95.4	72.6	131.4
Passenger transport delays	min./100 km	3.9	2.7	144.4
CO ₂ emissions	tonnes	41,601	37,896	109.8

SIGNIFICANT EVENTS IN 2021²

Rail passenger transport re-established between Ljubljana and Kočevje

After more than half a century, rail passenger transport was re-established between Ljubljana and Kočevje on 3 January 2021 following the modernisation of the more than 120-year-old railway line.

Strategic Business Plan of the Slovenske železnice Group for the period 2021–2025

In March 2021, the Supervisory Board of Slovenske železnice, d. o. o., approved the Strategic Business Plan of the Slovenske železnice Group for the period 2021-2025, the strategic focus of which is to transform from a national rail operator into the leading technologically advanced provider of comprehensive merchandise logistics and public mobility services in the region.

Slovenske železnice among the TOP 10 best employers

In a survey conducted in April 2021 by MojeDelo.com, we ranked amongst the 10 best employers and won first place in the category of logistics and passenger transport. On top of that, we were recognised as the best employer in the industry on 24 May 2021.

Purchase of new Stadler passenger trains

At the TRAKO fair in September 2021, the Swiss Stadler showcased its new Stadler KISS double-deck train, designed specifically for Slovenske železnice. On 14 January 2022, the KISS train was already running on Slovenian tracks. In 2021, Slovenske železnice accepted the delivery of 29 trains, including 10 electric double-deck trains, 13 electric single-deck trains and 6 diesel trains.

Long-term financing of SŽ-Infrastruktura, d. o. o., secured

In July 2021, the government of the Republic of Slovenia and SŽ-Infrastruktura, d. o. o., signed an Agreement on the Discharge of PRI (public rail infrastructure) Manager Services for the period from 1 January 2021 to 31 December 2030.

Karavanke tunnel upgrade completed

After nine months of closure, the Karavanke railway tunnel was reopened in July 2021. To ensure sufficient space in the tunnel, the works included removing the two existing tracks and laying down a new track that now meets the new safety standards. The Slovenian minister of infrastructure and the Austrian minister of the environment took a ride through the Karavanke railway tunnel on 29 July 2021 to formally mark the completion of the safety and technological upgrade of the tunnel.

Extensive upgrade of the Ljubljana-Divača regional line

The long-awaited construction of the second track between Divača and Koper started in May 2021. Working with the government, we formulated a strategy for the development of the rail infrastructure until 2050, and our focus in the future will be the urgent renovation of regional lines. An extensive upgrade of the Ljubljana-Divača regional line was started. The first stage of the plan is to renovate the section between Ljubljana and Brezovica, which is expected to be completed in November 2022.

2021 – European Year of Rail

As part of the European Year of Rail, the Connecting Europe Express arrived in Slovenia on 24 September 2021, a train connecting countries, businesses and people as it travelled throughout Europe. As a symbol of the railways' connecting power, its journey affirmed the commitment of the European Union to rail as a driver of sustainable mobility, economic development and a European identity.

The youngest rail freight corridor – AWB RFC

In September 2021, we hosted the ceremony at the official launching of the youngest rail freight corridor, called the Alpine-Western Balkan Corridor (AWB RFC), which connects Austria, Slovenia, Croatia, Serbia and Bulgaria.

Notable international linking activities

We hosted the general meeting of SEESARI, an UIC initiative which supports the development of railways and transport in general in South-East Europe, and we organised the international expert conference Green and Digital Transformation of Rail Corridors.

New energy policy

The Management Board adopted the new energy policy of Slovenske železnice in November 2021. All of the Group's companies will strive to develop services and products with higher energy efficiency, and foster responsibility for energy efficiency improvements in both internal and external publics.

Establishment of a new company – SŽ EP Logistika, d. o. o.

In accordance with the Investment and Partnership Agreement between Slovenske železnice, d. o. o., and EP Logistics International, a. s., an agreement was reached on 7 October 2021, on the basis of which SŽ EP Logistika, d. o. o., was entered in the Register of Companies, and in December 2021 its capital was increased by Slovenske železnice, d. o. o., with a non-cash contribution from the companies SŽ-Tovorni promet, d. o. o., and Fersped, d. o. o. (in conjunction with VV-LOG, d. o. o.).

Ljubljana Passenger Centre (LPC)

The LPC project involves a new bus station, an upgrade of the railway station and its track infrastructure and platforms, and a commercial zone with Emonika, a business and retail centre.

Slovenske železnice, d. o. o., is participating in the project as an investor in the new bus station, with business premises and a parking garage. The international architectural competition for the selection of the best expert solution for the new Ljubljana bus station, which was prepared in collaboration with the Slovenian Chamber of Architecture and Spatial Planning of Slovenia, was finished in December 2021.

The contract for designing the new Ljubljana bus station will be signed in May 2022, and the project design documents which are needed to obtain a building permit and environmental consent will be completed by the end of 2022.

²GRI 102-51

SIGNIFICANT EVENTS AFTER THE END OF THE 2021 FINANCIAL YEAR

Entry of a strategic partner

EPH Group from the Czech Republic finished the process of entering the Slovenske železnice Group as a strategic partner on 13 January 2022. EP Logistics International, a. s., used a cash contribution to increase the capital of the newly established SŽ EP Logistika, d. o. o., in which Slovenske železnice, d. o. o., now has a majority equity interest (51%) and EP Logistics International, a. s., has a 49% equity interest.

Slovenske železnice for the sustainable development of tourism and public transport

Along with the organiser – the Public Institute of Tourism of Nova Gorica and Vipava Valley – and the Tourism Directorate at the Ministry of Economic Development and Technology, we took part in a professional consultation entitled “For a New Boom in Slovenian Tourism” (V nov razcvet slovenskega turizma) held in March 2022 in Nova Gorica. Linking public transport with the offerings of local and tourist communities is vital for the development of sustainable travel in tourism.

Increased share capital of Slovenske železnice, d. o. o.

On 6 April 2022, the Management Board of Slovenski državni holding, d. d., decided to increase the capital of Slovenske železnice, d. o. o., through a cash contribution of EUR 150 million, which will be used to increase the share capital of SŽ-Potniški promet, d. o. o., towards the purchase of 20 passenger trains.

Purchase of a stake in Nomago, d. o. o.

In line with its Strategic Business Plan, Slovenske železnice, d. o. o., signed a contract with Adventura Investments, d. o. o., in April 2022 for the purchase of a 50% ownership stake in Nomago, d. o. o.

Ensured source of financing for the technological development of SŽ-Infrastruktura, d. o. o.

On 1 April 2022, the Slovenian government and SŽ-Infrastruktura, d. o. o., signed Annex No. 4 to the Agreement on the Discharge of PRI Manager Services in the amount of EUR 151.6 million for the performance of PSO (public service obligation) and for the purchase of new machinery for the maintenance of rail infrastructure.

Impact of the war in Ukraine on Slovenske železnice Group operations

The current military conflict in Ukraine and the associated sanctions against the Russian Federation will have a negative impact on the European and global economy. Slovenske železnice Group has no significant direct exposure to Ukraine, Russia or Belarus. However, the impact on the overall economic situation will require adjustments to some business assumptions and estimates, which we are unable to foresee and assess at this time with any certainty. A major impact may be seen in the higher pricing of energy products, particularly diesel. The price of electricity is agreed with our supplier at fixed rates for a three-year period, so this impact remains to be seen in the period following 2022. The impact may also manifest as a disruption of the supply chain and the establishment of bypass or alternative transport routes. At this point the Management Board cannot reliably estimate the impact, since we are seeing new developments on a daily basis.

In the long term, the conflict may have the negative effects of hampering supply, raising the prices of energy products and raw materials, and affecting cash flows and profitability. Despite this, Slovenske železnice Group companies have been meeting – up to the date of producing the financial statements in this annual report – all their obligations as they fall due, and continue to prepare their financial statements on the assumption of a functioning company. In this short time following the outbreak of the conflict, operations have suffered no significant effects.

STATEMENT OF THE DIRECTOR GENERAL³



Dear owners, colleagues, users and business partners,

The fiscal year 2021 was another in a series of extremely challenging and complex years heavily shaped by the economic crisis and the associated COVID-19 pandemic. Although the novel coronavirus in particular upset the established transport or logistical pathways, the year 2021 was concluded successfully. We can be pleased. We proved once again that we are able to react promptly to a straitened and challenging situation of global proportions. Slovenske železnice had a very challenging year, which was rife with problems, but it also presented new opportunities and possibilities that made us even stronger and more financially and capitally stable – in short, even more competitive in the markets of rail mobility and the provision of comprehensive logistics services.

In 2021, we concluded our five-year search for a suitable strategic partner in the area of rail freight transport and logistics. On 13 January 2022, the ownership structure of SŽ-Tovorni promet was entered by the Czech company EPLI (EP Logistics International) with a 49% stake. EPLI is a leading Central European energy group comprising more than 70 companies from the Czech Republic, Slovakia, Germany, Italy, Switzerland, France, Great Britain and Ireland. One of its four key pillars are comprehensive rail logistics services, which are successfully and efficiently provided by EPLI in a number of markets. This strategic partnership is therefore an important step in the development of the Slovenske železnice Group and comprehensive logistics services at large. By joining forces with a capitally sound partner, we believe that we will succeed in developing even better and more advanced comprehensive logistics services for customers and securing access to new markets. The partnership will also ensure a financial basis for

the urgently needed next steps in modernising our rolling stock, and benefit us with synergies from the operations of both groups.

In 2021, we completed the process of staff consolidation and adopted a new HR strategy. This strategy centres on the employees, with individual career growth and development, and provides a comprehensive and systemic approach to developing the HR system and human potential in the Group.

In 2021, Slovenske železnice continued its successful modernisation of rolling stock for freight and passenger transport. 29 new passenger trains were accepted in 2021. Moreover, by the end of September 2022, all of the 52 new trains ordered – 21 single-deck and 10 double-deck electric trains and 21 single-deck diesel trains – will be driving on Slovenian tracks. The total value of the ordered trains is EUR 320 million, excluding VAT. In spring, a new call for tenders will have been published for the purchase of 20 additional modern passenger trains. There will also be a public tender for the purchase of 20 modern passenger coaches and four multi-system locomotives. This will fulfil our strategic objective of fully renovating the rail fleet for passenger transport by 2025.

The final stage of negotiations for the purchase of a 50% stake in Nomago Group was also reached in 2021. The contract was signed on 8 April 2022. Slovenske železnice also holds the exclusive right to acquire a 100% stake by 2024. Buying Nomago, which every day carries passengers in around 700 coaches on more than 650 lines, brings us closer to our strategic objective of becoming the main pillar of mobility and offering our users comprehensive and environmentally friendly services.

The key to modern and friendly public transport is having not only new trains and a modernised rail infrastructure, but also a new railway and bus station. Following stakeholder discussions and negotiations, the Ljubljana Passenger Centre is becoming a reality. All the building permits will be obtained by the end of 2022. The project as a whole will be completed in 2025. A bold prediction or reality? Perhaps simply a necessity – if we want to put our capital city on the global map of modern passenger and logistic hubs.

In 2021, we successfully carried on with comprehensive digitalisation of processes and business optimisation.

At Slovenske železnice, we believe that in 2021 we continued our successful and ambitious journey of strategically transforming the Slovenske železnice Group into the backbone of public transport and a provider of comprehensive logistics services. This is reflected in the figures, which remain very solid despite the extremely complex circumstances. We generated revenues of EUR 544 million, EBITDA of EUR 83.8 million and net profits of EUR 29.3 million. A record low of financial debt – 0.2% EBITDA – is additional proof that we are on the right path. The credit for this goes to all stakeholders. I would like to thank you all again for another successful year in the history of the Slovenske železnice Group. The cooperation of all stakeholders is, however, undoubtedly that crucial guarantee that inspires strong faith that Slovenske železnice is set to see many more good, successful stories.

Dušan Mes
Director General of Slovenske železnice

³GRI 102-14

GENERAL INFORMATION⁴

General information regarding the controlling company as at 31 December 2021

Company name

Slovenske železnice, d. o. o.

Address

Kolodvorska ulica 11
1000 Ljubljana
Slovenia

Tel: +386 (01) 291 40 00

Email: info@slo-zeleznice.si

Website: www.slo-zeleznice.si

Management Board

Director General: Dušan Mes

Member of the Management Board:

Tomaž Kraškovic

Workers' Director: Nina Avbelj Lekić

Members of the Supervisory Board

Chairman: Aleksander Mervar

Deputy Chairman: Franci Matoz

Members: Silvo Berdajs, Melita Malgaj,
Aleksander Nagode, Gabrijel Škof,
Boris Markočič, Jože Pavšek, Zlatko Ratej

Data regarding the company

Core activity:

70.100 Activities of head offices

Quality certificate:

ISO 9001:2015, January 2025

Environmental certificate:

ISO 14001:2015, January 2024

Energy certificate:

ISO 50001:2018, January 2025

Registration number:

10537000

Company registration number:

5142733000

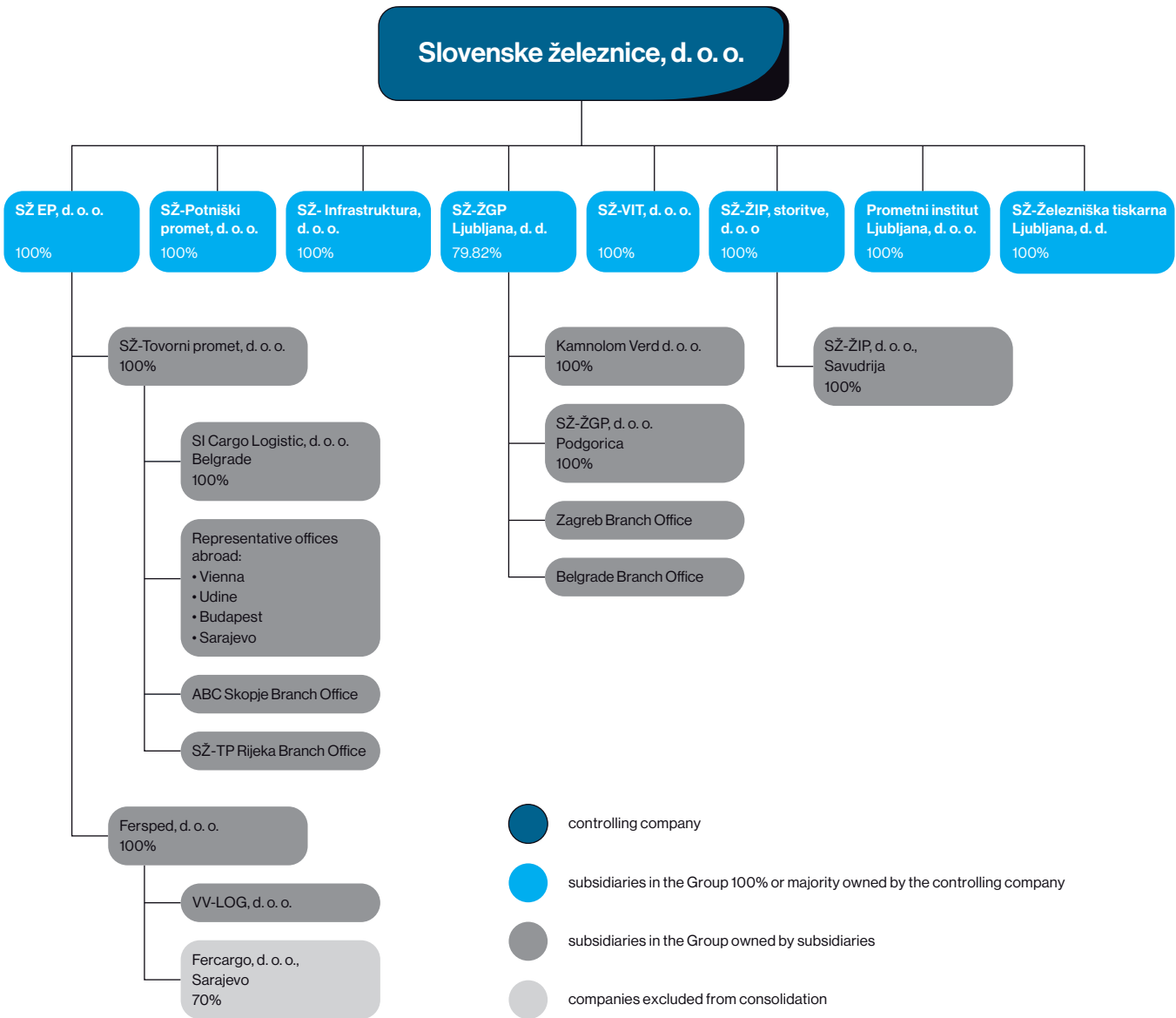
VAT ID number:

SI 18190995

Contact for information regarding the annual report:

Slovenske železnice, d. o. o.
Kolodvorska ulica 11, 1000 Ljubljana
Central Corporate Office for Public Relations

Organisational structure of the Group



Note:

¹Slovenske železnice, d. o. o., increased the capital of SŽ EP Logistika, d. o. o., on 16/12/2021 with a non-cash contribution – a business interest in Slovenske železnice, d. o. o., in SŽ-Tovorni promet, d. o. o., and in Fersped, d. o. o. On 13/1/2022, the capital of SŽ EP Logistika, d. o. o., was increased again, and following the capital increase Slovenske železnice, d. o. o., has a 51% business interest in the company and EP Logistics International, a. s., has a 49% stake.

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

³Slovenske železnice, 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%).

⁴GRI 102-1, 102-2, 102-3, 102-5, 102-18, 102-45, 102-53

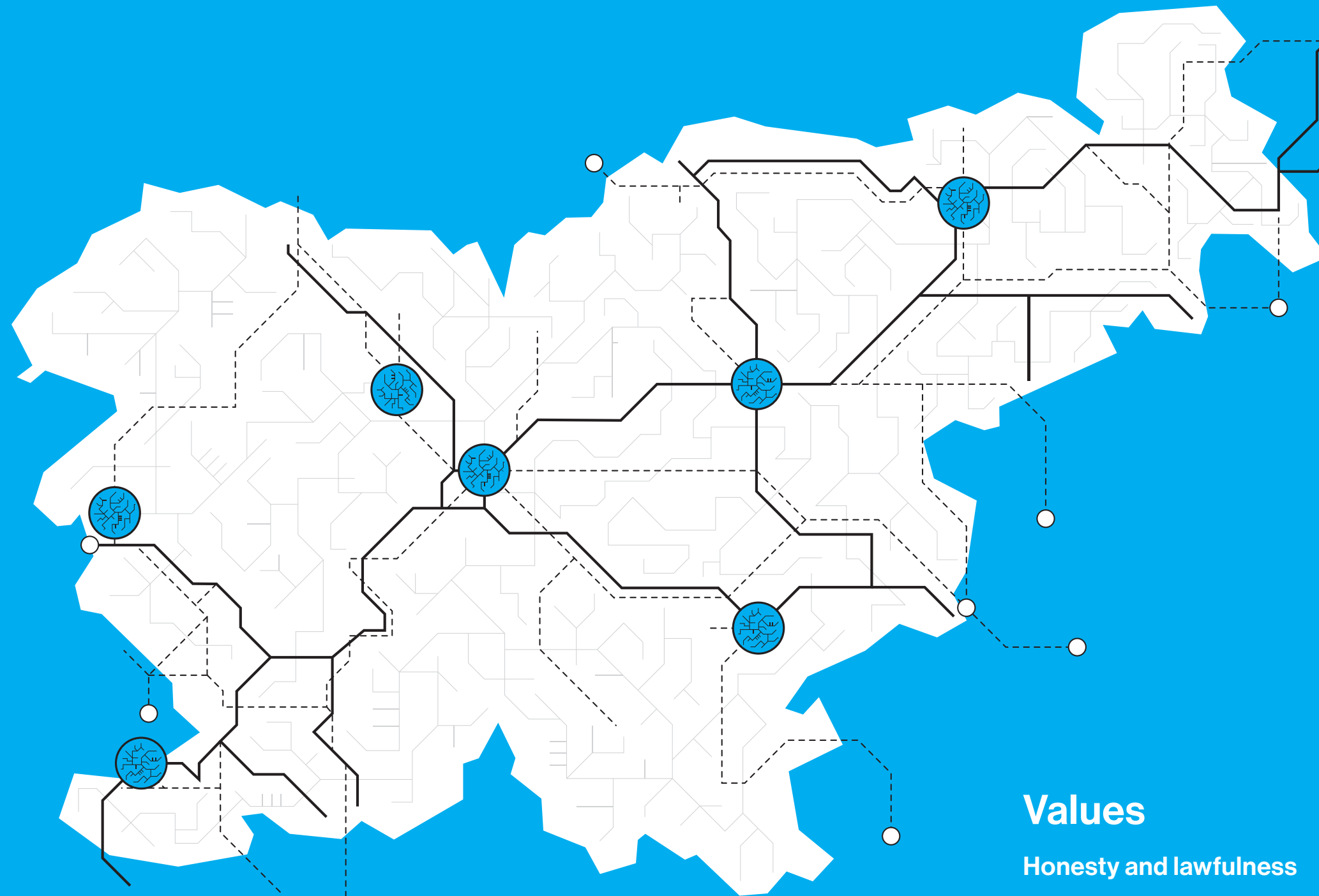
General information regarding subsidiaries as at 31 December 2021

Company name	SŽ EP logistika, d. o. o.	SŽ-Tovorni promet, d. o. o.	Fersped, d. o. o.	VV-LOG, d. o. o.	SŽ-Potniški promet, d. o. o.	SŽ-Infrastruktura, d. o. o.	SŽ-Železniško gradbeno podjetje Ljubljana, d. d.	SŽ-VIT, d. o. o.	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	Kolodvorska ulica 11, 1000 Ljubljana	Zaloška cesta 219, 1000 Ljubljana	Ankaranska cesta 5 B, 6000 Koper - Capodistria	Kolodvorska ulica 11, 1000 Ljubljana	Kolodvorska ulica 11, 1000 Ljubljana	Ob zeleni jami 2, 1000 Ljubljana	Zaloška cesta 217, 1000 Ljubljana	Kolodvorska ulica 11, 1000 Ljubljana	Kolodvorska ulica 11, 1000 Ljubljana	Hladilniška pot 28, 1000 Ljubljana
Registered office	Ljubljana	Ljubljana	Ljubljana	Koper	Ljubljana	Ljubljana	Ljubljana	Ljubljana	Ljubljana	Ljubljana	Ljubljana
Core activity	64.200 Activities of holding companies	49.200 Freight rail transport	52.290 Other transportation support activities	52.290 Other transportation support activities	49.100 Passenger rail transport	68.320 Management of real estate on a fee or contract basis	42.120 Construction of railways and underground railways	33.170 Repair and maintenance of other transport equipment	80.100 Private security activities	72.200 Research and experimental development on social sciences and humanities	18.120 Other printing
Registration entry number	/	/	10125000	10812500	/	/	10011300	12596100	12501700	11645100	10004600
Company registration number	8973784000	6017231000	5069084000	2361191000	6017274000	6017177000	5143004000	5865824000	5824290000	5674522000	5142881000
VAT number	95301623	SI84667044	SI76557995	SI97246239	SI89393686	SI94995737	SI46621474	SI99181762	SI61613223	SI34722645	SI41764544
Senior management	Dušan Mes	Melita Rozman Dacar Tamara Luskovec (Workers' Director)	Dean Peršič	Dean Peršič	Darja Kocjan Igor Birčaković (Workers' Director)	Matjaž Kranjc Matjaž Skutnik (Workers' Director)	Anton Žagar Pavel Piškur (Workers' Director)	Dušan Žičkar Zdravko Skrbis (Workers' Director)	Vojka Martinčič Vesna Ritlop (Workers' Director)	Peter Verlič	Majda Železnik
Supervisory Board	/	Silvo Berdajs Dušan Mes Bernarda Babič	Darja Koletó Tomaž Kraškovic Gašper Marc	/	Tomaž Kraškovic Bernarda Babič Leon Didič	Urška Grmek Matjaž Trontelj Milorad Šljivič	Gorazd Podbevšek Dušan Mes Silvo Berdajs Nina Marin Stanislav Debeljak	Jožef Petrovič Jana Končar Zdenko Lorber	Miha Butara Andreja Košir Jože Pavšek	/	Boštjan Koren Daniel Vasiljevič Miran Parkelj
General Meeting	Slovenske železnice, d. o. o., as founder	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	General meeting of shareholders	Slovenske železnice, d. o. o., as founder	Slovenske železnice, d. o. o., as founder	Slovenske železnice, d. o. o., as founder	General meeting of shareholders

STRATEGY AND PLANS⁵



⁵GRI 102-16, 203-1



Mission

Slovenske železnice Group sets green standards and advanced practices in Slovenian land passenger transport and supports the economy with environmentally and economically efficient freight transportation.

Vision

Slovenske železnice Group is an efficient manager of modern population mobility and a generator of new solutions for faster and environmentally sounder freight transportation.

Values

Honesty and lawfulness

Our employees carry out their tasks with honesty, responsibility, without political bias and in compliance with internal codes and the positive legislation of the Republic of Slovenia.

Trust and respect

Our work has to inspire trust and respect. We contribute to good relations with all company stakeholders with our conduct and professionalism. Trust and respect are grounded in professionalism and economy of operation.

Leadership integrity

The work and leadership of senior managers and executives set an example for the staff and all other community stakeholders.

Independence and impartiality

Our work is done independently. Our independence is based on the consideration of all the legitimate interests of various stakeholders in the community. We are impartial because our judgement is independent.

We do not misuse our positions, and we avoid situations in both professional and private life that could compromise our independence, objectivity or impartiality, or have a negative effect on our personal reputations or the reputation of the Slovenske železnice Group.

Fundamental principles

- Corporate governance
- Economy of operation
- Business information security
- Avoidance of conflicts of interest
- Zero tolerance of corrupt practices
- Prevention of money laundering
- Information security management
- Restrictions on accepting and giving gifts
- Reporting unethical or illegal conduct
- Culture of belonging
- Personal data protection
- Respect for human rights
- Sustainable development
- Taking care of the environment
- Helping local communities and humanitarian efforts

BUSINESS MODEL⁶

Inputs

Financial capital

Annual operating expenses
EUR 508.7 million

Production capital

We manage the rail infrastructure and rolling stock for passenger and freight transport.

Social capital

We have dynamic relations with the owner, suppliers, customers, international transport partners, unions, local communities and other stakeholders.

Human capital

Our 6,752 employees are engaged in continuous training, and 195,121 mentorship sessions were completed.

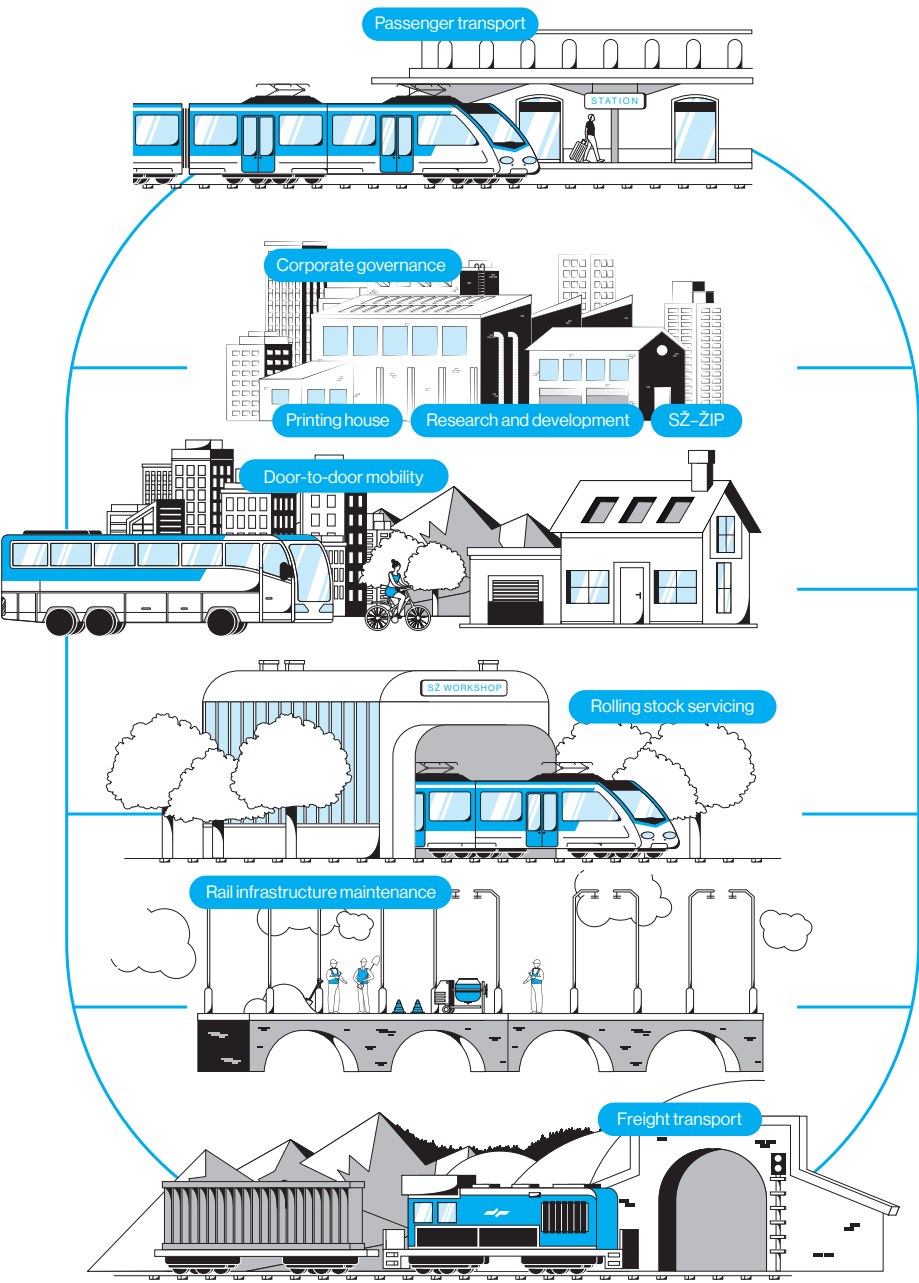
Intellectual capital

The Group has 1,792 regulations and guidelines, and a core guiding principle is digitalisation.

Natural capital

We hold two environmental certificates, ISO 14001 and 50001, which dictate numerous environmental protection activities.

Business activities



Outputs

Sales revenue

EUR 542.8 million

Investments in equipment and real estate

EUR 131.2 million

Number of passengers carried

11,860.4 thousand

Volume of freight transported

18,925.3 thousand tonnes

Work hours recorded

13.4 million

Collaboration on relevant legislation

Digitalisation upgrade

Reduced air, water and environmental pollution and reduced light and noise pollution

Outcomes

EBITDA

EUR 83.8 million

Operational rail infrastructure and rolling stock

111 passenger multiple units, 133 freight locomotives and 1,209 km of lines

Average rating of quality elements

3.55

Engagement and motivation

3.71

Employee turnover rate

9.5%

Development and better performance of all types of capital

Passenger transport carbon footprint

33 gCO₂e/PKM

Freight transport carbon footprint

5.8 gCO₂e/NTKM

⁶GRI 102-2, 103-1

STRATEGY OF THE SLOVENSKE ŽELEZNICE GROUP FOR THE PERIOD 2021–2025⁷

The key developmental component is the long-term vision of developing and modernising the Slovenian PRI, which foresees EUR 13 billion invested in the PRI by the Republic of Slovenia by 2050.

Changes dictated by the business environment and opportunities presented to us by the developmental policies of Slovenia and the European Union will be seen in the coming five-year period as we replace passenger trains, modernise the machinery for the management of the PRI, construct a modern Ljubljana Passenger Centre, coordinate rail and bus timetables and expand the geographic coverage of public passenger transport through the spatial optimisation of transport services. Most importantly, we intend to work with our strategic partner to become

the leading provider of comprehensive freight transport logistics services in the region.

The Strategic Business Plan includes the expectations of all stakeholders and outlines the path of development in line with the key planned and estimated changes in the business environment. It contains development policies on the renovation and digitalisation of mobility, logistics, freight and passenger transport, the management of the PRI and construction, and the efficient operation of all support activities.

Through guidelines, projects, investments and the objectives set out in its Strategic Business Plan, the Slovenske železnice Group is evolving from a national rail operator into one of the leading, technologically advanced providers of comprehensive merchandise logistics and public mobility services in the region.

Planned in the merchandise logistics pillar was the entry of a strategic partner and the establishment of SŽ-EP, d. o. o., which will facilitate further development of this pillar and ease the financial burden of the Slovenske železnice Group. The company was established in October 2021, and the strategic partner finalised its entry into the Slovenske železnice Group in January 2022. 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 serve the public interest, the Slovenske železnice Group set as one of its key underlying objectives the strategic objective of establishing a multimodal range of mobility services at the national level. The Group aims to achieve this by connecting the state's activities to establish unified, accessible and efficient public passenger transport and develop the areas around train stations and stops, and upgrading those activities by integrating various types of transport and related train services into the range of mobility services.

The plan is to establish mobility services that will allow passengers to travel by rail and other means of public transport by providing transfer points between rail and bus transport and coordinating the timetables of both types of transport.

In addition, multimodal mobility services will make it easier and simpler for passengers to complete the first and last legs of their travel. Park & Ride parking lots will be arranged at start stations and a range of electric vehicle hire services will be established, which will help reduce the use of cars, mitigate the negative impacts of transport on the environment and increase Slovenia's contribution to the fulfilment of the European Green Deal. By 2025, we are planning to carry 30 million passengers by means of combined transport (17 million by train and 13 million by bus).

Besides developing the mobility pillar, the PRI management pillar will be improved through the planned investments in the urgently needed revitalisation of SŽ-Infrastruktura, d. o. o.'s machinery for a substantial increase in the throughput of the railway network, by minimising traffic disruptions. The new machinery will ensure significantly better availability of machinery for maintenance. The costs of outsourced services will also be reduced through the development of additional services that we were unable to provide in the past due to outdated machinery.

An overview of the existing and future companies by respective pillars of the Slovenske železnice Group

Logistics	Passenger mobility	PRI management	Construction	Support activities
SŽ-Tovorni promet Fersped VV-LOG SŽ EP SŽ-Terminali	SŽ-Potniški promet SŽ-Mobilnost SŽ-BUS SŽ AP Ljubljana	SŽ-Infrastruktura	SŽ-ŽGP	SŽ-VIT SŽ-ŽIP Prometni institut SŽ-Železniška tiskarna

The goals of pillars:

Logistics	Passenger mobility	PRI management	Construction	Support activities
To connect logistics services, logistics and freight transport To improve competitiveness by teaming up with companies which are strategically linked with SŽ EP	To establish environmentally friendly mobility for individuals To develop an integrated transport service Digitalisation of services Management of integrated public passenger transport	Development and revitalisation of the rail network To change the system of rail traffic management	To take advantage of investments in PRI revitalisation The leading partner in superstructure construction To build regional visibility with the strategic partner	Establishment of competence centres Adequate staffing Successful management of financial assets and investments

⁷GRI 102-2

Successful digitalisation of the Slovenske železnice Group is a cornerstone of the development of all pillars. Digitalisation takes the form of several key projects which are being or will be implemented in all pillars of the Slovenske železnice Group.

In the period 2021-2025, three facts will have the greatest impact on the income statement of the Slovenske železnice Group and its operations: the entry of a strategic partner, the acquisition of a bus company, and investments in new rolling stock.

When the strategic partner entered the logistics pillar, a new dedicated company was established, and its statements will be fully consolidated. The planned acquisition of the bus company, the income statements of which will be consolidated with those of the Slovenske železnice Group after its 100% acquisition in 2024, will have a direct impact on operating profit (the acquisition of a 50% stake will be implemented in 2022 and reflected in participation in the profit of the bus company). Consent for the acquisition of the bus company was granted by the Supervisory Board of Slovenske železnice, d. o. o., and its founder – Slovenski državni holding, d. d., in March 2022.

In the period 2021-2025 we are planning to increase revenues from contracts with the government of the Republic of Slovenia. SŽ-Infrastruktura, d. o. o., concluded a long-term contract with the Slovenian government, which will provide funding for the purchase of new rolling stock for railway-specific purposes.

By 2025, the plan is to achieve EBIT in the amount of EUR 37 million and EBT in the amount of EUR 51 million, which is 1 million greater than normalised EBT in 2020 (excluding the impact of extraordinary events in 2020: termination benefits, crisis bonus, cost of material and services to contain the COVID-19 pandemic, sale of property, plant and equipment and revenues from state aid).

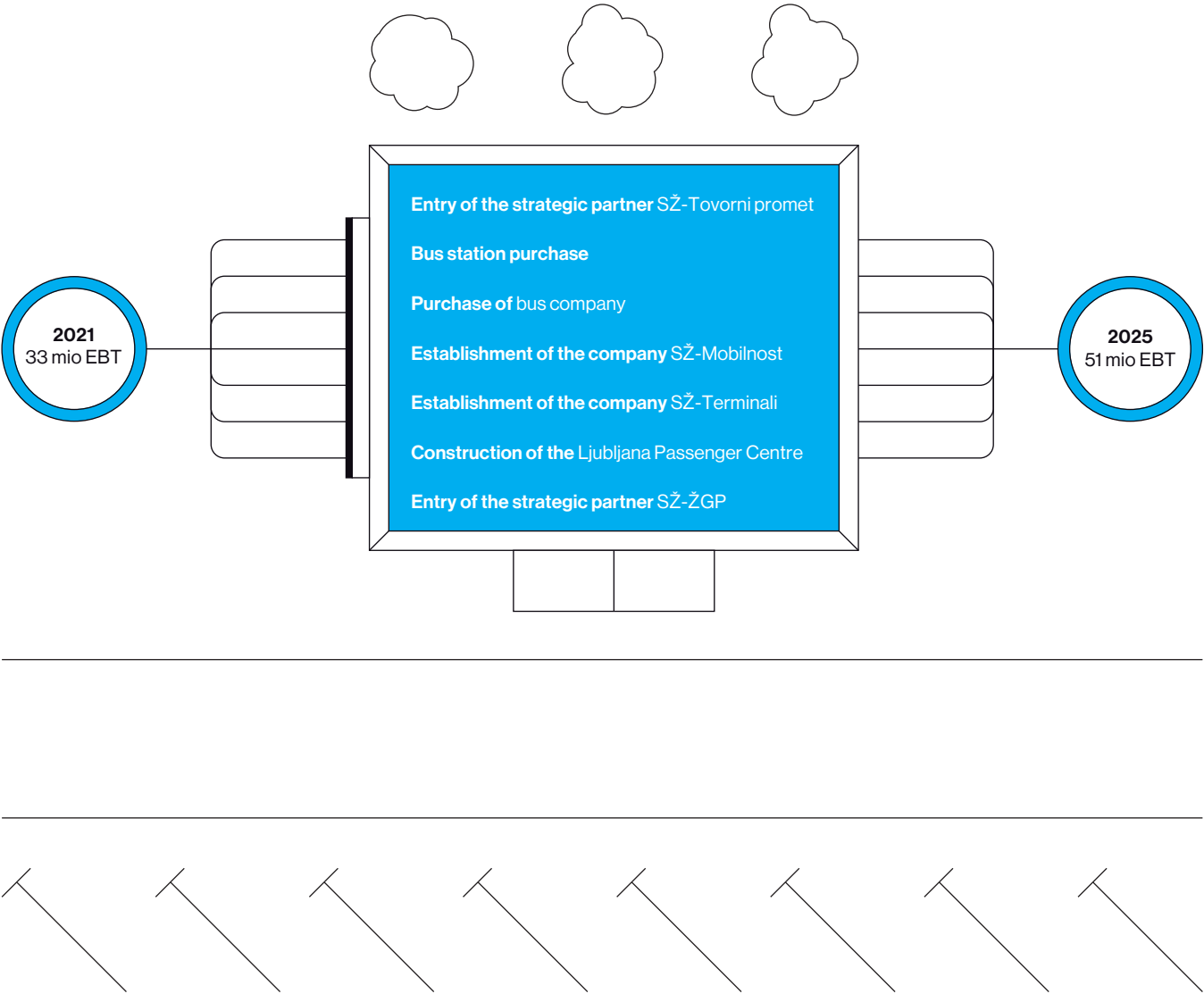
Group assets will increase in the period 2021-2025 due to large-scale investments and the acquisition of the bus company. Slovenske železnice Group investments amount to EUR 1,011 million, of which EUR 683 million is accounted for by new purchases.

In 2025, the net debt of Slovenske železnice Group will be up by EUR 111 million relative to 2020, chiefly due to new borrowing for the purposes of investment financing (acquisitions and investment in the Ljubljana Passenger Centre).

Strategic projects

The greatest structural and organisational changes are planned in the two most important pillars, logistics and passenger mobility. 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.

Strategic projects in the Slovenske železnice Group in the period 2021-2025



Logistics

In August 2021, pursuant to EU law on mergers, the European Commission approved the acquisition of joint control over the newly established subsidiary of Slovenske železnice and the Czech EP Logistics International, a. s. (EPLI), which is an EPH Group member. The company established was SŽ EP Logistika, d. o. o., in which Slovenske železnice, d. o. o., has a 51% stake and the Czech EPLI has a 49% stake. All the activities associated with the entry of the strategic partner into SŽ EP, d. o. o., were formally concluded on 13 January 2022. SŽ EP, d. o. o., owns the companies SŽ-Tovorni promet, d. o. o., and Fersped, d. o. o. The entry of the strategic partner resulted in a new holding structure.

In the area of extending the transport routes, the expected effect is an increase in revenue. Customers seek the organisation and provision of transport services via the longest possible transport route, enabling shorter delivery times and greater transport reliability. Here, we will utilise the network of our strategic partner and other business partners to ensure the resources needed (locomotives, traction services, rolling stock, licences etc.) In the initial phase, transport routes will be extended in Italy and Hungary, and eventually on other lines. This will also increase the utilisation of our own assets in providing transport services.

Objectives

- to extend the logistics chain from pick-up to delivery;
- to establish back-office logistics centres with the necessary warehousing capacities;
- to become the leading regional logistics group through the acquisition of companies;
- to create the main regional rail operator in the markets of the Western Balkans, Italy, Austria and Hungary, and boost the role of the Port of Koper;

- to increase the volume of transport with new customers;
- to increase the flows of goods along corridors for Central Europe (Poland, Czech Republic, Slovakia and Germany) where EPH is already present;
- investments in rolling stock;
- rapid growth of the scope of SŽ-Tovorni promet's operations in the region (Austria, Italy, Hungary and the Balkans) and acquisitions of logistics companies.

Investments

What is paramount is a suitable train fleet (in quantity and quality) which will be secured by purchasing and hiring rolling stock. Currently we are predominantly using our own locomotives, whereas wagons are also hired to ensure an adequate wagon fleet.

The train fleet is in a relatively poor condition and needs renovating, and we also need to consider the implications of introducing the ETCS (European Train Control system) by 2030 and the construction of the second track of the Divača-Koper line.

Now that we have a strategic partner, a priority is to prepare a medium-term business plan that will include a plan of investments.

Digitalisation

We are digitalising the field within the framework of the Transport Logistics Information System (TIS), a digitalisation programme which includes support, automation and optimisation for all business process components, along with high-capacity business analytics systems, and enables electronic transactions with all stakeholders (rail traffic managers, transport operators, logistics operators, customs, end customers) in compliance with relevant standards.

Passenger mobility

The mission and vision of SŽ-Potniški promet, d. o. o., is to provide socially sustainable and competitive public transport of passengers by rail in inland, international and cross-border regional traffic, in terms of both the costs and the quality of transport, and thus deliver positive company performance in the long run.

The strategic objective of Slovenske železnice is to develop SŽ-Potniški promet, d. o. o., into the central pillar of public transport in Slovenia and improve the quality of train services and passenger satisfaction, establish modern transfer points, increase the number of passengers carried, increase the market share of public transport held by rail passenger transport and, in turn, improve operating results.

The strategic development plan of SŽ-Potniški promet, d. o. o., includes the growth of operations in the area of public transport. Within the passenger mobility pillar, there are also plans to purchase a bus company to set up integrated railway and bus transport services.

The key area that can deliver synergies is the coordination of timetables.

Objectives

- to be the supporting pillar of integrated public passenger transport (IPPT) in Slovenia, with a majority market share of the intercity public transport market, and thus contribute to a more environmentally sustainable transport sector;
- to offer competitive public rail transport by providing comprehensive travel services from the passenger's home to their final destination, with safe, reliable and comfortable travel by railway and the use of other forms of IPPT in Slovenia and Europe;
- to increase the number of passengers carried by rail to 17 million (by 2025);
- to reduce the costs per passenger carried by 10%;

- to establish the activity of bus transport as a complementary service for rail transport;
- to raise the market share of Slovenian intercity public transport to 33%;
- to reform the sales and marketing policy with a proactive approach and a range of new services on trains and stations.

Investments

By the end of May 2022, a call for tenders will be published for the purchase of 20 passenger trains. In the following years, there are also plans to purchase 20 passenger coaches and four locomotives.

The investments of SŽ-Potniški promet, d. o. o., will also comprise the installation of ETCS safety devices.

We are planning to develop a range of integrated door-to-door mobility services through a single digital platform.

Digitalisation

The digitalisation of operations includes the introduction of a modern information system for the sale of tickets with new sales channels and passenger information systems, specifically by establishing a modern and user-friendly platform for travel from home to the destination, which will allow the user to choose from the various available means of transport (train, bus, taxi, bicycle, etc.)

PRI management

As the PRI manager, SŽ-Infrastruktura, d. o. o., is facing problems in carrying out the maintenance of rail infrastructure as a result of outdated machinery. Most of the machinery used to perform its tasks as the PRI manager has exceeded its service life.

The outdated track machinery which is employed to service railway lines often breaks down and spare parts are hard to obtain. The adverse situation in the area of machinery is reflected in slower maintenance of railway lines, longer intervention times when eliminating faults and closures, lower throughput capacities of lines, slow driving, longer travel times, etc. In light of the above, the majority of existing machinery needs to be replaced by 2030.

Functional and adequately equipped track machinery for the maintenance of railway lines is a basic requirement, and essential for safe and well-regulated rail transport.

Objectives

- adjustments to the 2020-2050 rail infrastructure development project;
- revitalisation of machinery, which will have a positive impact on the environment in terms of less noise, reduced CO₂ emissions and lower consumption of fuel and lubricants;
- to obtain new machinery to ensure at least 80% availability of machinery for maintenance;
- overhauling the organisational and employee structure;
- acquisition of shunting services at marshalling yards;
- digitalisation of traffic management and maintenance processes;
- provision of a larger range of services which are presently being hired on the market due to outdated machinery with low availability;

- our own development of additional services that we have not provided so far due to outdated machinery;
- reducing the cost of outsourced services.

Investments

In the period 2021-2025, SŽ-Infrastruktura, d. o. o., will invest primarily in the purchase of new rolling stock for dedicated railway purposes. The investment will be financed with development funds from PSO and with SŽ-Infrastruktura's own funds (purchasing period 2022-2025).

Digitalisation

A key priority is the timely implementation of the digitalisation programme, Operation of Public Rail Infrastructure (OIS), which comprises an integrated information system for the management of rail traffic (iISUP), an integrated IT system for path management and timetable construction with inbuilt optimisation (2022-2023), the automation of billing PRI usage services (2021), and electronic operations compliant with regulations TAF TSI and TAP TSI (2021-2023). This will establish a modern information system for the management of rail traffic which will be integrated with signalling safety systems, the timetable construction system and the PRI asset management system (EAM).

Another priority is the introduction of SAP-Maximo, an integrated information system that will support all the basic processes involved in the maintenance of infrastructure and fixed assets, and all support functions.

Construction

SŽ-ŽGP Group is the leading company in Slovenia that performs construction of the superstructure of rail infrastructure. Applying its many years of experience, the company performs all major maintenance works on the existing rail infrastructure. It is the national leading partner, and is actively involved in the development and construction of a new rail infrastructure. It keeps abreast of developments in advanced technologies and equipment.

Objectives

- to extend the concession for the quarry at Verd (Kamnolom Verd, d. o. o.);
- to obtain a concession for Kamnolom Verd in its expansion area;
- to link with the strategic partner and achieve regional visibility.

We are planning to purchase the remaining stake in SŽ-Železniško gradbeno podjetje, d. d., and link with a strategic partner to enter foreign markets. In addition to extending the existing concession agreement it is vital to obtain a concession for the expansion area of Kamnolom Verd.

Support activities

The pillar of support activities includes the following companies: Slovenske železnice, d. o. o., as the controlling company, SŽ-VIT, d. o. o., SŽ-ŽIP Group, Prometni institut Ljubljana, d. o. o., and SŽ-Železniška tiskarna Ljubljana, d. d., all of which carry out transport-related activities to complement the operation of other pillars with supporting business services, real estate management, rolling stock maintenance, R&D activities, facility maintenance, cleaning, security and printing.

The main tasks of the controlling company **Slovenske železnice, d. o. o.**, include the reliable, high-quality and cost-effective performance of centralised business support functions (finance, accounting, IT, HR, etc.), efficient real estate management and the disposal of assets not required for business purposes.

SŽ-VIT, d. o. o., carries out important support activities by ensuring high-quality services in the area of maintenance, traction and technical wagon inspection, all of which help increase the availability and reliability of rail vehicles, and the competitiveness of vehicle owners. SŽ-VIT carries out marketing activities to boost company visibility, and strives to increase the value of sales in EU markets, foster development and ensure a comprehensive service in the area of rail vehicle maintenance, traction and technical wagon inspection with higher added value. Given the nature of the services, traction and technical wagon inspection activities will be carried out largely in the domestic market, whereas the services of rail vehicle maintenance will be marketed with increased intensity in the international European market. We will improve the company's visibility and reputation while also investing in new developmental solutions, technology and staff.

SŽ-ŽIP, storitve, d. o. o., operates as a sheltered employment company with the primary aim of developing 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. It provides companies in the Slovenske železnice Group with the servicing required in the area of facility management and maintenance, facility and rolling stock cleaning, physical and technical security, road vehicle management and servicing, substitute bus transport, personnel transport and courier services, sheltered workshops and trade services.

Prometni institut Ljubljana, d. o. o., is an institute of transport which engages in research and development projects in the area of transport in the broadest sense of the word, with an emphasis on rail transport, primarily consisting of research and development in the fields of transport technology, transport infrastructure and transport IT, transport economics, legislation and the drafting of investment documentation. The company's operational advantages are its interdisciplinary professional and development studies, where an R&D problem is studied on the basis of combined expertise in transport technology, civil engineering, informatics, electrical engineering, economy, geography, infrastructure siting and law.

The core activity of **SŽ-Železniška tiskarna Ljubljana, d. d.**, is all printing and bookbinding work, and the distribution of final products.

Objectives

- Slovenske železnice, d. o. o., directs, finances and controls all digitalisation projects in the Slovenske železnice Group, provides all support functions (IT, finance, accounting, HR services etc.) and is responsible for the strategy of developing the Slovenske železnice Group;
- to increase the availability of rolling stock and the utilisation of employees on the rolling stock at SŽ-VIT, d. o. o.;
- SŽ-ŽIP, storitve, d. o. o., will continue to carry out services that can be performed by disabled employees and other workers with reduced capacity for work;
- Prometni institut Ljubljana, d. o. o., will serve as a generator of know-how within the Slovenske železnice Group, and a coordinator between the Slovenske železnice Group and national and European institutions in the field of legislation, guidelines and development trends.

Investments

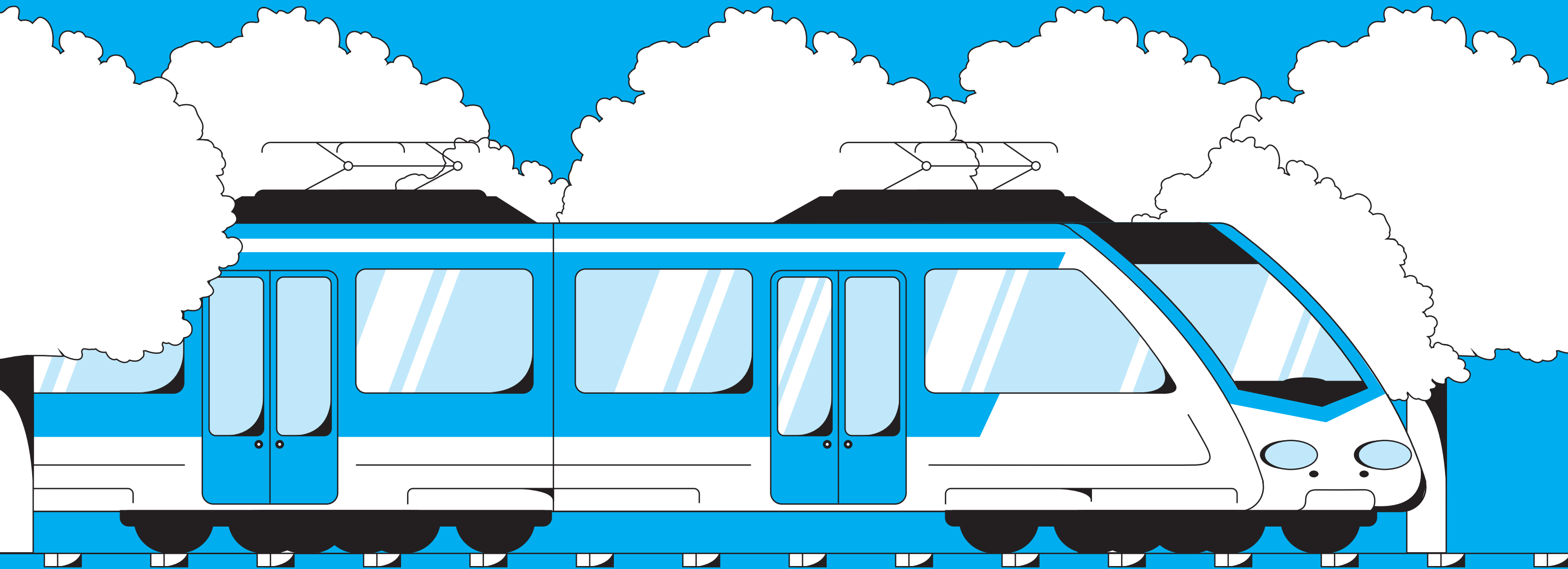
The paramount investment is the construction of a new bus station within the LPC and the digitalisation of operations.

Digitalisation

In terms of support activities, digitalisation programmes will help improve the efficiency of rolling stock maintenance processes, increase the availability of rolling stock (asset management), optimise the driving hours of train drivers relative to their total working hours and increase the daily distance travelled.

These programmes will furthermore upgrade the system of human capital management, the management of operational efficiency and the digitalisation of document and archive systems.

BUSINESS REPORT



KEY RESULTS OF THE GROUP

Business environment

Economic environment

After the sharp decline in GDP (gross domestic product) in 2020, GDP quickly recovered in 2021 with a growth of 8.1%, exceeding the level before the COVID-19 pandemic. IMAD's spring forecast projects economic growth of 4.2% in 2022 and 3.0% in 2023.

Following the decreased growth in 2020, the growth of investment in fixed assets resumed in 2021 (12.3%), which is primarily the result of favourable trends in investment in machinery and equipment. The high prices of raw materials and limited supplies of construction material affected the fluctuation of investment in construction. However, the increased drawing on EU funds played a role in the fact that construction investments in rail infrastructure in 2021 were at a relatively high level relative to the previous years.

The uncertainties related to the disruptions in supply chains and the prices of raw materials in the international environment affected the monthly fluctuations of export and import activities in Slovenia. Nevertheless, the growth in international trade was high in 2021 and exceeded long-term averages.

The key factors contributing to inflation, alongside economic recovery, included higher energy prices and problems in supply chains. Average growth in 2021 amounted to 1.9%. The rising prices of energy products, food, services and non-energy industrial goods will cause inflation in 2022 to approach 6.4%, but in 2023 its rate is expected to level off at 3.2%.

Business services environment

Despite the restrictive conditions caused by the pandemic, the year 2021 was quite varied and dynamic for the railway sector, as it had been declared the European Year of Rail. Rail transport was the subject of special attention throughout the celebratory year, and its aim was to encourage and promote the use of railways as a safe and sustainable means of transport. Slovenske železnice was happy to join the activities with the desire and aim to restore the railways' role as a driver of development, a convenient choice for users and, most importantly, the future and backbone of sustainable transport planning. The leading initiative of the European Year of Rail was the Connecting Europe Express train, which also made a stop in Slovenia. The train travelled through 26 European countries, raising awareness of the connecting power of the railways and the benefits of train travel, while also hoping to highlight the challenges and obstacles which still complicate EU train travel. The initiative of the European Commission, which also partnered with Slovenske železnice, received considerable attention from the media, political community and general public, which accomplished its basic aim.

Investment challenges

The fiscal year 2021 was full of challenges for the Slovenske železnice Group. Despite the improving economic situation, 2021 was marked by numerous infrastructure works, in particular the protracted closure of the Karavanke Tunnel and the Jesenice border crossing. Infrastructure restrictions and the resulting freight detours through bypass routes led to the loss of some business in freight transport. In passenger transport, train services were adjusted to comply with COVID-19 containment measures, and the impacts of the pandemic were reflected for the second year in a row in the number of passengers carried, which was lower than before the pandemic.

The European Year of Rail was also an opportunity to assess the current situation in rail transport and define the future tasks of the rail sector to improve its services for users. The activity and diversity of 2021 will undoubtedly help accelerate the modernisation of railways, the financing of which has been overlooked in Slovenia in recent years. Slovenske železnice is aware of the great significance of developing and building rail connections for the competitiveness of the economy and the achievement of European climate targets, which is why it welcomes the promising forecasts of accelerated investment in rail infrastructure.

Human resources environment

As the economy recovered, the situation in the labour market improved; by the end of 2021, employment rose further, reaching the highest levels so far. Strengthening employment in 2021 led to an increase in government spending. Likewise, households intensively channelled the savings they generated during the pandemic into consumption and thus saved less.

Challenges of the natural environment

The declaration of the European Year of Rail was not a coincidence – it was a logical upshot of adopting the Green Deal, which binds the European Union to become climate neutral by 2050, a goal which is to be achieved with support from the railway. Accordingly, one of the central themes in 2021 was the Fit for 55 climate and energy package, which aims to improve European legislation so that the EU can be more efficient in achieving the set climate targets. The new policy framework will have an effect on a number of economic sectors, including transport, where carbon pricing, taxation of energy, sustainable fuels and emission standards are meant to reduce the dependence of the sector on fossil fuel. Current green European policies are welcomed by Slovenske železnice, as we strive to make a contribution towards greater synergies in this context and maximize their overall effects on the climate measures and sustainability ambitions of Slovenia and the EU.

At the end of the year, the European Commission also proposed a package of measures for efficient and green mobility, which includes a number of positive prospects for railways in the proposed revision of the trans-European transport network (TEN-T) regulation, and the proposed action plan to boost cross-border rail services. Both proposals will help strengthen the priority role of the railway, build the capacity and interoperability of rail freight transport, improve the capacity of the rail passenger transport network, and provide more equality of competitive conditions for all types of transport. The demands of European transport policy for the establishment of a more unified European transport network are embraced by Slovenske železnice, being aware of the fact that European policies bring better conditions for an effective, more closely connected and functional internal EU market, and thus greater resilience of the sector and its operations.

There is an increasing awareness that the rail sector plays a major role in the green transformation of the European Union, and also that it is one of the sectors that were most severely hit by the pandemic. In this spirit, a round table was held at the end of the year to discuss how rail can help achieve a more successful economic recovery. It was prepared in collaboration with the Slovenian Ministry of Infrastructure and Slovenske železnice by the Community of European Railway and Infrastructure Companies (CER). The main emphasis of the debate was that the recovery should go hand-in-hand with the transition towards sustainable and innovative mobility, and that the crisis should be used for a new leap forward in the development of the rail sector. In this context, it is crucial to increase the share of rail freight and passenger transport, especially from the point of view of decarbonisation, which is why Slovenske železnice supports all the activities that simultaneously promote the sector.

Slovenske železnice Group companies made a commitment, in accordance with the adopted Environmental Policy, Energy Policy and the Code of Conduct of the Slovenske železnice Group, to meet the statutory requirements relating to energy use, environmental protection and sustainable development. In 2021, Slovenia adopted 10 pieces of regulation which relate to environmental protection and have an effect on the environmental management system of the Slovenske železnice Group, most importantly the Decree on Packaging and Packaging Waste Handling, and the Decree Amending the Decree on Green Public Procurement. A list of all the changes is included in the Joint Report on the Operation of the Environmental Management System in Slovenske železnice Group Companies in 2021.

The Central Corporate Office for Internal Development, Quality and the Environment directs, monitors, coordinates and controls the fulfilment of statutory requirements in the processes or activities of Slovenske železnice Group companies.

Performance by pillar ⁸

Logistics

At the end of 2021, the logistics pillar included the following companies: SŽ EP, d. o. o., SŽ-Tovorni promet Group, Fersped, d. o. o, and VV-LOG, d. o. o.

In the fiscal year 2021, the logistics sector was marked by the strategic partnership, which will be used in the future to develop new comprehensive products on longer lines and enter new markets.

The operation of SŽ-Tovorni promet, d. o. o., was affected substantially by the condition of the rail infrastructure in Slovenia and neighbouring countries. The numerous infrastructure works and closures prompted us to prepare alternative logistic solutions with detour routes. The planned and unplanned closures not only affected the fulfilment of contractual obligations, but also decreased the quality of services and increased the costs.

Moreover, the operations of competitive transport operators on the Slovenian market strengthened in 2021, which is seen in the decline in market share.

After the fall in economic activity due to recession trends and the effects of the COVID-19 pandemic, the European economy gradually recovered in 2021, which was positively reflected in the logistics

sector in the increased international trade in goods, and consequently, in our transport.

In 2021, SŽ-Tovorni promet Group transported 18.9 million tonnes of freight and travelled 4,756.5 million net tonne-kilometres, which was 1.4% more freight and 2.4% more net tonne-kilometres than in 2020 (18.7 million tonnes of freight transported and 4,663.8 million net tonne-kilometres travelled).

In terms of wagon consignments, inland transport of scrap metal, wood, farming products, petroleum products, iron and steel, machines, containers and chemical products was down relative to 2020. In international transport, there was a decrease in the transportation of farming products, coal, sand and aggregates, paper and cellulose, wood, chemical products, fertilisers and food products. A rise was seen in the transport of ore, petroleum products, RoLa, iron and steel, scrap iron, cars, building materials and machines.

Transport for the needs of the Slovenian economy (inland transport, imports and exports) was up by 3.3% relative to the previous year, while transit transport increased by 0.2%.

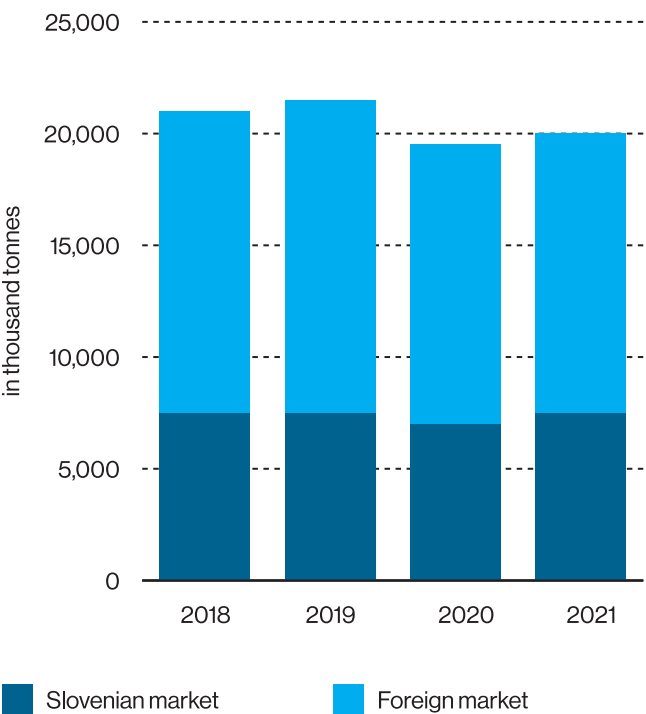
Goods transported ¹ (thousand tonnes)	2021	2020	Index
Goods transported			
inland transport	1,093.2	1,113.1	98.2
international transport	17,832.1	17,553.3	101.6
Total	18,925.3	18,666.4	101.4

¹ Includes unconsolidated quantities

Volume sold (million NTKM)	2021	2020	Indeks
Volume sold in Slovenia	4,596.4	4,490.5	102.3
Volume sold abroad	159.9	153.3	104.3
Total	4,756.3	4,643.7	102.4

⁸GRI 102-15

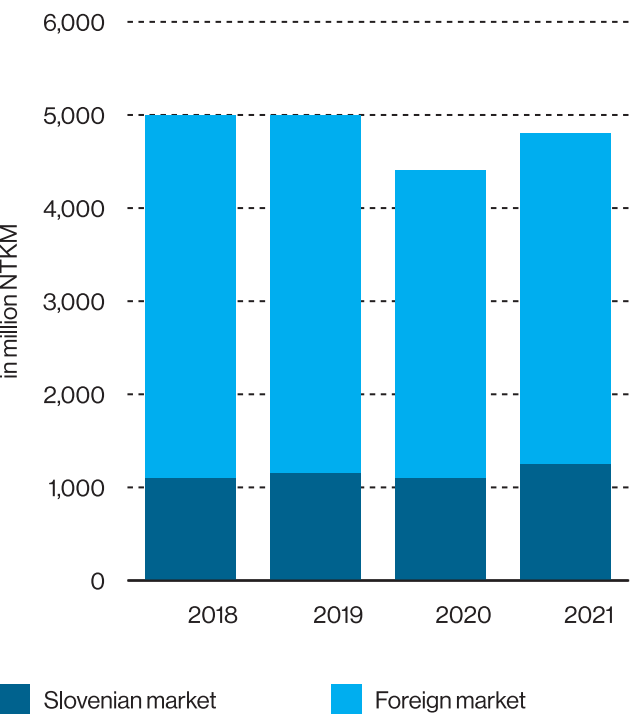
Goods transported



Changes on the logistics market prompted some adjustment in Fersped, d. o. o. The company's core activity is the organisation of comprehensive and global logistics services in road, rail, maritime and air transport, and transshipment warehousing and customs clearance services. The company's performance in 2021 was impacted by price fluctuations and unstable cooperation with stakeholders on the maritime market.

In the breakdown of operating revenues from the organisation of comprehensive and global logistics services, the greatest share fell to road and rail logistics. The majority of transshipments of goods from containers to goods vehicles took place in the customs warehouse in Koper. Road groupage transport between Italy and Slovenia and between Turkey and Slovenia via the warehouse in Nova Gorica also accounted for a significant proportion. Transport from Italy still accounted for the majority of direct road transport.

Volume sold



We organised the transport of 30 new passenger trains from Poland to Slovenia in 2021.

Warehousing services comprised the loading and unloading of containers at our transshipment warehouses in Koper and Nova Gorica, and since September 2021, also in Ljubljana.

The customs services of VV-LOG, d. o. o., are a major source of revenue within the logistics pillar, which provides us with the important advantages of being well acquainted with customs legislation and actively following all changes to customs procedures. Additionally, the successful provision of customs services is possible due to the increase in the customs guarantee for imports.

Passenger mobility

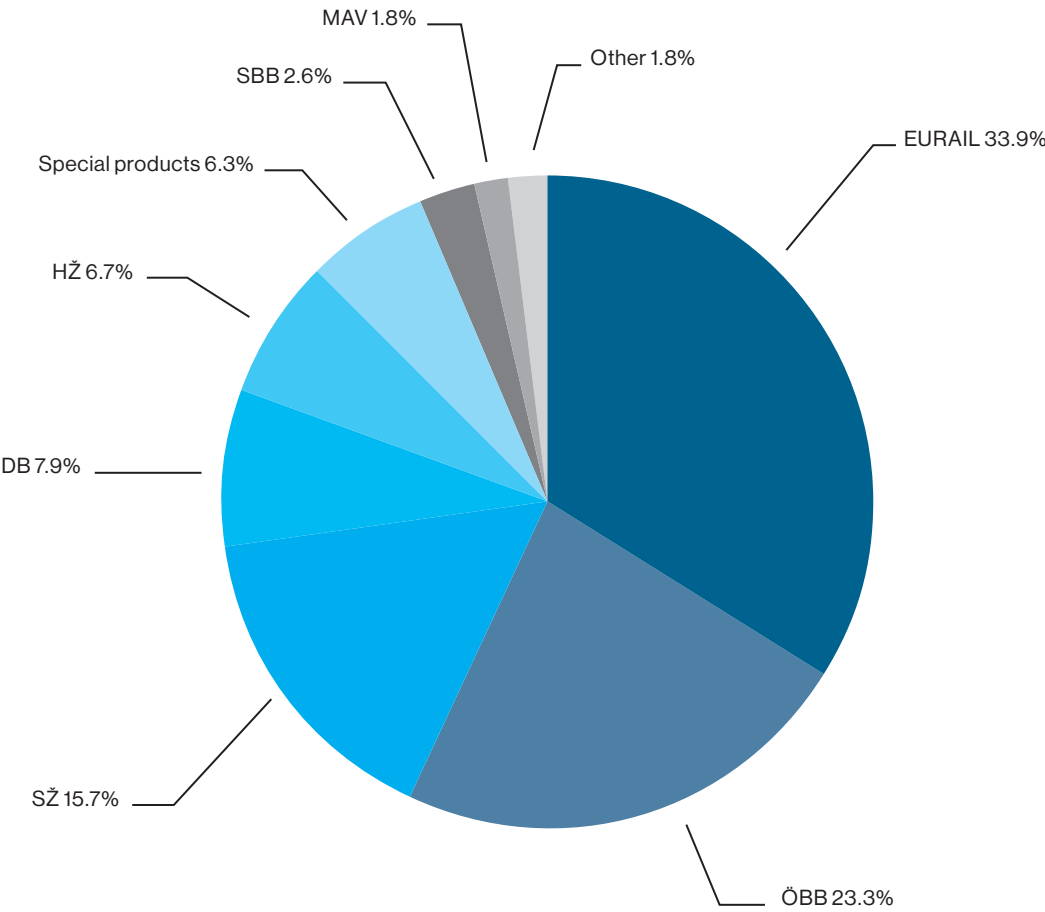
In the year that followed the pandemic-dominated 2020 and the many restrictions on public transport, SŽ-Potniški promet, d. o. o., recorded the trend of resumed growth in passenger numbers, progress in digitalisation and the accessibility of broadband services on trains, and continued the essential task of rolling stock renovation.

Despite the restrictions imposed on public transport as a result of COVID-19 containment measures and the restrictions in transport

services caused by the multitude of works on rail infrastructure, 11.9 million passengers were carried in 2021. A total of 3.7 million more passengers travelled by train than in 2020. The discontinuation or reduced scope of remote training, the lifting of safety measures in many industries, less work from home and the smooth operation of public transport contributed to the growth of passengers carried by inland transport.

	2021	2020	Index
Number of passengers carried (in thousand)	11,860.4	8,151.0	145.5
inland transport	11,518.7	7,784.9	148.0
international transport	341.7	366.1	93.3

Proportion of passengers carried by operator



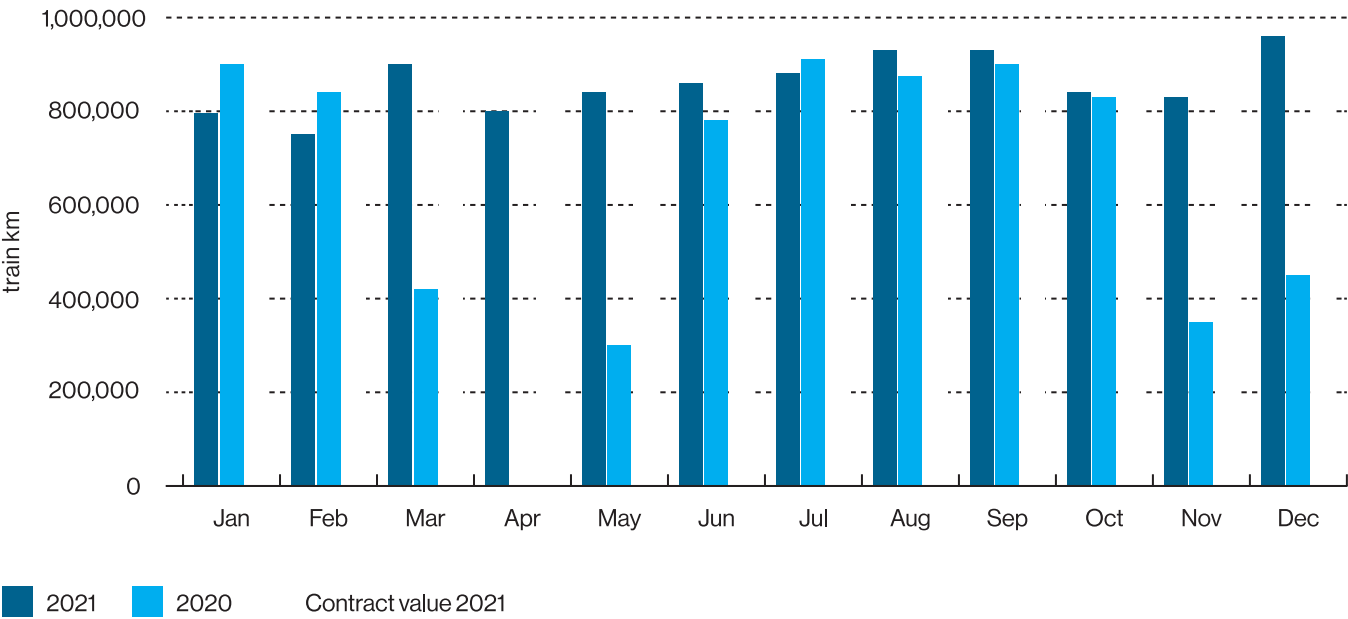
In the sphere of mobility, we are upgrading IPPT in collaboration with the Ministry of Infrastructure. In addition to free IPPT passes for pensioners and seniors over 65, we offered new special IPPT deals to our passengers in 2021, including simplified passes for secondary and tertiary education students, a 75% discount on weekend fares and single family passes for weekend travel. Consequently the volume of passenger kilometres was up in 2021.

	2021	2020	Index
Passenger kilometres (in million)	541.8	396.9	136.5
inland transport	491.0	324.9	151.1
international transport	50.8	72	70.6

In international transport, we teamed up with the rail administrations of neighbouring countries to design new favourable offerings for passengers and established two new direct connections. In June 2021, a direct line connecting Vienna and Trieste was relaunched, passing through Maribor, Celje and Ljubljana. In December 2021, trains started running on the route Ljubljana-Graz-Gyor-Budapest and back.

The PSO (public service obligation) in the inland and cross-border regional transport of passengers by rail for the 2020/2021 timetable period covered 629 train paths, including 530 train paths in inland rail transport and 99 train paths in the territory of Slovenia in cross-border regional rail transport with Austria, Hungary, Croatia and Italy.

Volume sold – train kilometres



In 2021, the Slovenske železnice Group continued to renovate its train fleet to facilitate a better travel experience for passengers and a reduced impact on the environment by means of 14 new modern electric single-deck FLIRT trains. By the end of 2021, the timetable included 19 new passenger trains (five diesel passenger trains had been delivered by the end of 2020). The purchase of new trains and their deployment in transport has allowed us to replace our longest-serving rolling stock. New passenger trains increased the quality of our services significantly – the new passenger trains are more spacious and comfortable, able to carry bicycles and adjusted for persons with impaired mobility, having low floors and accessible toilets. The new passenger trains are also equipped with additional features for passenger comfort such as timetable displays, Wi-Fi network, voice announcement of stops and more, and they are protected with ETCS security cameras.

In January 2022, our service was further enriched with ten new double-deck electric KISS trains, two diesel FLIRT trains and one single-deck electric FLIRT train. Fourteen more diesel FLIRT trains and six more single-deck electric FLIRT trains will start running by October 2022. By using new, modern and energy-efficient trains in transport we are making an important contribution to environmental protection and the quality of Slovenske železnice passenger transport services and overall public transport in Slovenia.

A great emphasis is also given to the development of multimodality (the option of bike and electric car sharing for passengers travelling by rail). Bike hire, bicycle sheds and bicycle parking areas are already available to passengers at large train stations. Most frequently, we work with local communities and the PRI manager to provide these services.

We are also preparing services such as electric bike and car hire, charging for private electric cars and parking at P+R hubs at the sites of train stations, and the integration of the use of these services with rail transport. A particular challenge in establishing an integrated service is to coordinate activities and negotiate agreements

with local communities, government institutions in the transport sector and strategic partners for the provision of services that complement rail transport.

PRI management

For SŽ-Infrastruktura, the fiscal year 2021 was characterised by numerous infrastructure works, upgrades to lines and other investment projects which are crucial to the improvement of the rail infrastructure.

PRI maintenance

Carrying out maintenance work on the PRI preserves the normal operational capacity of PRI elements and ensures traffic safety. In 2021, we maintained railway stations and stops, monitored the condition of the PRI, and carried out inspections and measurements of facilities in accordance with the applicable regulations. Within the scope of maintenance work, we performed the stipulated monitoring of individual subsystems, ensured the serviceability of lines and tracks in the event of natural and other disasters, and kept the required registers and records on individual PRI components.

The maintenance of signalling safety systems enabled the safe and orderly performance of rail transport. The stable operation of electrical power installations ensured the continuous transmission of electricity from the public distribution network to electric tractive vehicles and for other purposes. Efficient and safe management of rail transport was ensured through maintenance and the timely repair of any faulty telecommunication devices and systems.

PRI renewal

In the scope of PRI renewal, we repaired and renewed individual PRI subsystems or components, without changing their mode of operation or intended purpose. The renewal of the PRI 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.

PRI operation

In terms of PRI operation, all tasks deriving from the public service obligation of traffic control and the tasks directly associated with that obligation were performed.

On the basis of the adopted and approved 2021/2022 rail network timetable, the activity of PRI operation consisted of coordinating, managing and regulating train traffic at service points, ensuring the security of train paths, shunting paths and level crossings, managing train paths, charging user charges and assessing the punctuality of trains with respect to their allocated train path within the established performance regime.

Management of PRI

PRI management included the marketing of PRI services, in particular the marketing of land, advertising space on PRI, apartments in PRI facilities and stations, the telecommunications system, the creation of easements, and the sale of unused PRI materials. PRI management also included the management and keeping of records for land owned by the Republic of Slovenia – PRI, filing land register applications, and the issue of guidelines and approvals for work in the protected area of the track bed.

Key projects

Public transport was re-established on the Grosuplje-Kočevje line in 2021. Work on the project called the “Safety technical upgrade to the Karavanke tunnel” was completed. Within the project designated the “Upgrade to the main railway line Ljubljana-Jesenice-state border”, we formally delivered the renovated line along with all the renovated stops for resumed operation.

In April 2021, 2TDK, d. o. o., started the construction of the second track between Divača and Koper, which will have a significant effect on improving the competitiveness of the Slovenian transport route.

The Ljubljana-Brezovica section of the line is being upgraded, the construction of facilities and the modernisation of the railway hub on the Maribor-Šentilj section was continued, and upgrades to some other individual sections have been started.

Our investment projects are carried out to maintain the normal availability and serviceability of railway lines, and the appropriate safety of rail transport without major incidents, to protect the health of our employees and to ensure the uninterrupted operation of all subsystems.

“Construction of parking spaces for bicycles at the sites of railway stations in Slovenia in 2021” was a project that involved building or equipping 18 stations and stops with canopied parking racks and racks on platforms. This increased the number of parking spaces for bicycles at the sites of railway stops and facilitated more appropriate and safer parking of bicycles.

As regards strategic digitalisation projects, we continued to introduce specific applications for the management of line assets with a connection to the business information system. Project design documents were prepared for the investment in an IT system for rail transport operation, including updated solutions for the construction of train paths.

Contract with the Slovenian Infrastructure Agency

We signed a ten-year agreement with the Slovenian Infrastructure Agency (DRSI) in 2021 on the provision of PRI manager services for the period from 1 January 2021 to 31 December 2030, which serves as a framework that will provide funding for the maintenance, renovation, operation and management of public rail infrastructure.

This will enable the alignment of technical and financial planning for more effective and rational operations.

Construction

2021 was a successful year for the pillar of construction as a vital part of Slovenske železnice Group’s structure. Besides pursuing and delivering the goals set, 2021 saw, in comparison with the previous year, a record level of investment in technological equipment, increasing our competitiveness primarily in the domestic market, as well as foreign markets. In terms of our construction activity, technological development is a vital factor of maintaining competitiveness, so we strive to reinforce our position with positive operating results.

	2021	2020
CAPEX (EUR thousand)	5,792	4,012
CAPEX/EBITDA (%)	75.6	39.8

SŽ-ŽGP Ljubljana, d. d., performs a specific activity, since it only has two customers for works on the rail infrastructure: the PRI manager – SŽ-Infrastruktura, d. o. o., for maintenance works and DRSI for investment projects.

Kamnolom Verd, d. o. o., manages the quarry and supplies rock aggregates. Its business depends directly on the trends in the construction industry.

Key projects

We managed to complete the works on the Kranj-Jesenice railway line despite the tight deadlines to re-establish rail transport on this section for freight and international passenger trains.

In the second half of the year, we launched works within the project “Arrangement of the Pragersko railway hub and the accompanying railway station”, which in terms of value was one of our largest business transactions in 2021 and will remain so in 2022. The works will be completed in July 2023.

In 2021, we also participated in the Croatian project “Upgrade of the Rijeka Port infrastructure – Zagreb Pier container terminal” (POR2CORE-ZCT). A portion of the project was technically accepted in 2021, which includes the part of HŽ Infrastruktura, d. o. o., and the track devices of Lučka Uprava Rijeka. In 2021, we took on a new project in Croatia, “Repair works on section 62D Donje Draževo on the M202 Zagreb GK – Rijeka line” (Radovi na sanaciji usjeka 62D Donje Draževo na pruzi M202 Zagreb GK–Rijeka).

Revenues by activity

EUR thousand	2021	2020
Net sales revenue	56,545	71,168
of which: abroad	7,755	11,061
Revenues from the performance of the core activity	51,526	66,627
Revenues from the sale of rock aggregates	3,654	2,645
Revenues from the sale of goods	495	1,347
Revenues from other activities	870	549

Support activities

In 2021, support activities delivered high-quality and cost-effective services mostly to companies in the Slovenske železnice Group.

In accordance with the strategy of Slovenske železnice, digitalisation programmes were also continued in the area of support activities, with the Group being well aware how important the success of digitalisation is for the development of all its pillars (for details see chapter Intellectual capital).

Slovenske železnice, d. o. o., generated a significant proportion of its revenues (70.4%) with revenues from the support services of the head office (charged to all companies of the Slovenske železnice Group on the basis of SLAs). 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 accounted for 19.6% of total revenue. The remaining revenue predominantly came from mutual transactions conducted with companies of the Slovenske železnice Group.

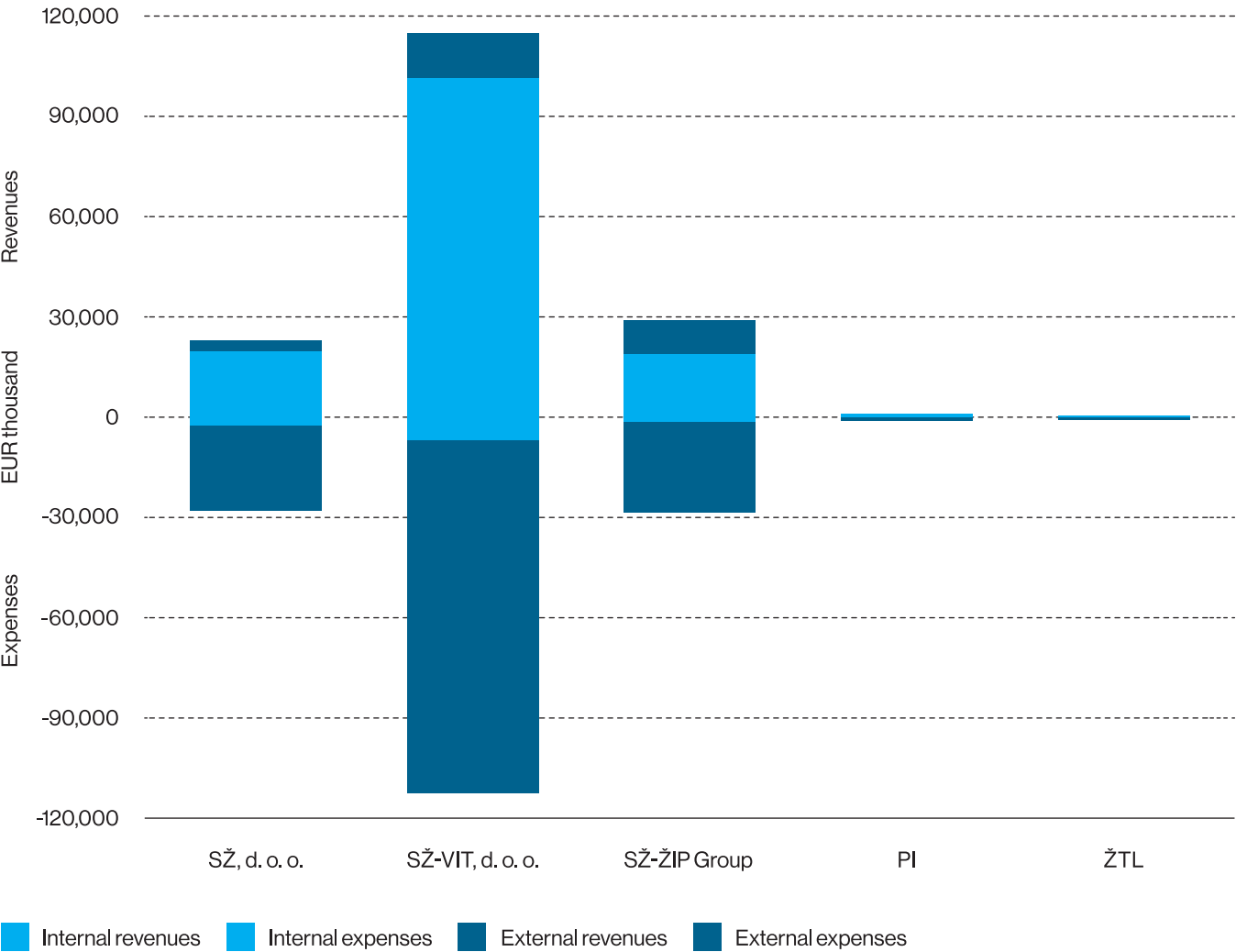
SŽ-VIT, d. o. o., provided customers with services that ensured the availability and reliability of their train fleet, and safe and a competitive freight and passenger transport service. The company carried out the maintenance of rolling stock (maintenance of railway vehicles and repairs, and the manufacture of components and spare parts) largely for Slovenske železnice Group companies (76.2%). For other customers at home and abroad (23.8%) with owned or leased railway vehicles, the company mostly repaired wheelsets, and maintained freight wagons and locomotives. The activity of traction (performance of train traction and shunting according to pre-planned rosters for tractive vehicles and engineering staff) and technical wagon inspection (monitoring of the technical condition and equipment of unpowered rolling stock, and monitoring of their operation in a train) was carried out by the company exclusively for SŽ-Tovorni promet, d. o. o., and SŽ-Potniški promet, d. o. o.

In 2021, SŽ-ŽIP, storitve, d. o. o., continued to manage buildings, perform cleaning of exterior and interior spaces and the rolling stock of Slovenske železnice, manage and maintain holiday units in Croatia, maintain the security of buildings, etc. Its operating revenues increased chiefly from landscaping services.

Prometni institut Ljubljana, d. o. o., actively participated in various international projects in 2021. It organised an important international conference in Ljubljana, entitled Green and Digital Transformation of Rail Corridors.

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

Operating revenues and expenses (VOLUME internal : external)



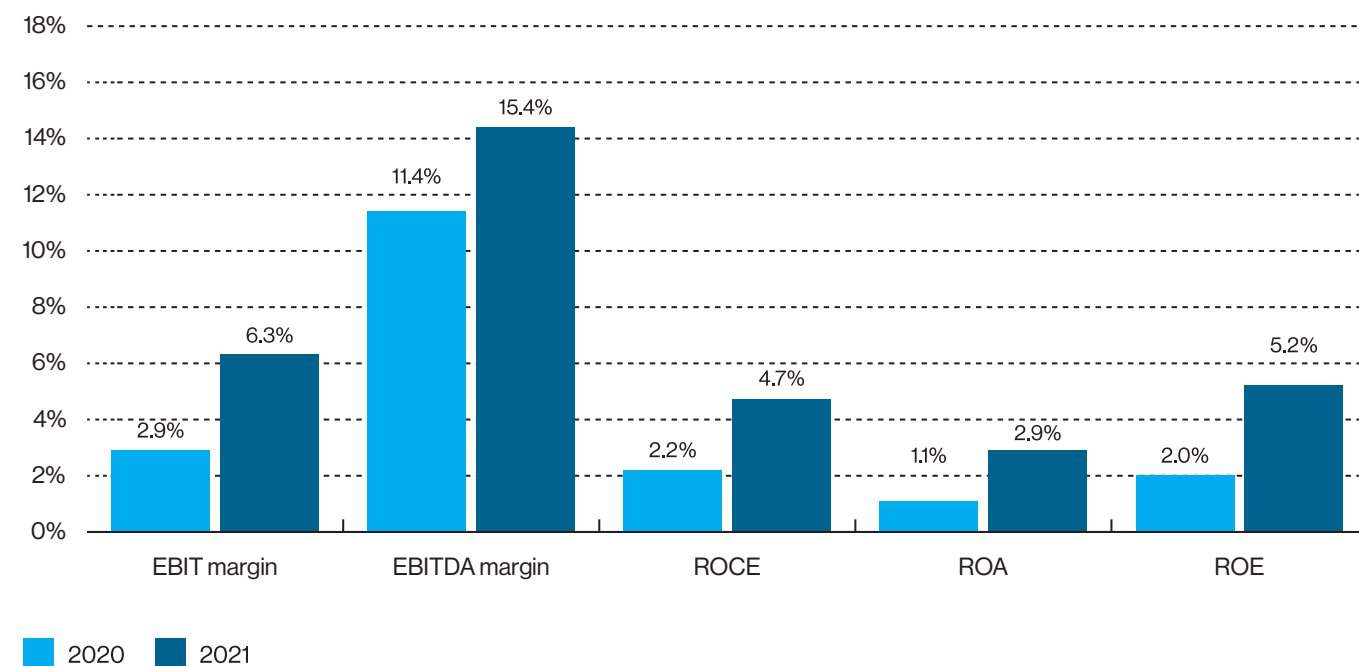
FINANCIAL PERFORMANCE OF THE GROUP⁹

Performance indicators

Economic recovery in 2021 led to the improvement of the key performance indicators of the Slovenske železnice Group. In 2021, EBIT amounted to EUR 34,099 thousand, an increase of EUR 18,303 thousand relative to 2020. EBITDA and added-value per employee were up by EUR 22,700 thousand and EUR 1,444, respectively, while the number of employees was down by 173 at the end of 2021.

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 5.2% in 2021, an increase of 3.2 percentage points relative to 2020.

Performance indicators – Slovenske železnice Group



⁹GRI 102-7, 201-1

Financial indicators	Unit	Slovenske železnice Group			Slovenske železnice, d. o. o.		
		2021	2020	Index	2021	2020	Index
EBIT – operating profit or loss	EUR thousand	34,099	15,796	215.9	-5,083	-16,125	31.5
EBITDA	EUR thousand	83,772	61,072	137.2	-2,266	-14,182	16.0
Net profit	EUR thousand	29,321	10,919	268.5	1,431	-14,213	
Operating efficiency	ratio	1.067	1.030	103.6	0.819	0.618	132.5
EBIT as a proportion of revenues	%	6.3	2.9	213.7	-22.1	-61.7	35.7
Proportion of operating revenues accounted for by revenues under contracts with the Slovenian government	%	39.2	38.2	102.6	0.0	0.0	
Return on equity (ROE)	%	5.2	2.0	258.6	0.3	-3.0	
Return on assets (ROA)	%	2.9	1.1	267.1	0.2	-2.0	
Financial liabilities/equity	ratio	0.252	0.318	78.2	0.544	0.497	109.6
Value-added per employee	EUR	50,766	49,322	102.9	37,770	11,674	323.5
Net financial debt/EBITDA	ratio	0.2	2.2	9.1	-37.6	-7.4	

LIST OF INDICATORS:

EBITDA = EBIT + amortisation + depreciation

EBIT = operating revenues – operating expenses

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

Operating efficiency ratio = operating revenues/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 (Slovenske železnice Group in 2021: 6,427.64 in 2020: 6,723.81; Slovenske železnice, d. o. o., in 2021: 356.37, in 2020: 400.56)

ROE = net profit or loss/average equity

ROA = net profit or loss/average assets

Net financial debt of the Slovenske železnice Group = financial liabilities - cash and cash equivalents

Net financial debt of Slovenske železnice, d. o. o. = financial liabilities - cash and cash equivalents - current and non-current financial receivables

Main items of the profit and loss statement and statement of financial position

Items from the statement of profit or loss EUR thousand	Slovenske železnice Group			Slovenske železnice, d. o. o.		
	2021	2020	Index	2021	2020	Index
Operating revenues	542,798	537,269	101.0	23,048	26,132	88.2
Transport revenues	165,180	156,105	105.8	0	0	0.0
Revenues under contracts with the Slovenian government	212,654	205,071	103.7	0	0	0.0
Other operating revenues	164,964	176,093	93.7	23,048	26,132	88.2
Operating expenses	508,699	521,473	97.6	28,131	42,257	66.6
EBITDA	83,772	61,072	137.2	-2,266	-14,182	16.0
Earnings before interest and taxes (EBIT)	34,099	15,796	215.9	-5,083	-16,125	31.5
Pre-tax profit or loss (EBT)	32,586	13,911	234.2	1,443	-14,218	
Net profit or loss (E)	29,321	10,919	268.5	1,431	-14,213	
Statement of financial position items EUR thousand	31 December 2021	31 December 2021	Index	31 December 2021	31 December 2021	Index
Assets	988,974	1,008,213	98.1	724,682	716,619	101.1
Equity	576,332	548,275	105.1	462,782	461,433	100.3
Financial liabilities	145,000	174,481	83.1	251,971	229,213	109.9
non-current financial liabilities	106,935	130,163	82.2	82,719	103,677	79.8
current financial liabilities	23,329	23,819	97.9	168,913	125,121	135.0
non-current lease liabilities	8,650	13,804	62.7	283	349	81.1
current lease liabilities	6,086	6,695	90.9	56	66	84.8
Net financial debt	17,806	132,013	13.5	85,102	105,284	80.8
Current operating receivables	303,425	261,717	115.9	35,589	35,964	99.0
Current operating liabilities	126,182	129,988	97.1	6,144	21,206	29.0
Investments	131,239	59,348	221.1	3,885	2,737	141.9

KEY:

EBITDA = EBIT + amortisation + depreciation

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

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

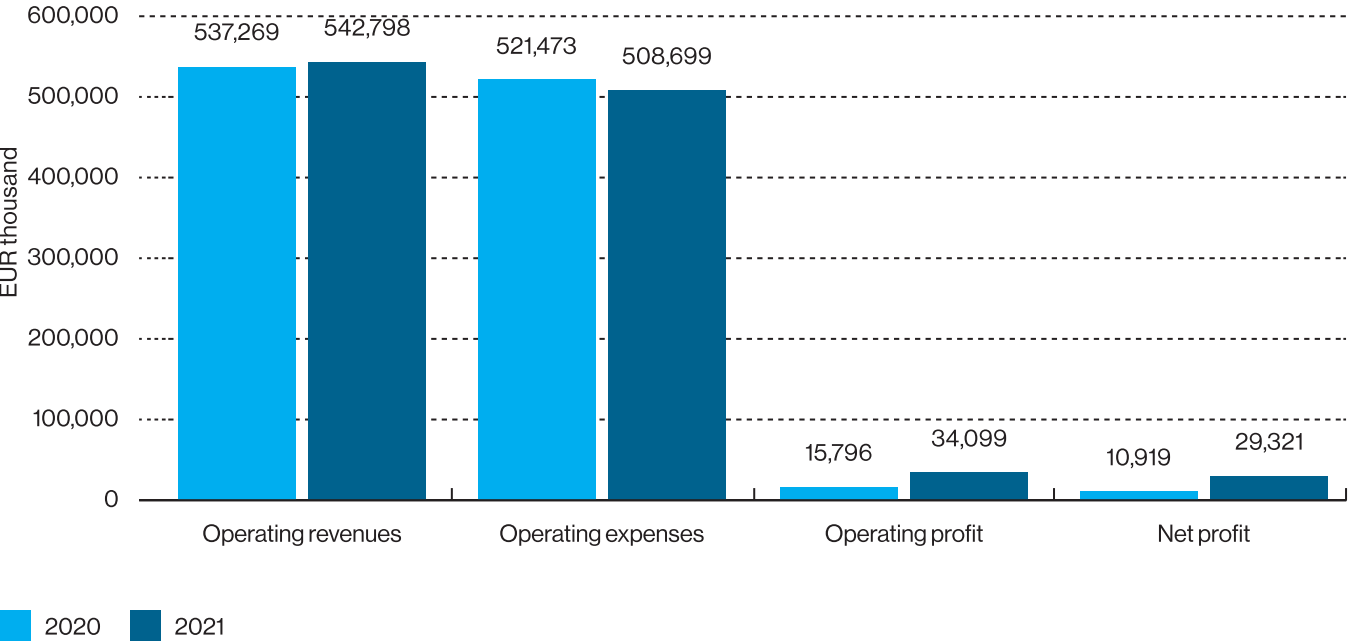
Net financial debt of the Slovenske železnice Group = financial liabilities - cash and cash equivalents

Net financial debt of Slovenske železnice, d. o. o. = financial liabilities - cash and cash equivalents - current and non-current financial receivables.

Profit or loss

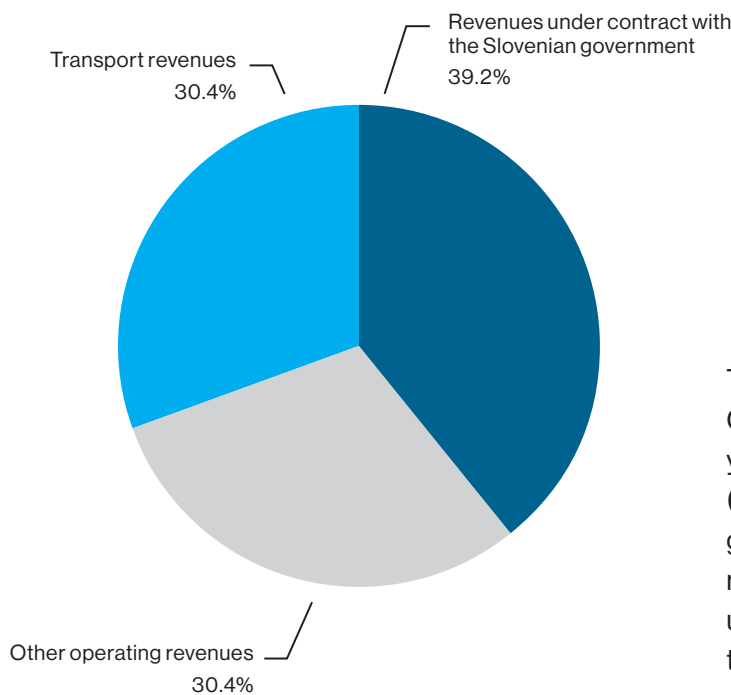
EUR thousand	2021	2020	Index
Operating revenues	542,798	537,269	101.0
Operating expenses	508,699	521,473	97.6
Operating profit or loss	34,099	15,796	215.9
Finance income	1,866	3,317	56.3
Finance costs	3,379	5,202	65.0
Net finance income/costs	-1,513	-1,885	80.3
Pre-tax profit or loss	32,586	13,911	234.2
Current tax	3,829	3,029	126.4
Deferred taxes	-564	-37	
Net profit or loss for the accounting period	29,321	10,919	268.5

Slovenske železnice Group



Revenues

Operating revenues of Slovenske železnice Group



The operating revenues of the Slovenske železnice Group were up by 1.0% relative to the previous year and amounted to EUR 542,798 thousand (EUR 537,269 thousand in 2020). The greatest growth of revenues was seen in the passenger mobility pillar, mostly as a result of higher revenues under contract with the Slovenian government and transport revenues in the domestic market.

Logistics →

Passenger mobility →

PRI management →

Construction →

Support activities →

Operating revenues by strategic activity EUR thousand	2021	2020	Index
SŽ EP, d. o. o.	0	/	
SŽ-Tovorni promet Group	172,560	170,289	101.3
Fersped, d. o. o.	21,159	18,238	116.0
VV-LOG, d. o. o.	5,529	3,708	149.1
SŽ-Potniški promet, d. o. o.	117,985	99,354	118.8
SŽ-Infrastruktura, d. o. o.	166,463	187,996	88.5
SŽ-Železniško gradbeno podjetje Group	57,158	72,296	79.1
Support activities	168,335	175,219	96.1
Consolidation	-166,391	-189,831	
Slovenske železnice Group	542,798	537,269	101.0

The highest proportion of the Slovenske železnice Group's revenues was generated in the logistics sector (28.1% of unconsolidated revenues). The activity of PRI management generated 23.5% of unconsolidated revenues, the mobility sector generated 16.6% of unconsolidated revenues, and

the construction sector generated 8.1% of those revenues. Support activities generated 23.7% of total unconsolidated revenues, with SŽ-VIT, d. o. o., providing most of its services to Slovenske železnice Group companies.

Logistics

EUR thousand	2021	2020	Index
Goods transported (in thousand tonnes)	18,925.3	18,666.4	101.4
Operating revenues¹	199,248	192,235	103.6
Transport revenues ¹	141,497	139,967	101.1
Other operating revenues ¹	57,751	52,268	110.5

¹ unconsolidated values

In the logistics pillar, unconsolidated net sales revenue amounted to EUR 183,479 thousand (EUR 175,180 thousand in 2020). The absolute highest increase was seen in revenues on the foreign market (by EUR 5,203 thousand), while revenues on the domestic market rose by 13.3%.

Passenger mobility

EUR thousand	2021	2020	Index
Number of passengers carried (in thousand)	11,860.4	8,151.0	145.5
Operating revenues	117,985	99,354	118.8
Contracts with the Slovenian government	79,353	70,020	113.3
Transport revenues	28,808	20,910	137.8
Other operating revenues	9,824	8,424	116.6

Transport revenues in inland rail transport were up by 39.8% or EUR 7,455 thousand relative to 2020. The increased transport revenues resulted from the partial lifting/mitigation of COVID-19 containment measures, since there was no suspension of public rail transport in 2021. Due to COVID-19 containment measures in 2021, trains followed the vacation timetable from 1 January 2021 until 14 February 2021, and from 1 April 2021 until 11 April 2021.

PSO revenues in 2021 were up by 13.3% or EUR 9,333 thousand excluding VAT relative to 2020. The PSO tender for 2021, which included parameters associated with the impact of COVID-19 measures, was approved in April 2021.

Other revenues in 2021 relative to 2020 were up by 16.6% or EUR 1,400 thousand, primarily from damages for delays in the supply of new rolling stock.

PRI management

EUR thousand	2021	2020	Index
Operating revenues	166,463	187,996	88.5
Contracts with the Slovenian government	133,301	135,051	98.7
Other operating revenues	33,162	52,945	62.6

Revenues under contracts on the discharge of PRI manager services, concluded with the government of the Republic of Slovenia, accounted for 80.1% of total revenue and were allocated to cover the costs of routine PRI maintenance, PRI renovation, the maintenance of non-PRI housing and buildings, PRI management and PRI operation.

Revenues from contracts with the Slovenian government in the area of PSO maintenance, renovation and management of the PRI, and other PRI manager’s responsibilities, amounted to

EUR 96,375 thousand, and in the area of PRI operation, they amounted to EUR 36,926 thousand. In comparison with 2020, revenues from contracts with the Slovenian government were down by 1.3% (EUR 1,750 thousand), which included an increase of EUR 3,572 thousand in maintenance works on the PRI, an increase of EUR 1,451 thousand in PRI operation, an increase of EUR 122 thousand in PRI management, an increase of EUR 345 thousand in non-PRI housing and buildings maintenance and a decrease of EUR 7,240 in the area of PRI renovation.

Construction

EUR thousand	2021	2020	Index
Operating revenues	57,158	72,296	79.1
Revenues on the domestic market	48,790	60,107	81.2
Revenues on the foreign market	7,755	11,061	70.1
Other operating revenues	613	1,128	54.3

Net sales revenue from transactions with non-Group companies amounted to EUR 48,121 thousand (or 84.2% in the breakdown of operating revenues) and was down by EUR 8,161 thousand relative to 2020. Revenue from transactions with

Slovenske železnice Group companies amounted to EUR 8,424 thousand (or 14.7% in the breakdown of operating revenues) and was down by EUR 6,462 thousand relative to 2020.

Support activities

EUR thousand	2021	2020	Index
Operating revenues ¹	168,335	175,219	96.1
Revenues on the domestic market ¹	149,411	127,108	117.5
Revenues on the foreign market ¹	9,872	11,315	87.2
Other operating revenues ¹	9,052	36,796	24.6

¹unconsolidated values

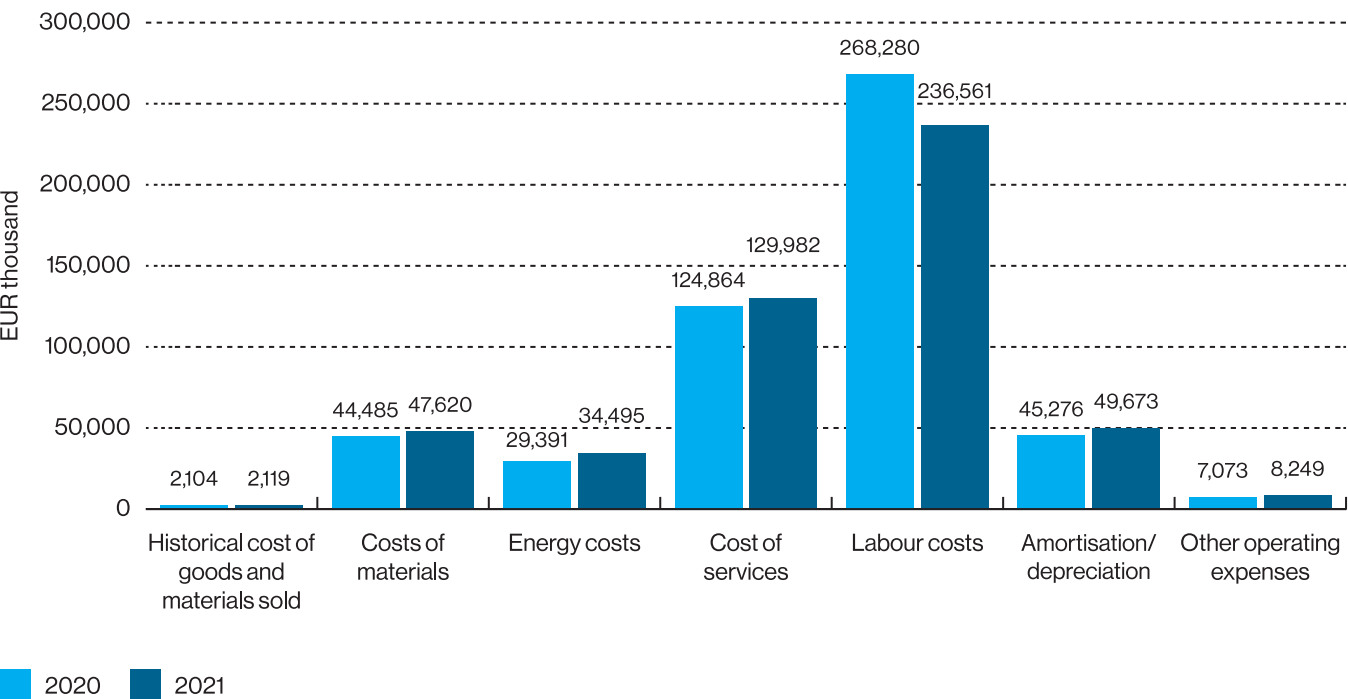
Companies in the support activities pillar generated 23.7% of unconsolidated operating revenues in the Slovenske železnice Group. The largest part of revenue was generated by performing services for the pillars of logistics and passenger mobility.

Expenses

The operating expenses of the Slovenske železnice Group were down by 2.4% relative to the previous year and amounted to EUR 508,699 thousand. Labour costs as a proportion of operating revenues were 43.6%, which is 6.3 percentage points down on 2020.

Energy costs were greater in 2021 than the year before due to the larger volume of train transport services performed using electric traction, the costs of material were higher due to the greater consumption of material and spare parts for the maintenance of rolling stock, and the costs of services were up due to the higher costs of logistics-related services.

Operating expenses of the Slovenske železnice Group



Net finance income/costs were negative in the amount of EUR 1,513 thousand. Finance income primarily comprises revenues from participating interests in associated companies and from other investments. Finance costs largely arose from the interest on the loans received and the impairment of the investment in Terme Olimia.

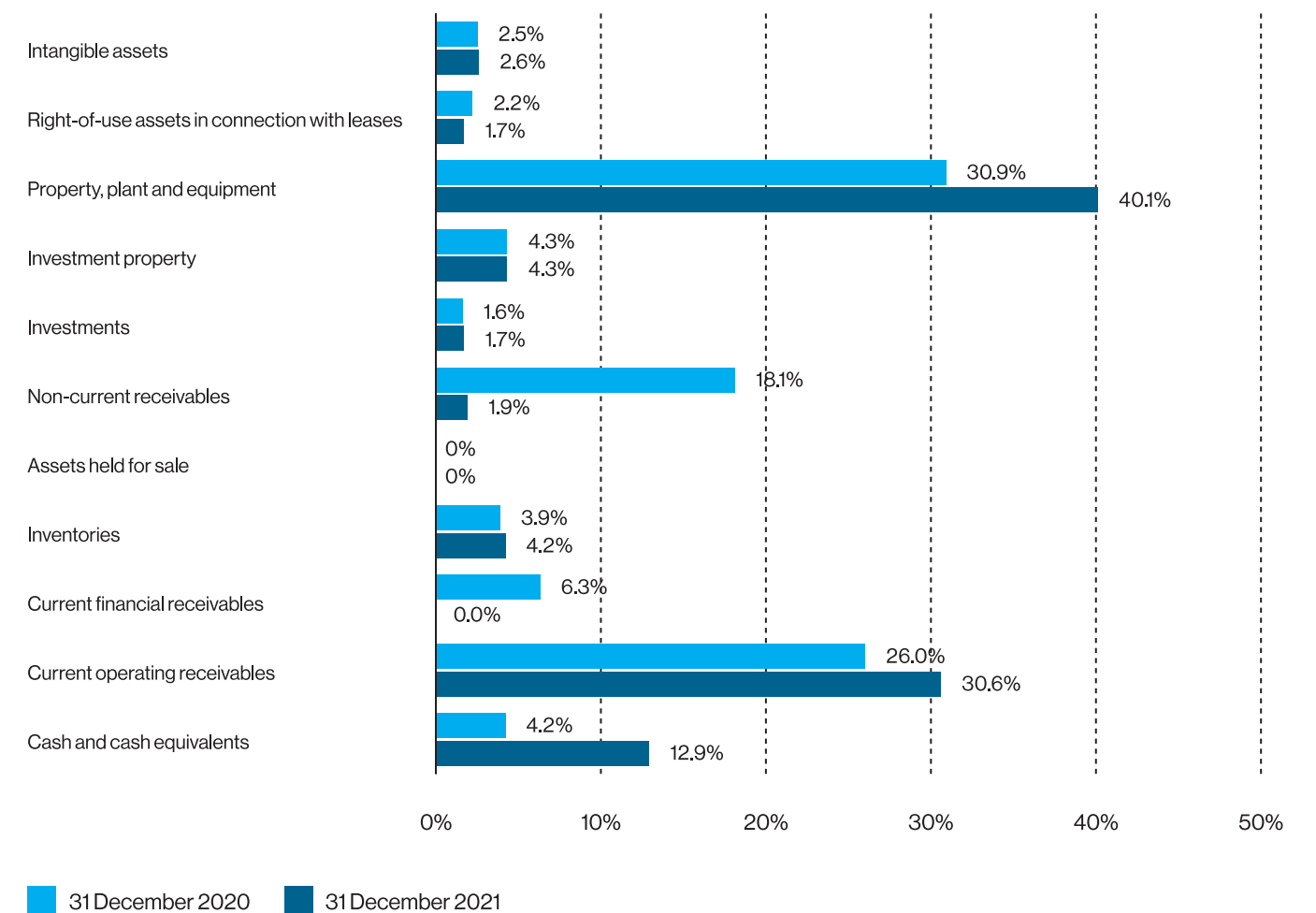
Assets, equity and liabilities

The total assets of the Slovenske železnice Group amounted to EUR 988,974 thousand at the end of December 2021, a decrease of 1.9% relative to the end of 2020. Non-current assets decreased at the end of 2021, primarily as a result of repaid receivables for traffic disruptions, which mostly related to SŽ-Infrastruktura, d. o. o., as the PRI manager. The latter received consideration on the basis of the Agreement on the Reimbursement of

Carrier Costs Incurred by Investment Works on the PRI in the period 2018-2020 and the associated receivables sold to the bank, and settled its debts to carriers. On the other hand, property, plant and equipment increased as a result of high investments during the year, chiefly in rolling stock (described in detail in the section Production capital), in conjunction with the depreciation of existing assets.

EUR thousand	31 December 2021	31 December 2020	Index
ASSETS	988,974	1,008,213	98.1
Non-current assets	516,907	600,670	86.1
Intangible assets	25,838	25,063	103.1
Right-of-use assets in connection with leases	17,051	22,571	75.5
Property, plant and equipment	397,178	311,986	127.3
Investment property	42,079	42,807	98.3
Investments	16,390	15,854	103.4
Non-current receivables	18,371	182,389	10.1
Current assets	472,067	407,543	115.8
Assets held for sale	53	30	176.7
Inventories	41,393	39,419	105.0
Current financial receivables	2	63,909	0.0
Current operating receivables	303,425	261,717	115.9
Cash and cash equivalents	127,194	42,468	299.5

Composition of assets



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 increase in current assets was influenced by the increase in cash, which was the result of the previously mentioned repayment of receivables for traffic disruptions and the placement of a deposit by subsidiaries with the Slovenske železnice Group, d. o. o. Another contributing factor was the increase in current operating receivables which arose from the transfer of advances for new rolling stock to the current portion, while a part of advances was reconciled (EUR 48,571 thousand) – activation of 12 new items of rolling stock. The decrease in current financial receivables resulted from the maturity of the deposit of SŽ-Potniški promet, d. o. o., and the

repayment 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, totalling EUR 40.743.

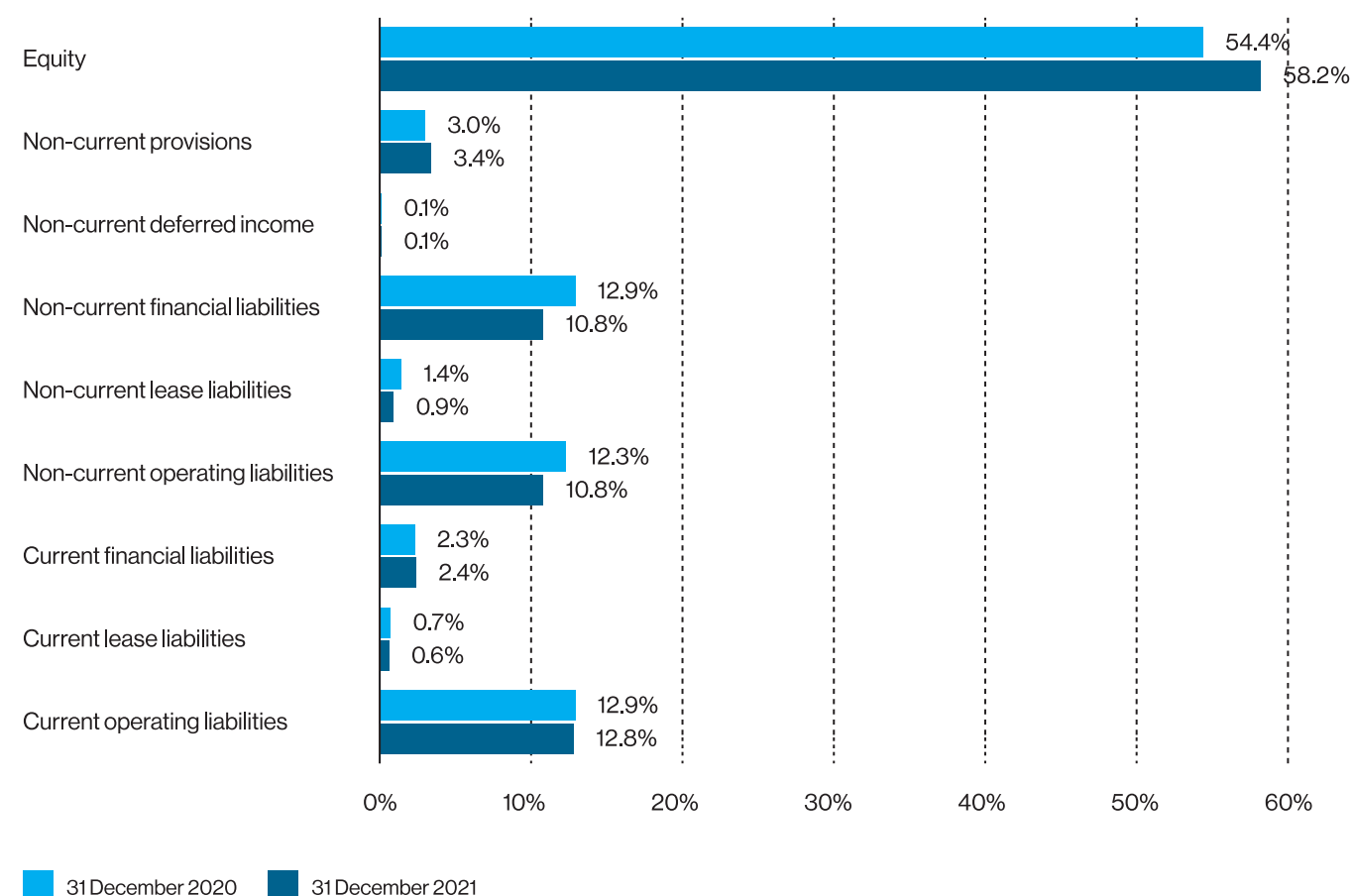
EUR thousand	31 December 2021	31 December 2021	Index
EQUITY AND LIABILITIES	988,974	1,008,213	98.1
Equity	576,332	548,275	105.1
Non-current liabilities	257,045	299,436	85.8
Non-current provisions	33,816	29,997	112.7
Non-current deferred income	1,207	1,651	73.1
Non-current financial liabilities	106,935	130,163	82.2
Non-current lease liabilities	8,650	13,804	62.7
Non-current operating liabilities	106,437	123,821	86.0
Current liabilities	155,597	160,502	96.9
Current financial liabilities	23,329	23,819	97.9
Current lease liabilities	6,086	6,695	90.9
Current operating liabilities	126,182	129,988	97.1

Contributing most to the change in equity at the end of 2021 were net profit in the amount of EUR 29,321 thousand and an actuarial loss from the calculation of provisions for termination benefits at retirement in the amount of EUR 1,237 thousand.

The financial liabilities of the Slovenske železnice Group decreased in 2021 by EUR 23.718 thousand as a result of payments of credit liabilities to banks. Lease liabilities were also reduced.

According to the situation at the end of 2021, less than one third of current operating liabilities was accounted for by trade payables (EUR 39,651 thousand), one eighth by liabilities to employees (EUR 15,244 thousand) and one tenth by accrued costs and deferred income (EUR 12,248 thousand, the majority of which were accrued costs – unused annual leave).

Composition of equity and liabilities



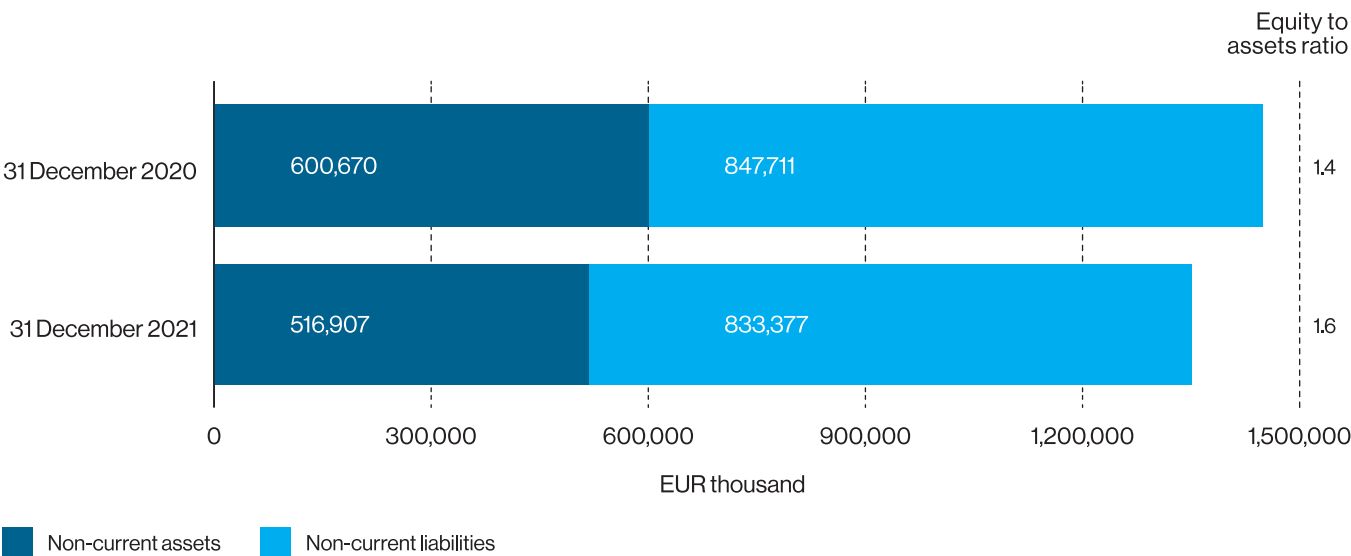
NOTE:

Non-current provisions = provisions for jubilee benefits and termination benefits, other provisions

Financing of long-term investments

The debt ratio expressed as the ratio of net debt to material assets was negative at -10.1% at the end of 2021, and was better than at the end of 2020 (-24.1%).

Ratio of non-current assets to liabilities



EUR thousand	31 December 2021	31 December 2020	Index
Current assets	472,067	407,543	115.8
Current liabilities	155,597	160,502	96.9
Working capital	316,470	247,041	128.1

Working capital amounted to EUR 316,470 thousand at the end of 2021 and was up by EUR 69,429 thousand relative to the end of 2020. The current ratio, which expresses the ratio of current assets to current liabilities, amounted to 3.0 at the end of 2021, compared to 2.5 at the end of 2020.

Cash flows

EUR thousand	31 December 2021	31 December 2020
A. Cash flows from operating activities	122,915	40,218
B. Cash flows from investing activities	-4,894	-29,612
C. Cash flows from financing activities	-33,296	14,057
Closing balance of cash and cash equivalents (x + y)	127,194	42,468
x) Net cash flow for period (sum of A, B and C)	84,726	24,663
+/- Calculated exchange rate differences from foreign currency assets	0	-3
y) Opening cash balance	42,468	17,808

The Slovenske železnice Group generated a positive cash flow from operating activities in the amount of EUR 122,915 thousand in 2021, which was positively affected by net profit (EUR 29,321 thousand), adjustments (EUR 56,920 thousand), primarily for amortisation/ depreciation, and by changes in net working capital in the amount of EUR 36,675 thousand (of which EUR 60,816 thousand was accounted for by a decrease in operating receivables and EUR 3,531 thousand by an increase in inventories).

Cash flow from investing activities was negative in the amount of EUR 4,894 thousand due to outflows from investing activities of EUR 73,231 thousand (most of which was accounted for by the acquisition of property, plant and equipment) and inflows from investing activities of EUR 68,337 thousand (most of which was accounted for by interest received and participation in the profits of others).

Cash flow from financing activities was negative in the amount of EUR 33,296 thousand due to outflows from financing activities in the amount of EUR 285,296 thousand (the payment of financial liabilities in the amount of EUR 275,722 thousand, the payment of lease liabilities in accordance with IFRS 16 in the amount of EUR 7,311 thousand and payments of other interest in the amount of EUR 1,789 thousand) and inflows from financing activities of EUR 252,000 thousand (inflows from the increase in financial liabilities).

The balance of cash and cash equivalents rose from EUR 42,468 thousand to EUR 127,194 thousand.

Business performance by individual company/activity

EUR thousand	Slovenske železnice Group		
	2021	2020	Index
Operating revenues	542,798	537,269	101.0
Net sales revenue	413,991	407,211	101.7
Revenues on the domestic market	239,005	233,246	102.5
Transport revenues on the domestic market	28,105	20,909	134.4
Other revenues on the domestic market	77,599	77,286	100.4
Contracts with the Slovenian government	133,301	135,051	98.7
Revenues on the foreign market	174,986	173,965	100.6
Transport revenues on the foreign market	137,075	135,196	101.4
Other revenues on the foreign market	37,911	38,769	97.8
Changes in values of inventories of finished goods and work in progress	461	1,674	27.5
Capitalised own products and services	18,071	8,683	208.1
Other operating revenues	110,275	119,701	92.1
of which: contracts with the Slovenian government	79,353	70,020	113.3
Operating expenses	508,699	521,473	97.6
Historical cost of goods and materials sold	2,119	2,104	100.7
Costs of materials	47,620	44,485	107.0
Energy costs	34,495	29,391	117.4
Cost of services	129,982	124,864	104.1
Labour costs	236,561	268,280	88.2
Amortisation/depreciation	49,673	45,276	109.7
Other operating expenses	8,249	7,073	116.6
Operating profit or loss (EBIT)	34,099	15,796	215.9
Finance income	1,866	3,317	56.3
Finance costs	3,379	5,202	65.0
Net finance income/costs	-1,513	-1,885	80.3
Pre-tax profit or loss	32,586	13,911	234.2
Current tax	3,829	3,029	126.4
Deferred taxes	-564	-37	
Corporate income tax	3,265	2,992	109.1
Net profit or loss	29,321	10,919	268.5

SŽ EP Logistika, d. o. o.			SŽ-Tovorni promet Group			Fersped, d. o. o.		
2021	2020	Index	2021	2020	Index	2021	2020	Index
0	-		172,560	170,289	101.3	21,159	18,238	116.0
0	-		157,073	154,090	101.9	20,908	17,515	119.4
0	-		14,169	13,664	103.7	8,641	7,094	121.8
0	-		3,784	3,850	98.3	0	0	
0	-		10,385	9,814	105.8	8,641	7,094	121.8
0	-		0	0		0	0	
0	-		142,904	140,426	101.8	12,267	10,421	117.7
0	-		137,713	136,117	101.2	0	0	
0	-		5,191	4,309	120.5	12,267	10,421	117.7
0	-		0	0		0	0	
0	-		9	45	20.0	0	0	
0	-		15,478	16,154	95.8	251	723	34.7
0	-		0	0				
0	-		163,372	164,621	99.2	20,231	17,214	117.5
0	-		14	16	87.5	0	0	
0	-		2,782	1,650	168.6	36	42	85.7
0	-		16,036	15,241	105.2	48	52	92.3
0	-		82,868	80,655	102.7	17,190	14,283	120.4
0	-		34,557	40,324	85.7	2,347	2,256	104.0
0	-		23,231	22,498	103.3	548	417	131.4
0	-		3,884	4,237	91.7	62	164	37.8
0	-		9,188	5,668	162.1	928	1,024	90.6
0	-		185	328	56.4	527	569	92.6
0	-		2,143	2,398	89.4	62	54	114.8
0	-		-1,958	-2,070	94.6	465	515	90.3
0	-		7,230	3,598	200.9	1,393	1,539	90.5
0	-		570	292	195.2	83	82	101.2
0	-		-49	6		-52	53	
0	-		521	298	174.8	31	135	23.0
0	-		6,709	3,300	203.3	1,362	1,404	97.0

	VV-LOG, d. o. o.		
EUR thousand	2021	2020	Index
Operating revenues	5,529	3,708	149.1
Net sales revenue	5,498	3,575	153.8
Revenues on the domestic market	3,497	2,453	142.6
Transport revenues on the domestic market	0	0	
Other revenues on the domestic market	3,497	2,453	142.6
Contracts with the Slovenian government	0	0	
Revenues on the foreign market	2,001	1,122	178.3
Transport revenues on the foreign market	0	0	
Other revenues on the foreign market	2,001	1,122	178.3
Changes in values of inventories of finished goods and work in progress	0	0	
Capitalised own products and services	0	0	
Other operating revenues	31	133	23.3
of which: contracts with the Slovenian government	0	0	
Operating expenses	5,011	3,088	162.3
Historical cost of goods and materials sold	1,163	806	144.3
Costs of materials	7	6	116.7
Energy costs	6	9	66.7
Cost of services	2,941	1,442	204.0
Labour costs	690	673	102.5
Amortisation/depreciation	65	71	91.5
Other operating expenses	139	81	171.6
Operating profit or loss (EBIT)	518	620	83.5
Finance income	8	10	80.0
Finance costs	8	10	80.0
Net finance income/costs	0	0	
Pre-tax profit or loss	518	620	83.5
Current tax	124	114	108.8
Deferred taxes	7	7	100.0
Corporate income tax	131	121	108.3
Net profit or loss	387	499	77.6

SŽ-Potniški promet, d. o. o.			SŽ-Potniški promet, d. o. o. PSO			SŽ-Potniški promet, d. o. o. other activities		
2021	2020	Index	2021	2020	Index	2021	2020	Index
117,985	99,354	118.8	116,653	97,469	119.7	1,753	2,097	83.6
31,563	23,410	134.8	30,567	21,712	140.8	1,417	1,910	74.2
27,984	20,546	136.2	27,161	19,556	138.9	1,244	1,202	103.5
26,163	18,708	139.8	26,060	18,650	139.7	103	58	177.6
1,821	1,838	99.1	1,101	906	121.5	1,141	1,144	99.7
0	0		0	0		0	0	
3,579	2,864	125.0	3,406	2,156	158.0	173	708	24.4
2,645	2,202	120.1	2,472	1,494	165.5	173	708	24.4
934	662	141.1	934	662	141.1	0	0	
0	0		0	0		0	0	
80	97	82.5	80	97	82.5	0	0	
86,342	75,847	113.8	86,006	75,660	113.7	336	187	179.7
79,353	70,020	113.3	79,353	70,020	113.3	0	0	
104,781	85,873	122.0	103,419	84,233	122.8	1,783	1,852	96.3
0	1	0.0	0	1	0.0	0	0	
1,901	1,194	159.2	1,902	1,196	159.0	28	4	
7,911	5,261	150.4	7,883	5,259	149.9	43	33	130.3
59,284	44,327	133.7	58,007	43,002	134.9	1,420	1,380	102.9
16,868	18,523	91.1	16,868	18,522	91.1	41	61	67.2
15,218	12,184	124.9	15,209	12,173	124.9	201	69	291.3
3,599	4,383	82.1	3,550	4,080	87.0	50	305	16.4
13,204	13,481	97.9	13,234	13,236	100.0	-30	245	
189	672	28.1	188	669	28.1	1	4	
318	84	378.6	318	84	378.6	0	1	
-129	588		-130	585		1	3	
13,075	14,069	92.9	13,104	13,821	94.8	-29	248	
946	999	94.7	946	981	96.4	0	18	
-3	26		-3	26		0	0	
943	1,025	92.0	943	1,007	93.6	0	18	
12,132	13,044	93.0	12,161	12,814	94.9	-29	230	

	SŽ-Infrastruktura, d. o. o.		
EUR thousand	2021	2020	Index
Operating revenues	166,463	187,996	88.5
Net sales revenue	163,394	162,420	100.6
Revenues on the domestic market	163,394	162,418	100.6
Transport revenues on the domestic market	0	0	
Other revenues on the domestic market	30,093	27,367	110.0
Contracts with the Slovenian government	133,301	135,051	98.7
Revenues on the foreign market	0	2	0.0
Transport revenues on the foreign market	0	0	
Other revenues on the foreign market	0	2	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	3,069	25,576	12.0
of which: contracts with the Slovenian government	0	0	
Operating expenses	158,106	184,637	85.6
Historical cost of goods and materials sold	1	1	100.0
Costs of materials	9,985	9,280	107.6
Energy costs	23,101	20,771	111.2
Cost of services	47,916	51,734	92.6
Labour costs	70,303	79,205	88.8
Amortisation/depreciation	3,013	3,028	99.5
Other operating expenses	3,787	20,618	18.4
Operating profit or loss (EBIT)	8,357	3,359	248.8
Finance income	9	14	64.3
Finance costs	173	202	85.6
Net finance income/costs	-164	-188	87.2
Pre-tax profit or loss	8,193	3,171	258.4
Current tax	1,237	258	
Deferred taxes	223	22	
Corporate income tax	1,460	280	
Net profit or loss	6,733	2,891	232.9

PRI maintenance			PRI operation			SŽ-Infrastruktura, d. o. o. PSO – PRI maintenance		
2021	2020	Index	2021	2020	Index	2021	2020	Index
128,212	148,439	86.4	39,228	39,946	98.2	95,456	101,666	93.9
125,508	125,863	99.7	38,862	36,945	105.2	95,134	98,816	96.3
125,508	125,861	99.7	38,862	36,945	105.2	95,134	98,816	96.3
0	0		0	0		0	0	
29,133	26,285	110.8	1,936	1,470	131.7	1,522	1,536	99.1
96,375	99,576	96.8	36,926	35,475	104.1	93,612	97,280	96.2
0	2	0.0	0	0		0	0	
0	0		0	0		0	0	
0	2	0.0	0	0		0	0	
0	0		0	0		0	0	
0	0		0	0		0	0	
2,704	22,576	12.0	366	3,001	12.2	322	2,850	11.3
0	0						0	
120,822	142,157	85.0	38,261	42,869	89.3	92,424	99,448	92.9
1	1	100.0	0	0		1	1	100.0
9,688	8,913	108.7	298	367	81.2	9,516	8,693	109.5
22,720	20,418	111.3	381	353	107.9	3,292	2,897	113.6
44,451	47,997	92.6	4,443	4,126	107.7	40,535	45,204	89.7
37,566	41,898	89.7	32,737	37,307	87.8	34,546	39,169	88.2
2,859	2,853	100.2	154	175	88.0	2,625	2,618	100.3
3,537	20,077	17.6	248	541	45.8	1,909	866	220.4
7,390	6,282	117.6	967	-2,923		3,032	2,218	136.7
9	14	64.3	0	0		7	10	70.0
140	143	97.9	33	59	55.9	107	135	79.3
-131	-129	101.6	-33	-59	55.9	-100	-125	80.0
7,259	6,153	118.0	934	-2,982		2,932	2,093	140.1
1,097	258		140	0		439	87	
198	22		25	0		79	7	
1,295	280		165	0		518	94	
5,964	5,873	101.5	769	-2,982		2,414	1,999	120.8

	SŽ-Infrastruktura, d. o. o. PSO – Operation of PRI		
EUR thousand	2021	2020	Index
Operating revenues	37,000	36,802	100.5
Net sales revenue	36,926	35,475	104.1
Revenues on the domestic market	36,926	35,475	104.1
Transport revenues on the domestic market	0	0	
Other revenues on the domestic market	0	0	
Contracts with the Slovenian government	36,926	35,475	104.1
Revenues on the foreign market	0	0	
Transport revenues on the foreign market	0	0	
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	74	1,327	5.6
of which: contracts with the Slovenian government		0	
Operating expenses	36,589	41,198	88.8
Historical cost of goods and materials sold	0	0	
Costs of materials	286	357	80.1
Energy costs	363	338	107.4
Cost of services	4,260	3,972	107.3
Labour costs	31,291	35,844	87.3
Amortisation/depreciation	152	172	88.4
Other operating expenses	237	515	46.0
Operating profit or loss (EBIT)	411	-4,396	
Finance income	0	0	
Finance costs	33	59	55.9
Net finance income/costs	-33	-59	55.9
Pre-tax profit or loss	378	-4,455	
Current tax	56	0	
Deferred taxes	10	0	
Corporate income tax	66	0	
Net profit or loss	312	-4,455	

SŽ-Infrastruktura, d. o. o. Housing and buildings			SŽ-Infrastruktura, d. o. o. Management of PRI			SŽ-Infrastruktura, d. o. o. Other activities – PRI maintenance		
2021	2020	Index	2021	2020	Index	2021	2020	Index
685	340	201.5	2,078	1,956	106.2	29,993	44,477	67.4
685	340	201.5	2,078	1,956	106.2	27,611	24,751	111.6
685	340	201.5	2,078	1,956	106.2	27,611	24,749	111.6
0	0		0	0		0	0	
0	0		0	0		27,611	24,749	111.6
685	340	201.5	2,078	1,956	106.2	0	0	
0	0		0	0		0	2	0.0
0	0		0	0		0	0	
0	0		0	0		0	2	0.0
0	0		0	0		0	0	
0	0		0	0		0	0	
0	0		0	0		2,382	19,726	12.1
0	0		0	0		0	0	
755	407	185.5	1,450	1,181	122.8	26,193	41,121	63.7
0	0		0	0		0	0	
34	18	188.9	0	0		138	202	68.3
10	7	142.9	0	0		19,418	17,514	110.9
578	269	214.9	1,112	1,181	94.2	2,226	1,343	165.7
128	107	119.6	338	0		2,554	2,622	97.4
3	2	150.0	0	0		231	233	99.1
2	4	50.0	0	0		1,626	19,207	8.5
-70	-67	104.5	628	775	81.0	3,800	3,356	113.2
0	0		0	0		2	4	50.0
0	0		0	0		33	8	
0	0		0	0		-31	-4	
-70	-67	104.5	628	775	81.0	3,769	3,352	112.4
0	0		94	32	293.8	564	139	
0	0		17	3		102	12	850.0
0	0		111	35	317.1	666	151	
-70	-67	104.5	517	740	69.9	3,103	3,201	96.9

EUR thousand	SŽ-Infrastruktura, d. o. o. Other activities – PRI operation		
	2021	2020	Index
Operating revenues	2,228	3,144	70.9
Net sales revenue	1,936	1,470	131.7
Revenues on the domestic market	1,936	1,470	131.7
Transport revenues on the domestic market	0	0	
Other revenues on the domestic market	1,936	1,470	131.7
Contracts with the Slovenian government	0	0	
Revenues on the foreign market	0	0	
Transport revenues on the foreign market	0	0	
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	292	1,674	17.4
of which: contracts with the Slovenian government	0	0	
Operating expenses	1,672	1,671	100.1
Historical cost of goods and materials sold	0	0	
Costs of materials	12	10	120.0
Energy costs	18	15	120.0
Cost of services	183	154	118.8
Labour costs	1,446	1,463	98.8
Amortisation/depreciation	2	3	66.7
Other operating expenses	11	26	42.3
Operating profit or loss (EBIT)	556	1,473	37.7
Finance income	0	0	
Finance costs	0	0	
Net finance income/costs	0	0	
Pre-tax profit or loss	556	1,473	37.7
Current tax	84	0	
Deferred taxes	15	0	
Corporate income tax	99	0	
Net profit or loss	457	1,473	31.0

SŽ-Železniško gradbeno podjetje Group			SŽ-Vleka in tehnika, d. o. o.			SŽ-Železniško invalidsko podjetje Group		
2021	2020	Index	2021	2020	Index	2021	2020	Index
57,158	72,296	79.1	115,028	119,970	95.9	28,853	27,581	104.6
56,545	71,168	79.5	113,753	99,308	114.5	23,195	16,610	139.6
48,790	60,107	81.2	104,316	88,264	118.2	22,933	16,501	139.0
0	0			0		0	0	
48,790	60,107	81.2	104,316	88,264	118.2	22,933	16,501	139.0
0	0			0		0	0	
7,755	11,061	70.1	9,437	11,044	85.4	262	109	240.4
0	0			0		0	0	
7,755	11,061	70.1	9,437	11,044	85.4	262	109	240.4
102	57	178.9	316	1,597	19.8	49	19	257.9
0	0		102	66	154.5	0	5	0.0
511	1,071	47.7	857	18,999	4.5	5,609	10,947	51.2
0	0			0		0	0	
52,380	65,091	80.5	112,403	119,563	94.0	28,630	27,485	104.2
242	913	26.5	592	306	193.5	217	188	115.4
15,683	15,830	99.1	16,545	16,132	102.6	1,297	944	137.4
1,424	1,171	121.6	1,542	1,365	113.0	476	407	117.0
21,422	32,814	65.3	18,164	17,117	106.1	9,673	6,515	148.5
9,534	10,164	93.8	70,787	79,251	89.3	15,660	18,142	86.3
2,881	2,866	100.5	2,442	2,458	99.3	983	1,039	94.6
1,194	1,333	89.6	2,331	2,934	79.4	324	250	129.6
4,778	7,205	66.3	2,625	407		223	96	232.3
65	139	46.8	9	7	128.6	8	10	80.0
243	344	70.6	231	414	55.8	98	119	82.4
-178	-205	86.8	-222	-407	54.5	-90	-109	82.6
4,600	7,000	65.7	2,403	0		133	-13	
504	1,265	39.8	282	0		53	2	
111	-149		-815	0		0	0	
615	1,116	55.1	-533	0		53	2	
3,985	5,884	67.7	2,936	0		80	-15	

EUR thousand	Prometni institut, d. o. o		
	2021	2020	Index
Operating revenues	987	1,018	97.0
Net sales revenue	734	694	105.8
Revenues on the domestic market	641	622	103.1
Transport revenues on the domestic market	0	0	
Other revenues on the domestic market	641	622	103.1
Contracts with the Slovenian government	0	0	
Revenues on the foreign market	93	72	129.2
Transport revenues on the foreign market	0	0	
Other revenues on the foreign market	93	72	129.2
Changes in values of inventories of finished goods and work in progress	0	0	
Capitalised own products and services	0	0	
Other operating revenues	253	324	78.1
of which: contracts with the Slovenian government	0	0	
Operating expenses	846	927	91.3
Historical cost of goods and materials sold	0	0	
Costs of materials	3	1	300.0
Energy costs	3	3	100.0
Cost of services	209	201	104.0
Labour costs	586	673	87.1
Amortisation/depreciation	37	33	112.1
Other operating expenses	8	16	50.0
Operating profit or loss (EBIT)	141	91	154.9
Finance income	2	1	200.0
Finance costs	1	1	100.0
Net finance income/costs	1	0	
Pre-tax profit or loss	142	91	156.0
Current tax	30	17	176.5
Deferred taxes	-1	0	
Corporate income tax	29	17	170.6
Net profit or loss	113	74	152.7

SŽ-Železniška tiskarna, d. d.			Slovenske železnice, d. o. o.		
2021	2020	Index	2021	2020	Index
419	518	80.9	23,048	26,132	88.2
420	457	91.9	21,181	21,354	99.2
420	457	91.9	21,101	21,264	99.2
0	0			0	
420	457	91.9	21,101	21,264	99.2
0	0			0	
0	0		80	90	88.9
0	0			0	
0	0		80	90	88.9
-5	1		0	0	
0	0		0	0	
4	60	6.7	1,867	4,778	39.1
0	0				
518	630	82.2	28,131	42,257	66.6
0	0		0	0	
44	54	81.5	405	853	47.5
10	8	125.0	174	161	108.1
120	113	106.2	7,554	6,733	112.2
272	398	68.3	15,513	18,719	82.9
53	54	98.1	2,817	1,943	145.0
19	3		1,668	13,848	12.0
-99	-112	88.4	-5,083	-16,125	31.5
1	2	50.0	12,434	6,719	185.1
4	5	80.0	5,908	4,812	122.8
-3	-3	100.0	6,526	1,907	342.2
-102	-115	88.7	1,443	-14,218	
0	0		0	0	
4	1		12	-5	
4	1		12	-5	
-106	-116	91.4	1,431	-14,213	

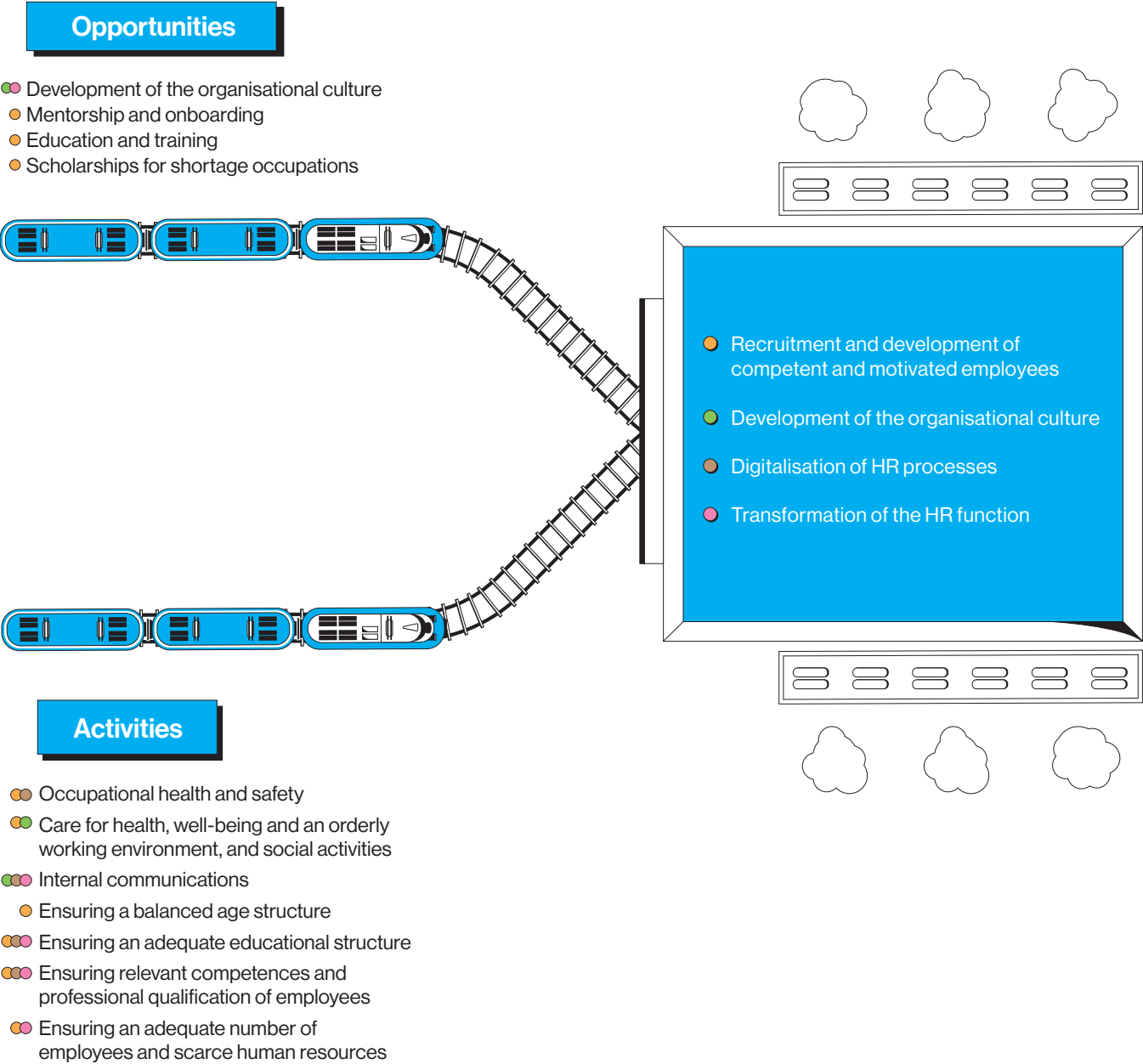
Collection of statements of financial position of Group companies as at 31 December 2021

EUR thousand	COMPANIES OF THE SLOVENSKE ŽELEZNICE GROUP				COMPANIES OF THE SLOVENSKE ŽELEZNICE GROUP								
	SŽ Group	SŽ EP	SŽ TP Group	Fersped	VV LOG	SŽ PP	SŽ INFRA	ŽGP Lj Group	SŽ VIT	ŽIP Lj Group	PI Lj	ŽT Lj	SŽ, d. o. o.
ASSETS	988,974	77,138	244,283	15,864	5,537	486,447	99,686	52,482	86,432	18,446	1,189	905	724,682
A. Non-current assets	516,907	77,130	137,598	8,251	348	202,348	13,070	24,100	32,450	12,640	196	543	590,974
Intangible assets	25,838	0	45	151	4	1,977	24	470	120	19	9	1	19,450
Right-of-use assets in connection with leases	17,051	0	7,541	2,593	307	2,236	1,073	9,025	1,128	2,496	26	149	328
Property, plant and equipment	397,178	0	125,723	1,264	33	185,550	10,863	12,423	29,496	9,892	71	333	13,463
Investment property	42,079	0	2,452	124	0	5,515	0	932	578	0	79	60	43,385
Investments in subsidiaries	0	77,130	0	3,003	0	0	0	0	0	0	0	0	433,392
Investments in joint ventures	0	0	0	0	0	0	0	0	0	0	0	0	0
Investments in associates	14,246	0	0	374	0	0	0	0	0	0	0	0	3,080
Other financial assets	2,144	0	0	1	0	0	0	0	2	0	0	0	2,141
Financial receivables	2,998	0	28	10	0	0	0	559	0	0	0	0	71,203
Operating receivables	4,082	0	1,302	25	0	185	138	360	310	233	0	0	3,474
Deferred tax assets	3,895	0	507	700	4	231	972	330	815	0	10	0	325
Other non-current assets	7,396	0	0	6	0	6,654	0	1	1	0	1	0	733
B. Current assets	472,067	8	106,685	7,613	5,189	284,099	86,616	28,382	53,982	5,806	993	362	133,708
Assets held for sale	53	0	0	0	0	0	0	0	1	0	0	0	52
Inventories	41,393	0	2,240	0	0	1,942	8,951	6,670	21,286	294	0	56	0
Financial assets	0	0	0	0	0	0	0	0	0	0	0	0	0
Financial receivables	2	0	40,000	0	0	80,277	26,001	0	1	941	506	177	31,085
Trade receivables	54,687	0	21,196	3,957	4,077	9,749	9,607	11,888	25,505	3,965	100	115	10,710
Other operating receivables	248,738	0	15,483	337	113	191,895	22,190	1,815	7,188	342	381	4	24,879
Receivables for corporate income tax	0	0	0	0	0	0	0	273	0	0	0	0	0
Cash and cash equivalents	127,194	8	27,766	3,319	999	236	19,867	7,736	1	264	6	10	66,982
EQUITY AND LIABILITIES	988,974	77,138	244,283	15,864	5,537	486,447	99,686	52,482	86,432	18,446	1,189	905	724,682
A. Equity	576,332	77,138	95,015	9,277	543	331,242	28,107	31,898	34,509	6,679	712	618	462,782
Called-up capital	359,530	5,100	36,861	3,139	11	285,940	15,828	3,152	26,068	6,073	162	265	359,530
Share premium account	45,002	72,038	4,720	0	0	0	0	0	6,608	0	112	498	45,002
Legal reserves	3,849	0	3,686	311	1	3,952	1,583	315	951	1,209	16	59	3,850
Reserves for treasury shares and own participating interests	0	0	0	0	202	0	0	0	0	0	0	95	0
Treasury shares and own participating interests	0	0	0	0	-202	0	0	0	0	0	0	-48	0
Revenue reserves	47,128	0	0	785	0	0	0	3,913	0	227	0	0	47,128
Fair value reserves	-7,958	0	-1,086	-78	8	-531	-2,337	-91	-2,340	-861	-15	-11	-616
Retained earnings	122,125	0	50,834	5,120	523	41,881	13,033	24,609	3,222	33	437	-240	7,888
Translation differences	-2	0	0	0	0	0	0	0	0	-2	0	0	0
Non-controlling interest	6,658	0	0	0	0	0	0	0	0	0	0	0	0
B. Non-current liabilities	257,045	0	99,608	2,580	312	109,617	11,376	6,837	12,129	6,561	107	175	86,787
Provisions for jubilee benefits and termination benefits	32,759	0	4,699	333	44	2,251	10,012	821	9,378	2,782	83	45	2,311
Other provisions	1,057	0	0	0	0	169	79	810	0	0	0	0	0
Non-current deferred income	1,207	0	9	0	0	1	2	181	33	979	0	0	2
Financial liabilities	106,935	0	90,685	0	0	0	0	0	1,666	666	0	0	82,719
Lease liabilities	8,650	0	4,164	2,112	268	1,016	910	4,993	951	2,106	14	130	283
Operating liabilities	106,437	0	51	135	0	106,180	373	32	101	28	10	0	1,472
Deferred tax liabilities	0	0	0	0	0	0	0	0	0	0	0	0	0
C. Current liabilities	155,597	0	49,660	4,007	4,682	45,588	60,203	13,747	39,794	5,206	370	112	175,113
Financial liabilities	23,329	0	9,555	0	0	0	3	0	23,217	667	0	0	168,913
Lease liabilities	6,086	0	3,430	535	50	1,245	201	1,695	209	459	13	24	56
Trade payables	39,651	0	22,148	2,864	4,467	22,256	24,675	9,207	5,007	2,186	10	29	3,498
Other operating liabilities	85,172	0	14,300	600	146	22,057	34,324	2,845	11,079	1,843	333	59	2,646
Liabilities for corporate income tax	1,359	0	227	8	19	30	1,000	0	282	51	14	0	0

HUMAN CAPITAL¹⁰

Only motivated, competent and professionally qualified employees can be instrumental in delivering our ambitious strategic business plan.

Strategic projects and objectives



¹⁰GRI 401-2

Key performance indicators of the Slovenske železnice Group¹¹

Information on employees	2021	2020	Index
Number of employees as at 31 December	6,752	6,925	97.5
Average number of employees	6,612	6,967	94.9
Average age of employees	45.8 years	46.6 years	98.3
Proportion of male employees	82.1%	82.0%	100.1
Proportion of female employees	17.9%	18.0%	99.4
Proportion of employees on permanent contracts	95.1%	95.6%	99.5
Proportion of full-time employees	98.3%	98.1%	100.2
Proportion of Category II or III workers with a disability	8.1%	9.0%	90.0
Average level of employee qualifications	4.6	4.5	102.2
Employee turnover rate	9.5%	10.1%	94.1
Employee sick leave rate	6.4%	5.4%	118.5
Number of contracts signed for part-time studies	33	1	
Number of working days lost (WDL) due to injury at work per injury	18.1	26.0	66.2
Rate of injuries at work per 1000 employees	23.1	19.0	120.0
Number of training courses	15,989	13,108	122.0

¹¹GRI 401-1, 403-9

Notable results in 2021

In 2021, companies of the Slovenske železnice Group began to implement the objectives of the Human Resource Management Strategy in the Slovenske železnice Group for the period 2021–2025. As a special achievement in 2021, it is worth noting that the Slovenske železnice Group received recognition for the second year in a row as:

- “The best employer in the logistics and passenger transport sector” (first place);
- “The best employer”, for ranking among the 10 top companies with the best reputation in the overall ranking among all sectors.

Implementation of the principle of equal treatment of all employees¹²

In accordance with the provisions of labour law, the Slovenske železnice Group adhered to 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 82.1%). Female employees predominate in Slovenske železnice, d. o. o., and Prometni institut Ljubljana, d. o. o. The proportion of women in management positions in the Slovenske železnice Group is 32.1% (44.8% at Slovenske železnice, d. o. o.), which is a significant improvement in terms of achieving a balanced gender structure, given the overall percentage of female employees and the specific nature of the activities of Slovenske železnice Group companies. The principle of equal wages for all employees is also pursued.

HR service development

Considering the timeline of further digitalisation and the expected employee fluctuation, we planned our needs for the replacement and recruitment of relevant staff so as to improve the educational structure and ensure the right competences for the performance of new tasks, and we also started to build a team responsible for the development of human resources for developmental activities.

We are planning to set up the implementation of strategic workforce planning in the SAP Analytics Cloud information system, which will bring transparency to HR planning in the Slovenske železnice Group.

Occupational health and safety¹³

Right after the COVID-19 epidemic broke out, the Slovenske železnice Group formed a special working group for the coronavirus (hereinafter referred to as the SWG). The SWG kept abreast of current measures to contain the spread of SARS-CoV-2 infections, which are adopted by the Slovenian government, and the recommendations of NIJZ (National Institute of Public Health) and applied them at the level of the Group, adjusting the measures to the work processes of Slovenske železnice as necessary. The SWG regularly monitored the epidemiological status within the Slovenske železnice Group, collecting data on the number of SARS-CoV-2 infection cases and the number of employees who received orders to quarantine. In accordance with this data, the SWG introduced additional measures to ensure the highest level of employee safety from infection with the SARS-CoV-2 virus. The SWG was at all times

in charge of protective equipment purchasing in the Slovenske železnice Group, making sure that adequate supplies of protective equipment were maintained within the Group regardless of national supply shortages, which helped reduce outbreaks of infections. As soon as the national vaccination strategy approved the availability of vaccination for people working in critical infrastructure, which includes Slovenske železnice Group employees, the SWG organised vaccination points in 12 Slovenian towns. The SWG contacted all health centres in those towns and in the shortest time possible booked vaccination appointments for all the interested employees of the Slovenske železnice Group.

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).

There were more accidents at work than the year before. The number of working days lost was lower.

We also acquired an electronic fire extinguishing simulator for employee training.

Care for health, well-being and an orderly working environment, and social activities¹⁴

The Slovenske železnice Group carries out many activities to promote health in the workplace, and we offer our employees opportunities to take part in preventive health programmes. Health is promoted across the company to increase the safety of the working environment, improve working conditions, and to inform and educate workers for better physical and mental health. The Slovenske železnice Group also provides psychosocial support for its employees.

The aim of preventive health programmes is to boost health and improve mental and physical abilities for increased working capacity. Employees

have the option to attend preventive health retreats at the Vitalis Centre and at a selected thermal spa.

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 pandemic. Sporting activities were carried out at the level of individual recreation within the Slovenian Railway Workers Sport Association. We also promote a healthy lifestyle through a multitude of events.

An important part of ensuring diversity and inclusion in the Slovenske železnice Group is zero tolerance for mobbing and sexual and other kinds of harassment in the workplace. Any instances of such conduct are efficiently investigated in accordance with the dedicated Guidance on the prohibition of mobbing, sexual and other harassment and psychosocial risks in the workplace.

Psychosocial support for employees is available in the Slovenske železnice Group. Its purpose is to alleviate and ease the burden of emotional and mental distress, to help find appropriate solutions and provide psychosocial first aid or psychological support for employees in the form of an unburdening talk after an extraordinary event.

We pay particular attention to workers with disabilities who are no longer able to perform their former jobs. In 2021, the Slovenske železnice Group had 546 workers with disabilities in its employment, 516 of which had a Category III disability and 30 of which had a Category II disability.

Further employee benefits

Every employee of the Slovenske železnice Group can participate in the voluntary supplementary pension insurance scheme, which is co-funded by the employer. Employees in the Slovenske železnice Group have the opportunity to take out collective accident insurance through their employer.

¹²GRI 405-2 ¹³GRI 403-1, 403-5

¹⁴GRI 403-6

Any employees who face some form of social and financial problem or crisis may apply for regular or extraordinary solidarity benefits.

The Slovenske železnice Group encourages a proactive attitude in its employees as regards the detection of deviations and potential sources of hazard by allocating a bonus for the prevention of material damage or rail traffic accidents, and by allocating a one-off cash payment or some other financial incentive to workers who have achieved exceptional results in their work or whose actions prevented rail traffic accidents.

Employees of the Slovenske železnice Group may respond to the call for applications for housing to let, which is published several times a year. Each application is examined and scored using the criteria for the lease of housing to let.

SŽ-ŽIP, storitve, d. o. o., manages several holiday facilities in the mountains, at the seaside and at spas, which are available to employees and their families, who can spend their annual leave there.

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 or work performance of employees, and that employees are an employer's ambassadors.

We developed six pillars of internal communication to ensure that our employees are well-informed. Those pillars are as follows:

- Slovenske železnice's magazine *Nova proga*,
- portal at www.novaproga.si,
- weekly newsletter,
- social networks,

- intranet portal,
- special publications intended for employees.

Communication is becoming increasingly digitalised, two-way and interactive. Our employees are updated on developments in all companies of the Slovenske železnice Group and about activities in rail transport in Slovenia and beyond. An important element of communication is content about employee safety and infographics. In 2021, there were 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.

In 2022, we are planning to update the *Nova proga* magazine and adopt a strategy of internal communications in Slovenske železnice.

Risks

We identified the following risks in the HR field:

- ensuring an adequate number of employees and scarce human resources;
- ensuring an adequate educational structure;
- ensuring relevant competences and professional qualification of employees;
- ensuring a balanced age structure; and
- enabling a framework of promotions and bonuses for the most committed and key employees.

Opportunities

HR development

In 2021, our focus was on developing basic tools that will allow us in 2022 to identify staff in need of further development and gather the information required to prepare career plans. We see HR development as a key opportunity in the area of human capital.

Annual development interviews

In 2021, all the necessary arrangements were made to start introducing annual development interviews.

The introduction of annual development interviews will serve as a basis for a more individualised approach to the inclusion of management personnel in the programmes of the 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 talent, as well as the conducting of annual interviews. Career plans resulting from annual development interviews will allow us to systematically monitor the development of talent across the Slovenske železnice Group.

Development of the organisational culture

We carried out an anonymous survey measuring commitment and motivation amongst employees in the Slovenske železnice Group by means of the questionnaire "Working conditions and environment". The questionnaire measured three thematic segments – opportunities for self-realisation, working conditions and work relationships and cooperation.

The results of measurements showed that the average value of commitment and motivation at Group level was 3.71 on an overall scale from 1 to 5.

Part-time studies

In 2021, there was a call for applications for co-financed part-time education of employees in the Slovenske železnice Group. The emphasis was on study courses for scarce qualifications which had been identified in the Slovenske železnice Group as required in the future. Thirty-three contracts for the co-financing of part-time studies were signed. In this way, we hope to promote the development of expertise in employees and further develop their competencies.

By co-financing part-time education, we strove to assist our employees on their journeys to complete their studies and raise their motivation levels.

Mentorship and organisational socialisation (onboarding)

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.

A total of 1,519 employees in the Slovenske železnice Group performed mentorship tasks in 2021. In comparison with 2020, when mentorship tasks were carried out by 1,349 employees, we increased the volume of activities related to the transfer of knowledge. In terms of monitoring and job coaching, mentors transferred specific skills and experience for effective work performance in a particular job role by using methods such as on-the-job learning and job shadowing, which affords the employee direct insight into the work or work field.

We are going to include different generations of mentors and mentees in the mentorship system in order to meet our goal of ensuring employee diversity and inclusion.

In 2022, we are planning to establish systematic monitoring of newly recruited employees, which will allow us to efficiently monitor new employees in the probation period and measure their satisfaction.

Education and training

At Slovenske železnice Group, we are aware how important it is to ensure high-quality training and access to educational content for all employees.

Accordingly, professional training of safety critical workers was conducted, where Slovenske železnice, d. o. o., maintained its status as a training and testing centre for train drivers.

In 2021, theoretical training included more candidates than in 2020, when 290 employees were engaged in theoretical training, specifically for the positions of traffic coordinator, train driver, conductor and service technician for infrastructure devices. The total number of professional training courses for safety critical workers was higher in

2021, with 9,440 courses completed, chiefly as a result of the routine periodic testing of professional qualifications in safety critical staff, which is conducted every three years.

We are also in charge of training for all other employees in the Group. Functional training courses were held in the areas of developing core and leadership competencies, occupational safety, safe handling and maintenance of devices, maintaining and acquiring various qualifications and licences, and following new developments through participation at seminars and conferences.

In 2021, we continued to develop e-training and established a modern studio that allows us to prepare effective learning modules. We prepared a large selection of e-courses, e-materials, recordings of lectures and other learning material, and e-testing. Some e-courses were also prepared for the foreign market. The introduction of e-learning proved to be an effective way of transferring knowledge and adapting to current circumstances. Its advantage for the participants is greater adaptability to their own learning dynamics, and it also cuts labour costs for the company.

We established an internal academy which delivers Management Academy programmes and courses for improving the core competencies of employees in administrative positions. The Management Academy ran three programmes – for directors, managers and workers' directors, for informal leaders, and for coordinators of work processes. All the programmes are designed to offer maximum support for the development of the competencies needed by the employees in those positions to carry out their work efficiently. The main emphases were on the development of leadership skills, reflection on the process of selecting and developing successors, the introduction of annual development interviews and other modern methods of managing employees.

Courses for improving core competencies in administrative positions took the form of e-courses, which were tailored to the needs of the employees. Employees selected their preferred courses from

the available range of competency groups, and they could determine the course timing.

Special attention was given to workforce ageing, and we joined the ASI project which aims to strengthen core competencies in older employees. Within this project two courses are available for the included employees, focusing on digital skills and intergenerational cooperation. The project activities are co-financed by the European Social Fund and the Ministry of Labour, Family, Social Affairs and Equal Opportunities.

It is our tradition to participate in the regional Civil Protection drills every year. A particularly interesting drill dealt with the case of an accident involving a hazardous substance during a rail accident, entitled "Luka Koper 2021". According to the national risk assessment, the coastal region was rated as a maximum-risk region for accidents involving hazardous substances. The aim of the drill was to test the expertise and preparedness of protection, rescue and relief forces and their coordination when working on extraordinary events/interventions.

Employee training regarding objectives and work 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 made aware of the consequences of improper work or the omission of work procedures.

Work placements

The Slovenske železnice Group provided work placements for secondary- and tertiary-education students in a range of professional fields, taking into account the possibilities afforded by the work process and the availability of suitable mentors.

We collaborate with schools in their apprenticeship programmes and promote Slovenske železnice at meetings between companies and prospective apprentices. We offer apprentices the opportunity to complete practical training by working in our learning posts. In 2021, the apprenticeship programme was completed by the first candidate. We see work placements as an important opportunity in the area of human capital.

Scholarships

Based on a situation analysis and future HR requirements, the Slovenske železnice Group published a call for applications for company scholarships to secure the human resources it lacks. We invited applications from candidates for various scarce qualifications such as those in mechanical engineering, metalwork, electrical engineering, construction, mechatronics, traffic, logistics and computer and information science.

Visibility of the Slovenske železnice Group

To improve the visibility of the Slovenske železnice Group in the labour market as a desirable employer we will, in 2022, strengthen the role of employer branding and links with educational institutions which cover fields of study matching the scarce qualifications identified within the Group.

Indicators by pillar ¹⁵

Structure of human resources

Number of employees as at 31 December 2021

	2021	2020	Index
SŽ-Tovorni promet Group	1,024	1,055	97.1
Fersped, d. o. o.	62	62	100.0
VV-LOG, d. o. o.	22	21	104.8
Logistics	1,108	1,138	97.4
SŽ-Potniški promet, d. o. o.	560	568	98.6
Passenger mobility	560	568	98.6
SŽ-Infrastruktura, d. o. o.	1,981	2,071	95.7
PRI management	1,981	2,071	95.7
SŽ-Železniško gradbeno podjetje Group	267	267	100.0
Construction	267	267	100.0
SŽ-Vleka in tehnika, d. o. o.	1,827	1,811	100.9
SŽ-ŽIP Group	597	625	95.5
Prometni institut Ljubljana, d. o. o.	12	13	92.3
SŽ-Železniška tiskarna, d. d.	10	9	111.1
Slovenske železnice, d. o. o.	390	423	92.2
Support activities	2,836	2,881	98.4
Slovenske železnice Group	6,752	6,925	97.5

Employees by age

	Total	up to 24	25 to 29	30 to 34	35 to 39	40 to 44	45 to 49	50 to 54	55 to 59	over 59
SŽ-Tovorni promet Group	1,024	34	65	87	114	144	162	221	174	23
Fersped, d. o. o.	62	1	6	1	5	9	14	10	11	5
VV-LOG, d. o. o.	22		4	7	4	4	1	1	1	
Logistics	1,108	35	75	95	123	157	177	232	186	28
SŽ-Potniški promet, d. o. o.	560	34	46	56	58	52	78	126	103	7
Passenger mobility	560	34	46	56	58	52	78	126	103	7
SŽ-Infrastruktura, d. o. o.	1,981	54	100	164	187	203	282	509	419	63
PRI management	1,981	54	100	164	187	203	282	509	419	63
SŽ-Železniško gradbeno podjetje Group	267	12	16	35	43	44	41	27	34	15
Construction	267	12	16	35	43	44	41	27	34	15
SŽ-Vleka in tehnika, d. o. o.	1,827	45	124	148	228	192	278	524	261	27
SŽ-ŽIP Group	597	11	21	24	31	54	93	143	176	44
Prometni institut Ljubljana, d. o. o.	12				4	3	2	2	1	
SŽ-Železniška tiskarna, d. d.	10		1	1		1		3	3	1
Slovenske železnice, d. o. o.	390	3	25	21	34	49	52	78	105	23
Support activities	2,836	59	171	194	297	299	425	750	546	95
Slovenske železnice Group	6,752	194	408	544	708	755	1,003	1,644	1,288	208

¹⁵GRI 102-8, 401-1, 403-5, 404-1, 405-1

The average age of employees in the Slovenske železnice Group at the end of December 2021 was 45.8 years, a reduction of 0.8 years relative to the previous year.

Employees by educational level

	Total	I	II	III	IV	V	VI	VII	VIII	IX
SŽ-Tovorni promet Group	1,024	152	6	49	368	294	65	81	9	
Fersped, d. o. o.	62	1			2	20	11	26	2	
VV-LOG, d. o. o.	22				1	14		7		
Logistics	1,108	153	6	49	371	328	76	114	11	
SŽ-Potniški promet, d. o. o.	560	3		4	164	278	48	53	20	
Passenger mobility	560	3		4	164	278	48	53	20	
SŽ-Infrastruktura, d. o. o.	1,981	220	10	57	420	851	198	198	27	
PRI management	1,981	220	10	57	420	851	198	198	27	
SŽ-Železniško gradbeno podjetje Group	267	20	1	2	112	81	22	27	2	
Construction	267	20	1	2	112	81	22	27	2	
SŽ-Vleka in tehnika, d. o. o.	1,827	34	42	53	590	872	117	101	18	
SŽ-ŽIP Group	597	238	7	31	159	113	24	21	4	
Prometni institut Ljubljana, d. o. o.	12						1	4	5	2
SŽ-Železniška tiskarna, d. d.	10	3			5	1		1		
Slovenske železnice, d. o. o.	390	2			10	102	56	171	46	3
Support activities	2,836	277	49	84	764	1,088	198	298	73	5
Slovenske železnice Group	6,752	673	66	196	1,831	2,626	542	690	123	5

HR development

Results of commitment and motivation measurement

	Overall scale	Opportunities for self-realisation	Working conditions	Work relationships and cooperation
Logistics	3.79	3.79	3.56	4.05
Passenger mobility	3.75	3.80	3.34	4.10
PRI management	3.68	3.75	3.33	4.02
Construction	3.54	3.67	3.05	3.85
Support activities	3.97	4.04	3.66	4.22
Slovenske železnice Group	3.71	3.81	3.33	4.02

Mentoring

number of hours		Mentoring of candidates for safety critical worker positions	Mentoring of candidates for other positions	Total
Logistics	SŽ-Tovorni promet, d. o. o.	20,802	2,960	23,762
	Fersped, d. o. o.		478	478
Passenger mobility	SŽ-Potniški promet, d. o. o.	381	4,401	4,782
PRI management	SŽ-Infrastruktura, d. o. o.	49,024	6,307	55,331
Construction	SŽ-ŽGP Ljubljana, d. d.	1,511	240	1,751
Support activities	SŽ-VIT, d. o. o.	87,370	15,442	102,812
	SŽ-ŽIP, storitve, d. o. o.		96	96
	Slovenske železnice, d. o. o.		6,109	6,109
Slovenske železnice Group		159,088	36,033	195,121

Employee training

Number of training courses		Professional training	Functional training
Logistics	SŽ-Tovorni promet, d. o. o.	834	1,994
	Fersped, d. o. o.		235
	VV-LOG, d. o. o.		45
Passenger mobility	SŽ-Potniški promet, d. o. o.	408	468
PRI management	SŽ-Infrastruktura, d. o. o.	2,149	2,461
Construction	SŽ-ŽGP Ljubljana, d. d.	93	191
Support activities	SŽ-VIT, d. o. o.	2,110	2,502
	SŽ-ŽIP, storitve, d. o. o.		872
	Prometni institut Ljubljana, d. o. o.		3
	SŽ-Železniška tiskarna, d. d.		1
	Slovenske železnice, d. o. o.		1,623
Slovenske železnice Group		5,594	10,395

Number of employees included in professional training for safety critical workers

	Theoretical training	Receipt of the first certificate	Receipt of the next certificate	Profes- sional Training	Special assessment of professional competence	Work under supervision	Total professional training courses
Logistics	88	69	6	584	18	69	834
Passenger mobility	33	2	0	363	8	2	408
PRI management	147	168	79	1,518	69	168	2,149
Construction	4	4	8	65	8	4	93
Support activities	67	158	512	1,185	30	158	2,110
Slovenske železnice Group	339	401	605	3,715	133	401	5,594

Number of functional training courses for employees

	Functional training	Hours of functional training
Logistics	2,274	6,509
Passenger mobility	468	5,907
PRI management	2,461	12,043
Construction	191	539
Support activities	5,001	20,813
Slovenske železnice Group	10,395	45,811

Scholarships

		No. of agreements
Logistics	SŽ-Tovorni promet, d. o. o.	10
Passenger mobility	SŽ-Potniški promet, d. o. o.	2
PRI management	SŽ-Infrastruktura, d. o. o.	39
Construction	SŽ-ŽGP Ljubljana, d. d.	1
Support activities	SŽ-VIT, d. o. o.	29
	Prometni institut Ljubljana, d. o. o.	1
	Slovenske železnice, d. o. o.	1
Slovenske železnice Group		83

Part-time studies

		No. of agreements
Logistics	SŽ-Tovorni promet, d. o. o.	1
	Fersped, d. o. o.	-
Passenger mobility	SŽ-Potniški promet, d. o. o.	4
PRI management	SŽ-Infrastruktura, d. o. o.	15
Support activities	SŽ-VIT, d. o. o.	10
	Slovenske železnice, d. o. o.	3
Slovenske železnice Group		33

Work placements

		Number
Logistics	SŽ-Tovorni promet, d. o. o.	2
	Fersped, d. o. o.	-
Passenger mobility	SŽ-Potniški promet, d. o. o.	3
PRI management	SŽ-Infrastruktura, d. o. o.	16
Construction	SŽ-ŽGP Ljubljana, d. d.	-
Support activities	SŽ-VIT, d. o. o.	48
	Slovenske železnice, d. o. o.	6
Slovenske železnice Group		75

PRODUCTION CAPITAL

The production capital of the Slovenske železnice Group primarily comprises the structures, tools, devices, rolling stock and technologies that we possess to perform our services and accomplish our vision and mission. This capital receives great attention in the process of planning and operation.

Strategic projects and objectives

- renewal of the train fleet of SŽ-Potniški promet, d. o. o.;
- construction of a bus station, commercial building and parking garage within the project of building the LPC;
- renewal of the rolling stock of SŽ-Tovorni promet, d. o. o.;
- purchase of machinery for the maintenance of rail infrastructure;
- modernisation of production capacities for the maintenance of rolling stock;
- construction of a service centre for the washing and cleaning of rolling stock.

Key indicators

Indicator	Unit	2021	2020	Index
Availability of tractive vehicles	number of tractive stock	168	157	107.0
Utilisation of locomotives	number of hours a day	2,421	1,984	122.0
Utilisation of locomotives	number of kilometres a day	64,516	54,222	119.0
Light runs	number of hours a day	86	73	117.8
SŽ-Potniški promet, d. o. o.				
Availability of vehicles				
• electric locomotives type 342	%	87	89	97.8
• EMU	%	91	92	98.9
• DMU	%	74	65	113.8
• passenger coaches	%	68	67	101.5
SŽ-Tovorni promet, d. o. o.				
Availability of vehicles				
• electric locomotives types 363 and 541	%	88	76	115.8
• diesel locomotives	%	60	62	96.8
• freight wagons	%	93	92	101.1

Logistics

Number of tractive stock

	2021
Electric locomotives	79
Electric trains	62
Diesel locomotives	69
Diesel trains	75
Heritage steam locomotives	4
Total	289

Freight wagons

Type of wagon	Serviced	In reserve	Total	Average age
For bulk cargo	1,255	535	1,790	37.0
Containers	276	154	430	42.2
Other wagons	193	167	360	36.2
Total	1,724	856	2,580	37.8
Leased wagons	661		661	
Total	2,385	856	3,241	

SŽ-Tovorni promet, d. o. o., owns warehouses with a total surface area of 33.8 thousand square metres in Koper, Sežana, Celje, Ptuj, Novo mesto and other Slovenian towns.

Passenger mobility

Passenger coaches

Passenger coaches	Number of wagons /units	Number of seats		
		1st class	2nd class	Total
Passenger coaches with seats	87	702	4,296	4,998
Other passenger coaches	7	30	59	89
- baggage cars	2			
- dining cars	5	30	59	89
Total conventional passenger coaches	94	732	4,355	5,087
Wagons in motorised trains	350	478	22,474	22,952
Total passenger coaches	444	1,210	26,829	28,039

PRI management

SŽ-Infrastruktura, d. o. o., owns intervention track machinery, track machinery and equipment used for the purposes of routine track maintenance.

Emergency machines are specialised rail vehicles and equipment, chiefly used to remedy the consequences of extraordinary events and ensure the smooth flow of railway traffic. Intervention machinery includes an intervention wagon, railway cranes, a road-rail intervention vehicle used to remedy the consequences of extraordinary events, a snow thrower and snow-removal ploughs.

We have our own track machinery for regular line maintenance, specifically tamping machines for machine regulation of tracks, a track ballast plough, road-rail vehicles for vegetation and material removal, heavy track motor vehicle with trailer wagons for the movement of material when maintaining tracks and overhead lines.

In addition to track machinery, the company owns road machinery (cars, vans, lorries), smaller construction machinery (machines for sleeper replacement, tractors, excavators, etc.) and other

tools, equipment and measuring equipment (rail screwing machines, drilling machines, welding equipment, measuring equipment etc.) for maintenance services.

Construction

The production capital that delivers the key competitive advantage of Železniško gradbeno podjetje (ŽGP) is its possession of track machinery. This is specialised equipment for new construction and the renewal of rail infrastructure. Besides specialised machinery, the company also has all the necessary transport and construction machinery.

Kamnlom Verd is a quarry that extracts technical stone (limestone for further processing, in-house use and sale) and meets the demand for rock aggregates in the wider area. Technical stone extraction is carried out on the basis of a concession contract. Rock aggregates are used for a variety of purposes, predominantly in construction, for concrete, asphalts, mortars, track beds, the load-bearing buffer layer, microfillers, backfills and embankments, stone reinforcements, watercourse regulation etc. The quarry’s output ranges from 300 to 900 thousand tonnes a year.

Support activities

Slovenske železnice, d. o. o.

The basic aim of IT production capital is to ensure smooth and safe railway transport and the smooth operation of all support systems with 99.9% reliability. Our system maintains over one hundred servers, several thousand workstations and other devices, with priority on safety and operational reliability.

In order to ensure reliable and efficient operation of all IT systems and services that follow the digitalisation strategy, we need a number of systems which constitute the production capital in the Group. These primarily include the facilities of the computer centre and the back-up computer centre, along with devices, systems

and technologies, which are subject to regular hardware and software upgrades and updates to facilitate the further development of services. The most important changes made in the area of IT infrastructure were upgrades to the data backup/restore systems and the private cloud server for virtual infrastructure. Both systems were deployed within the concept of geo-redundancy and active high availability.

As the risks with regard to information and cybersecurity increased in the last few years, we intensified our investments in the introduction and maintenance of new IT solutions which ensure a higher level of ICT security. Most importantly, we introduced SIEM, a system for the management of security events and information from various sources within the companies of the Slovenske železnice Group (network devices, firewalls, servers, workstations and applications). This enables the centralised detection and analysis of faulty or harmful functioning of dispersed IT systems, which in turn facilitates the rapid detection and responses to such events and reduces their negative impact on uninterrupted company operations. This system has established an environment that achieves the required compliance with legislation and regulations relating to IT risk management and personal data protection.

SŽ-VIT, d. o. o.

SŽ-VIT, d. o. o., offers all services needed for the maintenance of all types of railway vehicles, and specifically inspections, overhauls, unplanned repairs, modifications and modernisation.

This activity is carried out in workshops in Ljubljana, Maribor, Divača, Dobova and Ptuj, and at work sites in Zalog, Koper, Nova Gorica and Tezno.

Workshop	Workshop tracks (number)	Rail pits (metres)
Ljubljana	25	1,820
Maribor	19	550
Divača	9	308
Ptuj	11	140
Dobova	9	160
Total	73	2,978

Maintenance services by location

Vehicle type	Type of maintenance			
	inspections	overhauls	unplanned repairs	modifications, modernisation
ELOC	Lj	Lj	Lj, Do	Lj
DLOC	Mb, Lj, Di, Nm	Mb, Lj	Mb, Lj, Di, Do	Mb, Lj
EMU	Lj	Lj	Lj, Do	Lj
DMU	Mb, Lj, Pt, Di, NG, Nm	Mb, Lj, Pt	Mb, Lj, Pt, Di, Do, Nm	Mb, Lj, Pt
passenger coaches	Lj, Pt, Di, Do	Pt	Lj, Pt, Di, Do	Pt
freight wagons	Za, Ce, Pt, Do, Di, Kp	Do, Pt	Za, Te, Pt, Do, Di, Kp, Do	Do
tank car	Za, Te, Ce, Pt, Do, Kp	Do	Za, Te, Pt, Do, Di, Kp, Do	Do
special vehicles	Lj, Di, MB, Pt	Lj, Di, Mb, Pt	Lj, Di, Mb, Do, Pt	Lj, Mb, Pt

SŽ-ŽIP, storitve, d. o. o.

SŽ-ŽIP manages 15 car parks (55.1 thousand square metres) and 194 holiday facilities with 778 beds, which are owned by Slovenske železnice Group.

Notable results in 2021

Investments¹⁶

In 2021, the Slovenske železnice Group made investments in fixed assets that were 121.1% greater than in 2020.

Investments by the Slovenske železnice Group in 2021

	EUR thousand	2021	2020	Index
Logistics	SŽ-Tovorni promet, d. o. o.	21,054	12,102	174
	Fersped, d. o. o.	20	61	32.8
	VV-LOG, d. o. o.	1	0	
Passenger mobility	SŽ-Potniški promet, d. o. o.	94,740	35,247	268.8
PRM management	SŽ-Infrastruktura, d. o. o.	2,977	1,814	164.1
Construction	SŽ-Železniško gradbeno podjetje Ljubljana Group	5,792	4,012	144.4
Support activities	SŽ-Vleka in tehnika, d. o. o.	2,086	2,988	69.8
	SŽ-ŽIP, storitve, d. o. o.	633	375	168.8
	Prometni institut Ljubljana, d. o. o.	51	12	
	SŽ-Železniška tiskarna, d. d.	0	0	
	Slovenske železnice, d. o. o.	3,885	2,737	141.9
Slovenske železnice Group		131,239	59,348	221.1

Investments by the Slovenske železnice Group in 2021 by purpose

EUR thousand	2021	2020	Index
Rolling stock	119,565	47,060	254.1
Construction machinery	1,019	858	118.8
Road vehicles	1,176	927	126.9
Information technology	4,485	3,884	115.5
Property	3,123	2,943	106.1
Production equipment	1,584	3,339	47.4
Communications equipment	222	112	198.2
Other	65	225	28.9
Total	131,239	59,348	221.1

¹⁶GRI 203-1

A total of 91.1% of all investments in 2021 were earmarked for rolling stock that is required for the uninterrupted provision of passenger and freight transport services. Most of the funds (74.3%) were earmarked for the modernisation of the train fleet in rail passenger transport, specifically for the purchase of new, modern Stadler passenger trains. A considerable proportion (6.3%) went towards the modernisation of the train fleet in freight transport, and 3.4% of the investments in rolling stock were allocated to investments in new special-purpose rail vehicles.

In order to ensure the maximum availability and safety of rolling stock, investments in rolling stock included regular overhauls to and the maintenance of vehicles after the expiry of their lifecycle, and vehicle adaptations. Some 11.7% of investments in rolling stock were earmarked for regular overhauls, 6.6% of which was for overhauls of tractive vehicles, 3.7% for overhauls of unpowered rolling stock and 1.4% for overhauls of special-purpose rail vehicles.

Adaptations of rolling stock accounted for 4.3% of investments in rolling stock, most of it for adaptations to tractive vehicles.

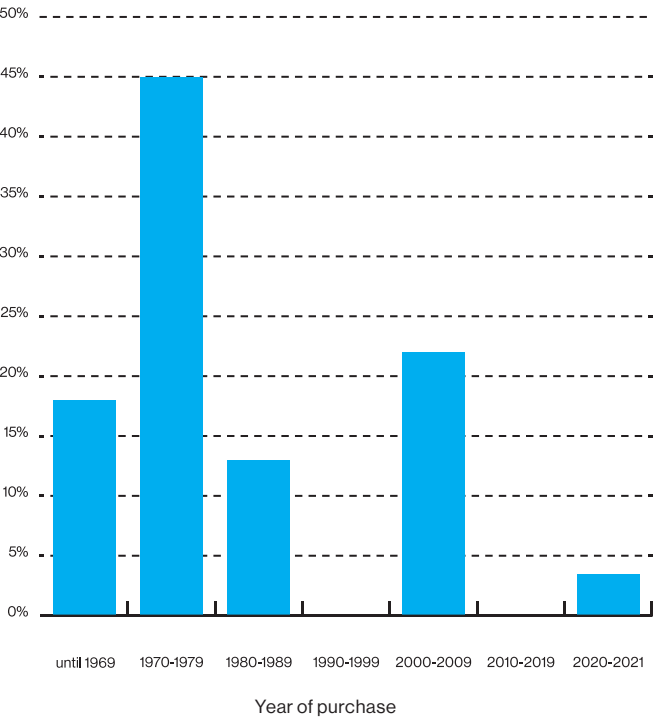
Other significant investments were made in the renewal of the business information system and in other digitalisation programmes (3.4% of all investments), in the replacement of production equipment (1.2% of all investments) and in real estate, primarily the modification of buildings for commercial activities (2.4% of all investments).

Activities relating to production capital

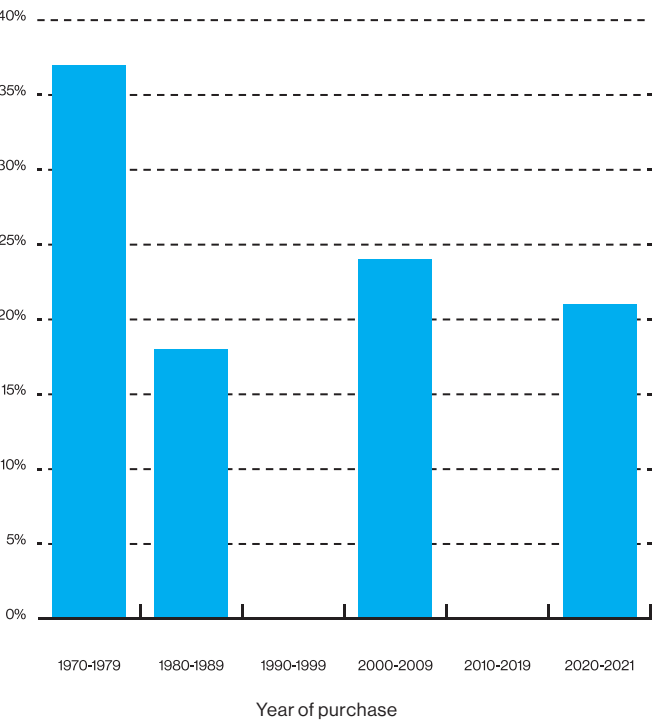
The largest proportion of investments in 2021 comprised investments in the modernisation of the fleet of rolling stock, specifically the purchase of 14 electric Stadler trains in passenger transport, four shunting locomotives for freight transport and a tamping machine for rail infrastructure maintenance.

Vehicles in use as at 31 December 2021 by year of purchase

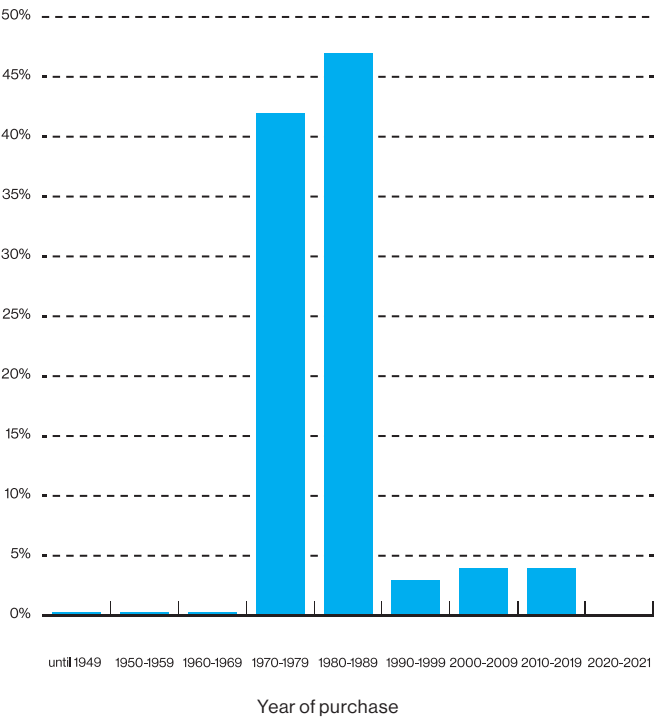
Purchase structure for locomotives (status on 31/12/2021)



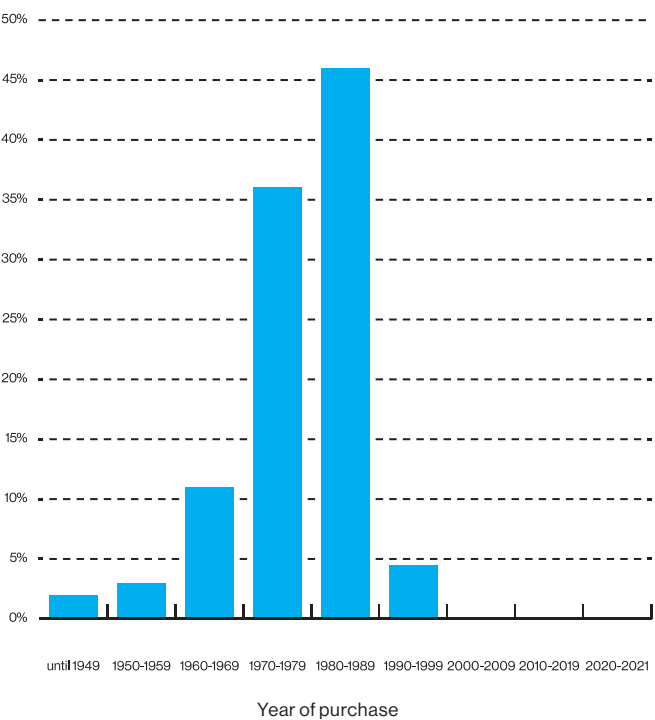
Purchase structure for passenger multiple units (status on 31/12/2021)



Purchase structure for freight wagons (status on 31/12/2021)



Purchase structure for conventional passenger coaches (status on 31/12/2021)



Opportunities

In the following years, investment programmes will continue to pursue the objectives set out in the Strategic Business Plan of the Slovenske železnice Group for the period 2021-2025, as follows:

- The modernisation of our fleet of rolling stock in passenger and freight transport will help us achieve the objective of becoming the leading provider of comprehensive logistics services for freight and passenger transport in the region.
- The modernisation of the fleet of passenger trains will provide passengers with comfortable, safe and modern transport.
- The purchase of new machinery for the maintenance of rail infrastructure will facilitate long-term modernisation of rail infrastructure as a requirement for the development of modern logistics services.
- Preparation of relevant documentation for the LPC and its construction will contribute to the integration of public rail and bus transport services.
- The renewal of the BIS (business information system) and other digitalisation programmes is an essential cornerstone of further development.

Indicators by pillar

Investments by pillar, company and purpose in 2021

Investments		LOGISTICS				PASSENGER MOBILITY	PRI MANAGEMENT	CONSTRUCTION	SUPPORT ACTIVITIES				
EUR thousand		SŽ Group	SŽ-Tovorni promet	Fersped	VV-LOG	SŽ-Potniški promet	SŽ-Infrastruktura	SŽ-ŽGP Group	SŽ-VIT	SŽ-ŽIP	Prometni institut Ljubljana	SŽ-Železniška tiskarna	SŽ, d. o. o.
A.	ROLLING STOCK	119,565	19,916	0	0	93,735	1,641	4,114	105	0	0	0	54
1.	Tractive vehicles	109,271	16,630	0	0	92,536	0	0	105	0	0	0	0
1.1	New purchases	96,316	7,473	0	0	88,843	0	0	0	0	0	0	0
1.2	Periodic maintenance	7,856	4,722	0	0	3,134	0	0	0	0	0	0	0
1.3	Adaptations	5,099	4,435	0	0	559	0	0	105	0	0	0	0
2.	Unpowered rolling stock	4,485	3,286	0	0	1,199	0	0	0	0	0	0	0
2.1	New purchases	2	0	0	0	2	0	0	0	0	0	0	0
2.2	Periodic maintenance	4,483	3,286	0	0	1,197	0	0	0	0	0	0	0
2.3	Adaptations	0	0	0	0	0	0	0	0	0	0	0	0
3.	Special-purpose rail vehicles	5,809	0	0	0	0	1,641	4,114	0	0	0	0	54
3.1	New purchases	4,061	0	0	0	0	42	4,019	0	0	0	0	0
3.2	Periodic maintenance	1,661	0	0	0	0	1,540	67	0	0	0	0	54
3.3	Adaptations	87	0	0	0	0	59	28	0	0	0	0	0
B.	CONSTRUCTION MACHINERY	1,019	0	0	0	0	359	660	0	0	0	0	0
1.	Heavy machinery	701	0	0	0	0	142	559	0	0	0	0	0
2.	Light machinery	318	0	0	0	0	217	101	0	0	0	0	0
C.	ROAD VEHICLES	1,176	41	0	0	0	332	360	96	307	40	0	0
1.	Passenger transport vehicles	0	0	0	0	0	0	0	0	0	0	0	0
2.	Goods vehicles	224	0	0	0	0	219	5	0	0	0	0	0
3.	Transport vehicles	91	0	0	0	0	0	91	0	0	0	0	0
4.	Cars	861	41	0	0	0	113	264	96	307	40	0	0
5.	Other vehicles		0	0	0	0	0	0	0	0	0	0	0
D.	INFORMATION TECHNOLOGY	4,485	30	12	0	674	141	92	276	10	9	0	3,241
E.	PROPERTY	3,123	1,022	5	0	16	141	154	1,020	222	1	0	542
1.	Holiday capacities	193	0	0	0	0	0	7	12	0	1	0	173
2.	Housing	0	0	0	0	0	0	0	0	0	0	0	0
3.	Investment maintenance (buildings)	1,489	994	0	0	2	0	3	471	19	0	0	0
4.	Maintenance of tracks and switch points	10	0	0	0	0	0	0	10	0	0	0	0
5.	Business facilities	898	0	-3	0	0	0	0	419	183	0	0	299
6.	Land	214	8	0	0	0	0	142	45	0	0	0	19
7.	Equipment	319	20	8	0	14	141	2	63	20	0	0	51
F.	PRODUCTION EQUIPMENT	1,584	6	0	0	304	292	334	577	71	0	0	0
1.	Machines and devices	671	6	0	0	304	167	37	106	51	0	0	0
2.	Tools and equipment	475	0	0	0	0	32	150	279	14	0	0	0
3.	Measuring devices	110	0	0	0	0	81	0	29	0	0	0	0
4.	Lifting and transport devices	67	0	0	0	0	12	0	55	0	0	0	0
5.	Parking systems	0	0	0	0	0	0	0	0	0	0	0	0
6.	Other equipment	261	0	0	0	0	0	147	108	6	0	0	0
G.	COMMUNICATIONS EQUIPMENT	222	39	3	1	11	71	13	12	23	1	0	48
1.	Surveillance systems	71	31	2	0	1	0	4	0	16	0	0	17
2.	Telephone equipment and switchboards	80	8	1	1	7	17	9	10	3	1	0	23
3.	Video and audio equipment	17	0	0	0	3	0	0	2	4	0	0	8
4.	Network equipment	54	0	0	0	0	54	0	0	0	0	0	0
H.	OTHER	65	0	0	0	0	0	65	0	0	0	0	0
	TOTAL	131,239	21,054	20	1	94,740	2,977	5,792	2,086	633	51	0	3,885

SOCIAL CAPITAL¹⁷

Social capital is a form of economic and cultural capital which creates social networks through relationships that are based on reciprocity, trust and cooperation.

Stakeholder portfolio

Cooperation with all stakeholders is the established way of implementing our corporate vision, mission, strategy, and management and governance. We maintain and nurture a responsible relationship of cooperation and partnership with our stakeholders as the key elements of social capital.

National institutions, European Union institutions and regulators:

- Slovenski državni holding, d. d., which executes its founder rights on behalf of the Republic of Slovenia as the only founder and sole partner of Slovenske železnice, d. o. o.;
- National Assembly of the Republic of Slovenia;
- Ministry of Infrastructure, Slovenian Infrastructure Agency;
- Public Agency of the Republic of Slovenia for Railway Transport;
- Supervisory Board of Slovenske železnice;
- European Commission;
- DG RAIL – Directorate-General for Mobility and Transport (a body of the European Commission);
- ERA – European Union Agency for Railways.

Suppliers:

- producers of electricity and petroleum products;
- other suppliers and business partners.

Vocational and professional associations:

- ERA;
- CER;
- Chamber of Commerce and Industry – Transport Association;
- Slovenian Logistic Association

Research and educational organisations:

- The universities of Ljubljana and Maribor;
- Institute of Traffic and Transport Ljubljana
- educational institutions – primary, secondary and other schools,

Civil society:

- communities;
- civil initiatives;
- non-governmental organisations.

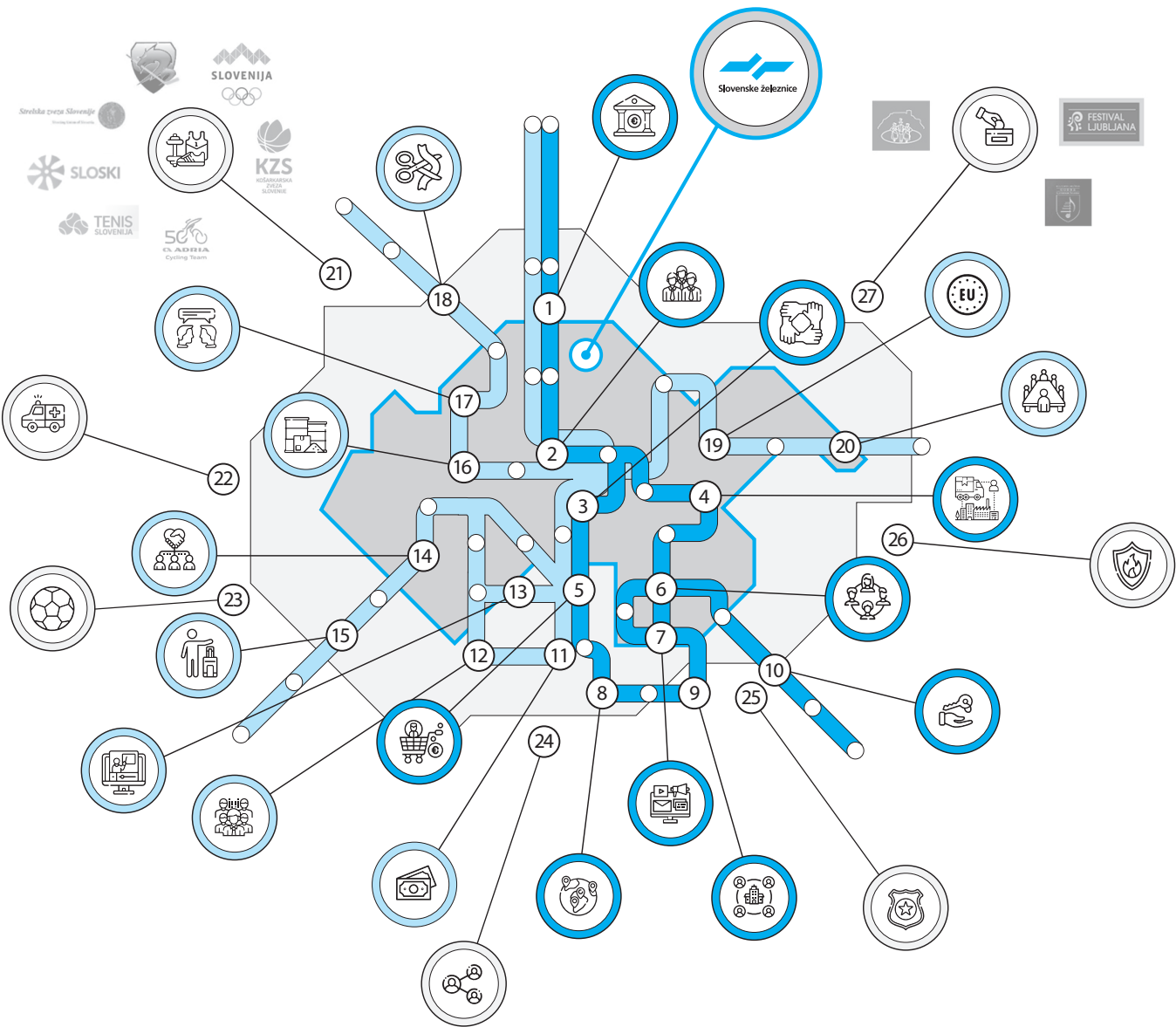
National, regional and local media:

- print media;
- electronic media;
- online media;
- social networks;
- *Nova proga* magazine;
- agencies.

¹⁶GRI 102-6, 102-12, 102-13, 102-40, 102-42, 102-43, 102-44, 413-1

Cooperation with other stakeholders

The Slovenske železnice Group strives to spread the principles of socially responsible conduct in the business and social environment that it actively shapes. The Group participates in the development of professional solutions in mobility and logistics, and fosters environmental literacy in rail transport as the most sustainable means of transport for passengers and goods. It also supports the activities of various organisations. Its support does not extend only to vocational organisations, but also to a wider circle of stakeholders who influence the development of the Slovenske železnice Group and the progress of society at large.



Key stakeholders

- 1 Banks
- 2 Employees
- 3 Trade unions
- 4 Suppliers
- 5 Customers and users
- 6 Local government
- 7 Media
- 8 International institutions
- 9 State institutions
- 10 Owners

Highlighted activities, indicators and results

- 11 EBITDA: EUR 83.8 million
- 12 No of employees as at 31 December: 6,752
- 13 Number of training courses: 15,989
- 14 We expect our suppliers to:
 - respect human rights
 - reject all forms of illicit work
 - have internal controls and a system for the management of risks and conflict of interest
 - comply with anticorruption and competition legislation
 - manage the risk of fraud and misuse.
- 15 Number of passengers carried: 11,860.4 thousand
- 16 Quantity of goods transported: 18,925.3 thousand tonnes
- 17 Direct communication and notification via various communication channels such as websites and social networks.
- 18 Inauguration of the Alpine-Western Balkan Rail Freight Corridor.
- 19 In the context of the Slovenian Presidency of the Council of the EU:
 - engagement in activities related to rail transport
 - collaboration with the Ministry of Infrastructure
 - linking and exchanges between national and foreign rail stakeholders
- 20 Number of Supervisory Board sessions: 16

Social responsibility

- 21 Sponsorship funds for sports associations, including the Slovenian Tennis Association, Basketball Federation, Ski Association and Shooting Union, and the Olympic Committee of Slovenia. Support for sports clubs: SŽ Olimpija Hockey Club (general sponsor), Alpetour Škofja Loka Ski Club, Adria Mobil Cycling Club, Olimpija Swimming Club and other clubs.
- 22 We financially supported the purchase of a transport vehicle for children with severe health conditions and participated in the Podari življenje (Give Life) campaign.
- 23 Sponsors of the 1,000 Balls for 1,000 Children campaign (1,253 balls donated).
- 24 A chain of good people. We supported a project of the Association of Friends of Youth Ljubljana Moste-Polje, which accomplished the goal of helping 500 families in crisis.
- 25 Collaboration with the police. “The train can’t stop, but you can!” – increasing the awareness of young people in school centres near railway lines.
- 26 For a number of years, we have donated funds to volunteer fire brigades across Slovenia.
- 27 Sponsorships of cultural organisations (Cankarjev dom, Festival Ljubljana, Slovenske železnice Brass Band, Tine Rožanc Railway Cultural Society).

Stakeholder	Content of engagement, key topics	Method of engagement	Frequency of engagement
Owner, founder	Business strategy, implementation of annual capital investment management plan and reporting on operations.	Meetings at SDH headquarters, proactive communication through the Supervisory Board, regular participation of the investment administrator in Supervisory Board sessions.	Justification of the owner's trust through monthly and quarterly reports on operating results.
Employees	Notification of employees regarding the objectives of and current events at the company, notification regarding changes at the company, wage system and remuneration for performance, relations between employees, work-life balance, education and additional training, and occupational health and safety.	Personal contact, email, participation in management (workers' directors, Works Council, trade unions, employee representatives on the Supervisory Board), measurement of the organisational climate, the Nova proga internal newsletter, internal events, announcements on the intranet and bulletin boards.	Active daily engagement with employees. The objective is to build a culture of mutual trust, respect, continuous learning, and responsible and efficient work.
Trade unions	Notification of trade unions regarding the objectives of and current events at the company, notification regarding changes at the company, notification regarding proposed bylaws governing matters relating to employment relations and wages, notification regarding disciplinary procedures and participation in committees.	Personal contact, email, participation in social dialogue, the <i>Nova proga</i> internal newsletter, announcements on the intranet and bulletin boards.	Active daily engagement with trade unions. The objective is to build a culture of mutual trust, respect and cooperation and to ensure social dialogue.
Customers/users	Provision of services in accordance with contractual provisions, tariffs and regulations – reliability and accuracy. Customer satisfaction, quick resolution of complaints and claims for damages, notification regarding anticipated and unanticipated impediments to traffic and the associated measures, and the expansion of contractual cooperation.	Direct relations, via telephone, email, the websites of Slovenske železnice Group companies and sales conferences.	Permanent contact that is based on respect, trust and fair treatment.
Suppliers	The fulfilment of contractual obligations, quality of supplied materials and services rendered, resolution of complaints and informative offers.	Meetings, telephone conversations and email.	Contact for throughout the contract term.
State institutions	Allocation of funds, importance of providing and developing services for customers and other stakeholders.	We consistently comply with and fulfil our obligations to the state. We comply with all regulations, including certain guidelines.	We justify allocated funds through interim and annual reporting regarding operating results.
Banks	Provision of payment transaction services, securing of financing for investments and current operations, and the securing of bank guarantees for various transactions.	In person, via telephone and written business correspondence.	Daily communication.
International institutions	Information regarding current international developments in European transport policy and events in railway transport, the development and importance of railway transport in the international environment and the promotion of all forms of international cooperation.	Communication via email and telephone. Personal contact at meetings at home and abroad, and at international conferences and railway-related events.	Regular daily engagement. Permanent contact to ensure a fast response to initiatives from the international environment, and the provision of information regarding current events in the international railway environment.
Media	Transparent information regarding operations, significant business events and changes within the Slovenske železnice Group.	Via telephone and electronic media, interviews, the organisation of press conferences and personal meetings with representatives of the media.	Regular and proactive cooperation with the aim of providing timely and high-quality information in the form of press releases and announcements for the media, meetings with representatives of the media, responses and explanations.
Local government	The Group's activity in the local community, strategy on the development of the local community, affordability, traffic safety, accessibility to services for persons with varying degrees of disability, investments in the infrastructure, and the co-financing of sporting and cultural projects.	Direct contact with local decision-makers, the allocation of funds for sponsorships and donations in accordance with internal rules on the treatment and approval of sponsorships and donations, and meetings with mayors and municipal administrations.	Regular and proactive cooperation with the aim of contributing to improved living standards and equal opportunities.

Notable results in 2021

Grievances, compliments, complaints, claims for damages, surveys

Logistics

Freight transport	Unit	2017	2018	2019	2020	2021
Grievances	number	9	6	1	0	1
Compliments	number	0	6	1	0	0
Complaints	number	1,038	1,572	1,591	1,059	902
Claims for damages	number	186	167	82	61	46
Formal reports	number	485	507	548	591	578
Surveys	≥ 85% rating of 3 or higher	-	-	83	-	-

In 2021, we received one grievance in freight transport which concerned the inadequate notification of a customer of the arrival of a shipment.

We received 902 complaints, which is 14.8% less than the year before, or 0.4% of the total number of shipments invoiced.

There were 24.6% less claims for damages than in 2020.

The number of formal reports about the actual situation (CIT20) was down (index 2021/2020 = 97.8). 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.

No customer satisfaction surveys were carried out in 2020 or 2021.

Passenger mobility

Passenger transport	Unit	2017	2018	2019	2020	2021
Grievances	number	504	654	635	484	467
Compliments	number	261	318	313	193	257
Complaints	number	807	690	508	585	299
Claims for damages	number	23	58	35	6	7
Surveys	85% surveys scored 3>	59	72	83	70	82

In 2021, we had fewer passenger grievances than in the years before. There was an increase in grievances about train punctuality (due to substitute bus services resulting from line upgrades and maintenance and malfunctions in motorised trains). Other grievances related to crowded trains, technical deficiencies such as poor air conditioning on trains in the summer and heating in the winter, mobile ticketing, and the prices and terms of transport services. A few grievances were made about train and station personnel with regard to their helpfulness and passenger expediting, and technical deficiencies at stations.

The number of favourably resolved complaints was down relative to the years before due to a change in tariff terms. The majority of complaints related to

the inability to inspect tickets on the train which had been purchased through various sales channels.

Claims for damages were filed primarily due to delays and failure to catch connections to the last train of the day and the non-operation of the ticketing system.

The average rating of quality elements in 2021 was 3.55, which is an increase on 2020. The respondents felt that all the elements of transport service quality had improved, which may to some extent be attributed to the introduction of new trains. Train speed and services at stations remained the worst rated elements of transport service quality, whereas the presentability and helpfulness of staff were given the best ratings.

Train delays

	Unit	2017	2018	2019	2020	2021
Passenger trains	min./100 km	4.0	4.5	2.2	2.7	3.9
Freight trains (SŽ-Tovorni promet)	min./100 km	130.8	154.5	116.6	87.1	127.8
Freight trains (all operators)	min./100 km	110.3	122.6	94.7	72.6	95.4

The rise in delays in 2021 was largely the result of investments in infrastructure which caused track closures and slow travel. The planned protracted traffic disruptions in our network statement are taken into account when making the timetable (travel times are adjusted to the travel of substitute transport services, taking into account slow travel). When preparing timetables, it is impossible to factor in all short closures and slow travel.

The delays of freight and passenger trains increased in 2021 relative to the previous year as a result of renovation works on Maribor and Pragersko stations, and the left track between Ljubljana and Brezovica stations, the weekly one-day closures of the line between Divača and Koper stations, the maintenance works on the line between Jesenice and Ljubljana stations, and the additional delays caused by substitute bus services.

Evaluation of passenger train punctuality

Year	Total number of trains	Regular (R)		Delays up to 5 minutes		Delays 5 minutes and more		R + Delays up to 5 minutes	
		number	%	number	%	number	%	number	%
2017	150,099	74,160	49.4	40,735	27.1	35,204	23.45	114,895	76.5
2018	150,718	71,469	47.4	42,326	28.1	36,923	24.5	113,795	75.5
2019	153,133	92,591	60.5	42,483	27.7	18,059	11.7	135,074	88.2
2020	109,776	67,793	61.8	29,460	26.8	12,523	11.4	97,253	88.6
2021	157,172	78,118	49.7	45,572	29.0	33,482	21.4	123,690	78.7

Activities relating to social capital¹⁸

Participation in the international environment

As a member of several international rail organisations, associations and initiatives, Slovenske železnice plays an active role in the international sphere. Not only does it participate in various activities of these organisations, but it also organises meetings with international participation, hosts visits from national and foreign rail stakeholders, and collaborates with companies and railway administrations, all of this to forge connections, achieve synergies and facilitate improved services for the users of rail transport and a more favourable environment for the rail community to work in. This kind of engagement also allows Slovenske železnice to follow international developments in rail transport and, in turn, provide information to and connect with the relevant interest groups.

2021 was a very important year for Slovenia, as it held the presidency of the Council of the European Union in the second half of the year. Accordingly, Slovenske železnice actively engaged in activities relating to rail transport, closely collaborated with the Ministry of Infrastructure which covered the transport sector at the international level

during the year, and worked to ensure linking and quality exchanges between national and foreign stakeholders, as well as relevant players at the state level. During the Slovenian presidency, the two main topics that prompted the greatest exchange of views and had significance for the rail sector were EU recovery in the wake of the COVID-19 pandemic and the digital and green transitions.

Linking through corridors

In the context of the RFC 10, an inauguration ceremony was held in September 2021 on launching the Alpine-Western Balkan priority rail freight corridor. The corridor comprises 2,114 kilometres of main railway lines, 21 intermodal terminals and 12 switchyards in five countries: Austria, Slovenia, Croatia, Serbia and Bulgaria. The aim of integration is to strengthen cooperation between PRI managers on key aspects such as the allocation of train paths, the introduction of interoperable systems and the development of infrastructure, finding the right balance between freight and passenger transport along the RFC, ensuring an adequate PRI network capacity to match market needs for freight transport, and

¹⁸GRI 102-4

ensuring common punctuality targets with respect to freight train delivery.

Suppliers and business partners

Our customers, suppliers and other business partners are continuously monitored and the risks stemming from our business relations with them are efficiently managed. This is how we prevent potential losses or damage to our reputation. We expect our suppliers to respect human rights and provide a working environment that honours the dignity and privacy of individuals, and to reject all forms of illicit work. They need to have internal controls within their system of risk and conflict of interest management, and promptly notify us of any conflicts of interests that could directly or indirectly affect the Slovenske železnice Group, comply with anticorruption and competition legislation and manage the risks of fraud and abuse.

Public relations

In accordance with its business policy and access to public information, the Slovenske železnice Group communicates and shares information with the media about the Group's current operations, new services and activities and strategic long-term objectives, and gives timely answers in response to journalists' questions.

The media play an important part in creating the company's image, since their reporting makes a contribution to shaping public opinion. Only the Director General of Slovenske železnice, d. o. o., and/or the head of corporate communications in the Slovenske železnice Group are authorised to share data and communicate with the media, in line with the principles of truthfulness, consistent provision of information and transparency.

Employees who by arrangement or accident communicate information about the Group to the public, shape the public perception of the Slovenske železnice Group and share responsibility for its reputation. Even in private relations with the public, we should be aware as

employees that our conduct and comments uphold and create the company's reputation.

When communicating on social networks we are aware that as the employees of the Slovenske železnice Group we also represent the company, so we communicate with care and in line with the company values and principles. We do not communicate on behalf of the Slovenske železnice Group. When present online as individuals outside the scope of our work responsibilities in the Slovenske železnice Group, we always make it clear that we are expressing our personal views and not those of the Group.

INTELLECTUAL CAPITAL

Strategic projects and objectives

Rapid changes in the business environment have led to the rapid development of technologies (in particular IT), specific customer requirements, increasingly intensive competition and a higher quality of products and services. Employee know-how and skills are crucial in today's dynamic environment. They mean an advantage, and companies are increasingly aware of the importance of the targeted guidance and management of employee know-how and skills. Apart from people and technologies, know-how is the crucial driver of change in the modern world.

The Slovenske železnice Group runs a number of developmental projects which are a vital building block of the Group's strategic transformation and a foundation for future development.

Notable results in 2021¹⁹

Safety is the paramount aspect of rail transport. We strive to ensure safe and well-managed rail infrastructure, and safe rail transport is an important element of comprehensive traffic safety, since the frequent intersections of the railway with roads also affect safety in road traffic.

Interoperability constitutes the ability of the European rail system to allow the safe and uninterrupted rail travel of trains with respect to the required levels of performance for these lines. Interoperability is ensured with appropriate design planning, construction, upgrades, renovations,

operation and maintenance of rail transport, and by complying with the professional, health and safety requirements that apply to the work of railway workers who are responsible for the operation and maintenance of the trans-European rail system.

The project of installing the ERTMS/ETCS system (European train control and management system) on sections of railway lines is designed to enable the interoperable conduct of railway traffic on these sections.

The travel of trains across the railway network requires a signalling system for safe traffic management and the assurance that trains can always avoid each other. However, every European country has developed its own technical specifications for these signalling systems, as well as track gauges, safety standards and power supply standards. As a consequence, there are currently 30 different signalling systems in the European Union for the management of rail traffic, and they are not interoperable.

To solve this problem and help establish a single European rail area, the European rail sector has begun to develop a European system of governance, management, signalling and communication – the European rail traffic management system (ERTMS). The goal of the ERTMS is to replace all the existing systems of signalling in Europe with a single system that will promote the interoperability of national railway networks and cross-border rail transport. The aim of the ERTMS is to provide a common standard that will enable trains to travel seamlessly through different countries and facilitate rail competitiveness.

In 2021, SŽ-Infrastruktura, d. o. o., managed and maintained the radio network of the GSM-R interoperable system and the dispatch network of the public rail infrastructure. In 2021, we regularly maintained and improved the functionality of systems:

- by installing and introducing GSM-R on locomotives in freight and passenger transport;
- by training users for the use of GSM-R in shunting, on pick-up trains, and by training wagon surveyors and supervisors;
- by maintaining the GSM-R network (transport network for packet and connection-oriented transmission of speech and data, base stations and remote radio stations, core network, digital dispatch system, etc.);
- by establishing hosting with Deutsche Bahn Netz A.G.;
- by implementing QATS (Quality Assurance Troubleshooting System), which provides an overview of key performance indicators for services across the GSM-R network and all connections with other GSM-R networks of other countries that we have hosting contracts with (Austria, Italy, Hungary, Czech Republic, Germany);
- by introducing an umbrella supervisory system which will provide an overview of the operation of all GSM-R network elements in a clear way (displayed at workstations and on the wall display at the Operational Control Centre (OCC GSM-R));
- with plans for upgrades and improvements to the GSM-R system on the radio side and in user devices (mobile phones for shunters, new telecommunication counters for the busiest posts of traffic officers, new features in the radio network).

The upgrades are helpful in detecting faults in the telecommunications network, the user functionalities are improved and the network's operation is stable and reliable with minimal downtime.

We are also preparing to change over to the next generation of radio communications in railways – the FRMCS (Future Railway Mobile Communication System).

We have had an expert group for the drafting of regulations since 2012. The group's main task is to collaborate on the drafting of regulations relating to the Railway Transport Safety Act and the Railway Transport Act. Members of this expert group have extensive knowledge gained from years of working to ensure the safe management of the PRI, and they work 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 2021 in the formulation and/or harmonisation of legislative proposals.

We collaborated in the formulation of the bill for the Act Amending the Railway Transport Act, which was passed in May 2021. The main purpose of this act is the proper transposition of provisions in Directive 2012/34/EU that relate to requirements regarding good repute and the maintenance or revocation of licences issued by the licensing authority. The arrangement of superficies will facilitate the construction of new facilities, such as parking lots, bike sheds, bike lanes, overpasses, underpasses, etc., which the law did not allow on PRI property before it was changed.

We took part in the preparation of the Act Amending the Railway Transport Safety Act, which was passed in May 2021. The main purpose of the act is a more 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 European Rail Agency reached in its supervision of the Public Agency for Rail Transport.

We participated in the drafting of the Decree amending the Decree on the allocation of train paths, user charges and the performance regime on PRI. The amendments were made to adapt the decree to the processes of train path allocation, in particular by including multi-year planning and

¹⁹GRI 102-4

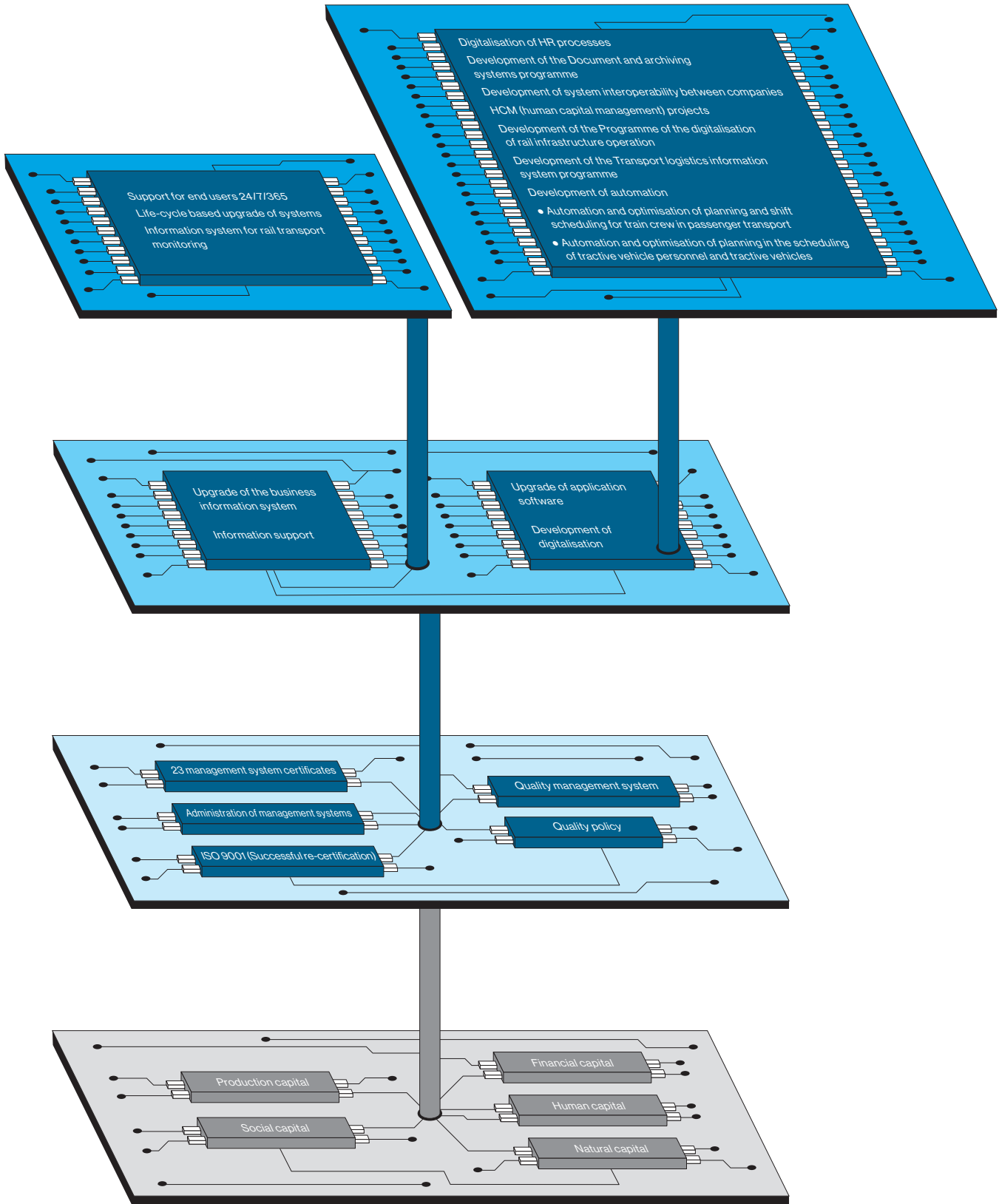
temporary restrictions on the capacities of train paths. The decree is to come into force in 2022.

We also took part in developing the rules listed below:

- Traffic Rules, which define the conditions and method for organising and providing safe rail traffic on the Slovenian rail infrastructure; the Traffic Rules are under consideration of the European Union Agency for Railways and will take effect in 2022;
- Rules on the signalling-safety devices, which have undergone harmonisation by all railway system stakeholders and are under consideration of the European Union Agency for Railways and will take effect in 2022;
- Rules on brakes, safety devices, special devices and equipment of railway vehicles, which will replace the Rules on the safety equipment on railway rolling stock and will come into force in 2022;
- Rules on special health conditions for obtaining and maintaining a licence for train driver, which were adopted by the Ministry of Health with the consent of the minister of infrastructure;
- Rules on train drivers, training centres, examiners and examination centres in accordance with EU regulations, which were adopted in May 2021;
- Rules on railway track substructure and Rules on railway line superstructure. Both sets of rules are to come into force in 2022.

In 2021, approximately 520 new internal regulations or amendments thereto were adopted at Group level. The key regulations are those that apply to the entire Slovenske železnice Group, since they allow us to harmonise processes across the Group. Consequently, such regulations contribute to a more successful operation of the Group and its respective companies at all levels. A noteworthy example is the Code of Conduct, comprising regulations relating to HR processes and payroll services, information security and financial risks.

Activities relating to intellectual capital



Quality management system

As regards our system of quality management under ISO 9001, a re-certification audit was completed successfully in 2021.

The measured performance indicators showed that we achieved or exceeded our annual goals in key IT processes. Owing to the high quality of our development and maintenance of information support, and the excellent availability and security of key IT services, we provided quick and effective support to our users.

Our effective and professional performance of processes was also confirmed by our customers, who gave high ratings for the work performed in the satisfaction survey made at the end of 2021.

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 in the Slovenske železnice Group.

Customer satisfaction is one of the most important objectives of the quality management system. It tasks management staff and employees with the coordination of work with the requirements and expectations of their customers within legal frameworks and best practice guidelines.

Quality policy

The quality assurance policy sets out a work method that provides customers with environmentally friendly, safe and reliable services and thus contributes to the improving quality of life and development of other services in Slovenia. In this way, we ensure the successful operations and growth of the company as a sound foundation for the development of employees, and the satisfaction of owners and other relevant stakeholders. Management staff and all employees within the Slovenske železnice Group are committed to meeting the demands and expectations of our

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.

Audits 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 audits, and supplier assessments.

An external audit for ISO 9001:2015 was carried out at Slovenske železnice Group companies in November 2021.

The audit team determined that the Slovenske železnice Group had established and maintained a management system in accordance with the requirements of the standard, and demonstrated the system's ability to achieve the policy and objectives of the organisation.

Development of digitalisation

The Digitalisation Strategy of Slovenske železnice lays down the guidelines of strategic development for the following activities: transport logistics, passenger transport, railway traffic control, maintenance, construction and other activities. Implementation of the Strategy, which envisages the construction of a modern integrated information system, has resulted in an important pool of knowledge and relations which are necessary to analyse and digitalise business processes. Through the digitalisation programmes, the know-how and competencies of individual Slovenske

železnice Group employees are aggregated into shared knowledge and experience, which has played an important role in increasing intellectual capital.

New information solutions are also developed in collaboration with external development teams. During work on projects, employees benefit from the intensive generation of skills and know-how, which applies to our development engineers as well as the users of information services. This new intellectual capital creates the conditions for effective further internal development of information services.

Our activities within the digitalisation programmes conformed to the strategy of Slovenske železnice.

The *Document and archiving systems* programme includes setting up an electronic archive with a regulatory framework of operations and a revision of the existing classification plan. Within the Internal rules project, we carried out an inventory and assessment of the requirements in accordance with the check-list for self-evaluation and the verification of internal rules. We are preparing to set up an e-storage system, and its implementation will bring savings in office supplies and facilitate better utilisation of employee working hours.

With our *Transport logistic information system* programme, we are establishing comprehensive information support for existing business processes at SŽ-Tovorni promet, d. o. o. The programme will ensure a modern, integrated business information system for the transport logistics sector that will fully support the direct services of rail transport, multimodal and intermodal transport services and the accompanying logistics services.

The *Programme of the digitalisation of rail infrastructure operation* comprises applications and systems for rail transport operation, which will be connected to the signalling safety systems for train traffic control. The connection to signalling safety systems will take into account all the necessary safety aspects. Within the programme, the functional requirements of the necessary information systems were identified (automatic

capture of train location data, a module for train arrival prediction, active monitoring of train traffic, construction of timetables, etc.) and the associated investment documents were prepared.

In the framework of asset management digitalisation, we strive to deliver the fundamental strategic objective of becoming an efficient maintenance provider for a modern and safe rail infrastructure. As part of these projects, a new IT system was implemented at SŽ-VIT, d. o. o. New functionalities for record measurement sheets were developed, along with support for the calibration of measurement devices and interfaces for connectivity with other information systems in SŽ-Infrastruktura, d. o. o. By using the functionalities available within the new IT support, we aim to increase PRI utilisation and enable the development of comprehensive rolling stock maintenance services.

Within the projects *Automation and optimisation of planning and allocation of train crew in passenger transport* and *Automation and optimisation in the planning of the allocation of tractive vehicle personnel and tractive vehicles*, we tested the operation of working systems under test conditions. At the end of the year, we also completed the transition to a trial production environment. The new information solution will provide the benefits of optimised planning (of personnel and vehicles), automatic preparation of payroll data, optimised vehicle use, and abolish manual records, etc.

In our *Time management* project, we launched production operation at the Ljubljana section of the technical wagon services unit in July 2021. In November, the system was set up at Tovorni promet, d. o. o., for administrative workers, and at the organisational units in Hodoš and Sežana. In December, it was set up at the units in Celje and Dobova.

In the second half of 2021, we made a specification of requirements for the implementation and integration of a mobility services platform, a customer management solution and a comprehensive real estate management system.

Digitalisation of HR processes

In 2021, a new feature for the management of preventive medical examinations was developed in the HR information system and put into practice. The feature enables predominantly digitally supported management of documents and records on preventive medical examinations.

In the area of HR processes digitalisation, a framework of requirements for the future digitalisation of HR processes was prepared.

We are planning to start an upgrade to the digitalisation of HR processes in 2022, including solutions that will help improve the efficiency and performance of the HR function. A new strategy for the digitalisation of human capital management was approved.

BIS programme

In 2021, BIS continued to undergo upgrades and adjustments to meet the operational needs of Slovenske železnice Group. The following information solutions were introduced:

- implementation of a sales module for SŽ-Infrastruktura, d. o. o.;
- implementation of a functionality to support procurement processes and material warehousing operations for SŽ-Infrastruktura, d. o. o.;
- SapCo: implementation of an electronic confirmation workflow for received invoices (SŽ-Tovorni promet, d. o. o., and SŽ-Potniški promet, d.o.o) and support for the management of internal orders for Slovenske železnice, d. o. o.;
- SAP Treasury: introduction of support for the raised and given loans of Slovenske železnice Group companies;
- implementation of additional controls and data in procurement procedures (purchase agreements and purchase orders, reports);
- SAP BW: deployment of a data warehouse as a source of data for the performance of financial consolidation of data and planning;

- implementation of a programme for the automatic accounting of inventory impairments;
- automation of payment transactions and compensations between Group companies and other business partners;
- upgrading of business analytics solutions.

In the second half of 2021, we completed the specification of requirements for the implementation and integration of the MaaS (Mobility as a Service) platform, the CRM (Customer Relationship Management) system and a real estate management system.

Information support

In the area of information infrastructure, excellent results were achieved as regards the availability of all key information services, which functioned without interruptions, ensuring the smooth provision of rail transport and other services.

In keeping with the life cycles of systems, we continued to upgrade key infrastructure and deploy high availability information services with ensured geo-redundancy, which allowed us to ensure the appropriate capacity and reliability of all elements of the system, and significantly reduce the risk of unforeseen failures of the information infrastructure.

The service centre of Slovenske železnice, which provides 24/7/365 support for end users, helping them eliminate errors on their personal computers, work with IT resources and resolve software problems, received and processed a large number of claims with regard to the changed work regime associated with the pandemic in 2021.

The central element of the information solutions of Slovenske železnice is its complex information system for rail transport monitoring (ISRTM). Its main purpose is to provide support for the core functions of the rail system, such as rail traffic control, freight traffic monitoring, the monitoring of the movement of shipments, tractive vehicle management, shift assignment for shunting staff and other basic functions in real time. The system,

which processes close to 800 trains and 300 tractive vehicles per day, requires some 2,000 employees to function. The ISRTM allows us to keep records of the work of train drivers, and process around 5,000 freight wagons per day (up to 2,000 of which carry shipments);

Considering the importance of flawless and uninterrupted operation of ISRTM applications (the main part of the system operates 24/7 as part of critical infrastructure), it is essential that all the support is adequately provided to ensure the operation of the ISRTM in order to maintain high system reliability. The development and maintenance of the ISRTM in 2021 followed the requirements of users and the situation on the market. Several new and important functionalities were implemented and human resource risks were partially reduced, all of which contributed to reliable information support for core work and business processes.

Major upgrades of application software in 2021:

- upgrade of eVK (i.e. electronic timetable) – the display of the valid timetable was upgraded with a display of enhanced notifications and slow train services;
- upgrade of ETL (i.e. electronic bill of lading) – the ETL was upgraded with additional functionalities for the visualisation, entry and printing of bills of lading by SŽ-Tovorni promet, d. o. o. (ETP Portal);
- URP (i.e. marshalling yard management) – the new hump system of train marshalling at the Zalog station included the development of its integration with the ISRTM environment;
- notification of trains;
- Ljubljana Line – information support was provided for a new freight transport product (Ljubljana-Salzburg);

- upgrade of the business link between SŽ-Tovorni promet, d. o. o., and the Port of Koper (Luka Koper, d. d.). An information system which will cover all the production processes and procedures within the Koper hub is currently in development. The system will enable full monitoring of individual operations which are conducted at the Koper freight station and at the Port of Koper.

Control of business processes

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

External controls are performed by various 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 various forms of internal control that are performed by internal auditors, internal control inspectors, internal assessors and other authorised persons at companies.

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

Opportunities

In 2021, we made an inventory of the work processes in all Slovenske železnice Group companies within the project *Job evaluation, wage system reform and HR plan formulation for the SŽ Group*. We worked with an outsourced provider to design an operative model of business and make an inventory of business processes for the Slovenske železnice Group. The model is designed on the basis of the outsourced provider's own methodology and the organisational structure of the Slovenske železnice Group. The operative model of business processes focuses on activities and processes.

The operative business model comprises nine umbrella processes, 48 first-tier processes and 186 second-tier processes. The model served as a basis to develop the responsibility matrix (RAC matrix – Responsible, Accountable, Consulted), so that a responsible person is assigned to each identified second-tier process.

In 2022 we shall continue to develop the new proposal for a job classification model with job evaluation, and based on that a renewed and simplified wage system and its implementation.

Indicators

Overview of management systems

	ISO 9001 quality management system	ISO 14001 environmental management system	ISO 50001 energy management system	EU 445/2011 ECM maintenance of freight wagons	EU 798/2016 Safety management system
SŽ-Tovorni promet, d. o. o.	✓	✓	✓	✓	✓
Fersped, d. o. o.	✓				
SŽ-Potniški promet, d. o. o.	✓	✓	✓		✓
SŽ-Infrastruktura, d. o. o.	✓	✓	✓		✓
Železniško gradbeno podjetje, d. d.	✓	✓	✓		
SŽ-VIT, d. o. o.	✓	✓	✓	✓	
SŽ-ŽIP, storitve, d. o. o.	✓	✓	✓		
Prometni institut, d. o. o.	✓				
Slovenske železnice, d. o. o.	✓	✓	✓		

ISO 9011:2015 internal audit indicators

	Number of planned audits	Number of audits completed	Number of cases of non- compliance identified	Number of obser- vations issued	Number of recom- mendations issued	Number of best practices recognised
SŽ-Tovorni promet, d. o. o.	5	5	0	5	4	1
Fersped, d. o. o.	2	2	0	0	2	0
SŽ-Potniški promet, d. o. o.	3	3	0	3	6	0
SŽ-VIT, d. o. o.	7	7	0	3	5	2
SŽ-Infrastruktura, d. o. o.	7	7	0	9	10	1
SŽ-Železniško gradbeno podjetje, d. d.	3	3	0	0	8	5
SŽ-ŽIP, storitve, d. o. o.	1	1	0	1	0	0
Prometni institut, d. o. o.	3	3	0	0	4	0
Slovenske železnice, d. o. o.	6	6	0	1	8	0
Slovenske železnice Group	37	37	0	22	47	9

NATURAL CAPITAL²⁰

In accordance with the adopted Code of Conduct of the Slovenske železnice Group, its environmental and energy policies, and other bylaws that govern its environmental management system and energy management system, Group companies continuously fulfil their commitment to environmental protection and efficient energy use in line with the highest international standards that are in force in the territory of Slovenia and the EU.

Strategic projects and objectives

Through its Central Corporate Office for Internal Control, Quality and the Environment, Slovenske železnice, d. o. o., ensures the conditions and resources required to implement its environmental management system (EMS) according to SIST EN ISO 14001:2015 (ISO 14001) and its energy management system (EnMS) according to SIST EN ISO 50001:2018 (ISO 50001), which also complies with the guidelines given by Slovenski državni holding, d. d., with regard to the sustainable operations of largely state-owned companies.

At the level of the Slovenske železnice Group, the duties and responsibilities of the Central Corporate Office for Internal Control, Quality and the Environment in the area of environmental protection and efficient energy use include:

- managing the two systems of management in conformity with ISO 14001 and ISO 50001 requirements;
- monitoring legal regulations which in any way concern the areas of EMS or EnMS in the

territory of Slovenia or the European Union, and sharing relevant information with all stakeholders in the Slovenske železnice Group;

- providing expert assistance with the implementation of new or changed legal requirements concerning the areas of EMS or EnMS in processes or the relevant management system;
- assessing the conformity of EMS and EnMS with internal regulations that govern these areas at the level of the Slovenske železnice Group.

Legal bases:

- Environmental policy of the Slovenske železnice Group;
- Energy policy of the Slovenske železnice Group;
- Rules of procedure of the Slovenske železnice Group environmental management system;
- Rules of procedure of the Slovenske železnice Group energy management system;
- Code of Conduct of the Slovenske železnice Group;
- Rules on the internal organisational structure of the Slovenske železnice Group.

Key policies:

- 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 the system of management in the companies of the Slovenske železnice Group conforms to the requirements of the ISO 14001 environmental standard and the ISO 50001 standard for energy management systems;
- that all stakeholders within the Slovenske železnice Group fully comply with the applicable legal and other regulations that in any way regulate the area of environmental protection and energy efficiency;
- the regular monitoring of the use of resources, in particular energy consumption and related costs;
- preventing environmental pollution and working to reduce the negative impacts of activities on the environment according to the principle of the best available technologies;
- efforts to continuously improve its management systems.

Main objectives:

- the efficient use of energy and prudent management of natural resources that are important for work and technological processes at Group companies;
- appropriate compliance with regulatory and other requirements that regulate the area of environmental protection and energy efficiency;
- the prevention of pollution of the natural environment;
- the search for appropriate technical and technological solutions to reduce environmental impacts (BATNEC);
- the continuous adoption of measures to reduce potential risks of accidents or extraordinary events that could have adverse or harmful effects on people and the natural environment.

Key activities:

- the optimisation of energy consumption in activities and processes;
- measures to reduce negative impacts on the environment pursuant to applicable regulations (legal and other requirements);
- 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 the discharge of wastewater (installation of treatment plants to purify industrial wastewater, regulation of municipal wastewater discharge from buildings, renovation of septic tanks in areas where construction of the public sewerage network is planned);
- 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).

²⁰GRI 102-12, 304-2

Key indicators and notable results in 2021

In 2021, the carbon footprint from the rolling stock of Slovenske železnice was:

- for SŽ-Tovorni promet, d. o. o., per NTKM:

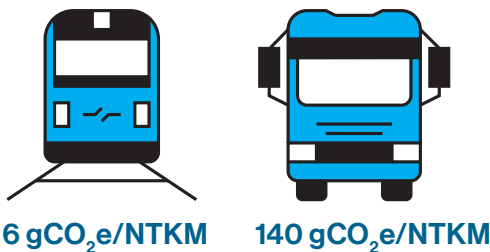


- for SŽ-Potniški promet, d. o. o., per PKM:

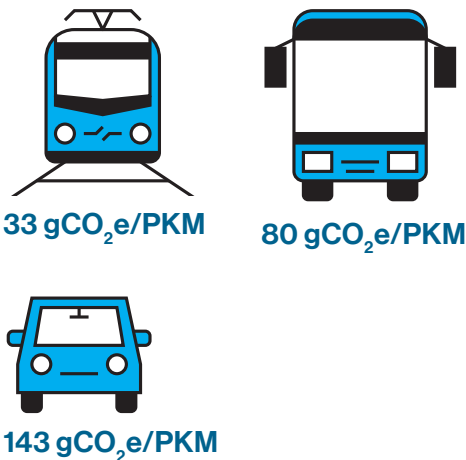


The environmental efficiency of rail transport is best illustrated in comparison with competitive branches of transport. Carbon footprint ratio:

- per NTKM: per NTKM: freight train (our calculation), lorry (EU average)

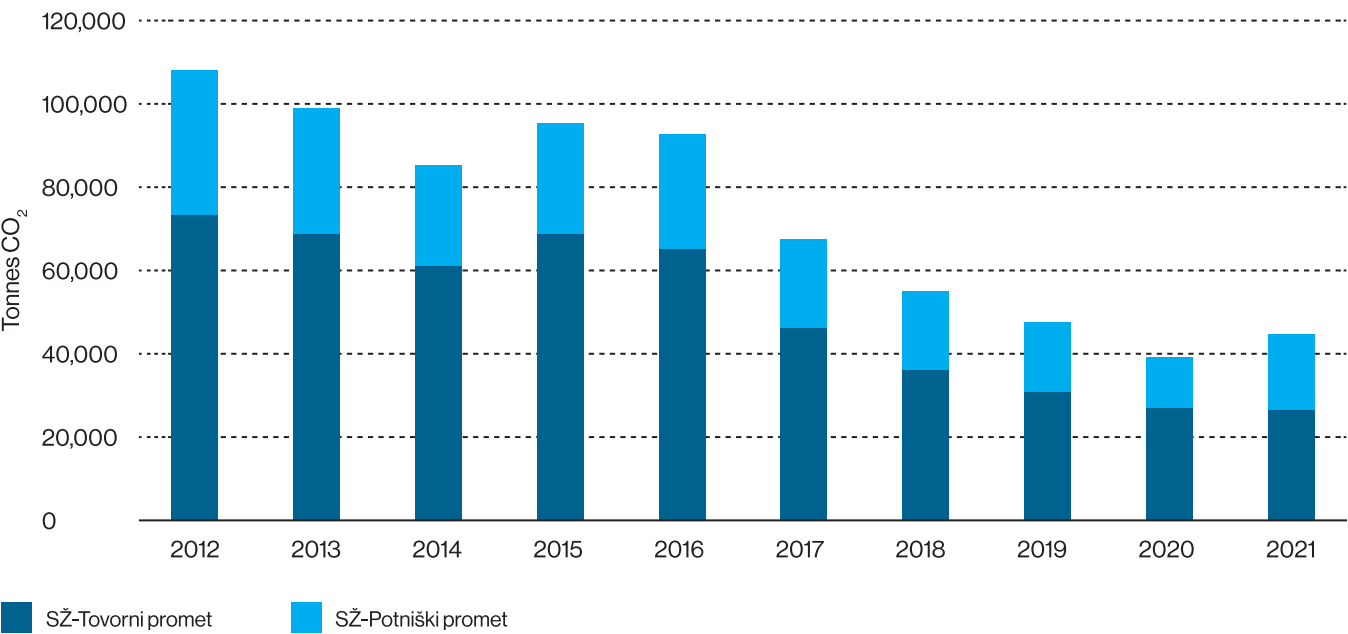


- per PKM: Slovenske železnice passenger train (our calculation), bus (EU average) and car (EU average):



Each year in freight and passenger transport, Slovenske železnice on average saves nature from 676.5 thousand tonnes of CO₂ equivalent in comparison with road transport, because rail transport is more friendly to the environment and more efficient. This is a significant contribution in combating climate change.

CO₂e emissions from transport at Slovenske železnice



The successful reduction of emissions and improvement of energy efficiency is the result of a greater proportion of renewable sources in the purchase structure for electricity, the increasing biofuel rates in diesel, the electrification of lines (e.g. Pragersko-Hodoš), the purchase of more efficient rolling stock and equipment, technical, technological and organisational measures, and systematic attention to energy use and consumption.

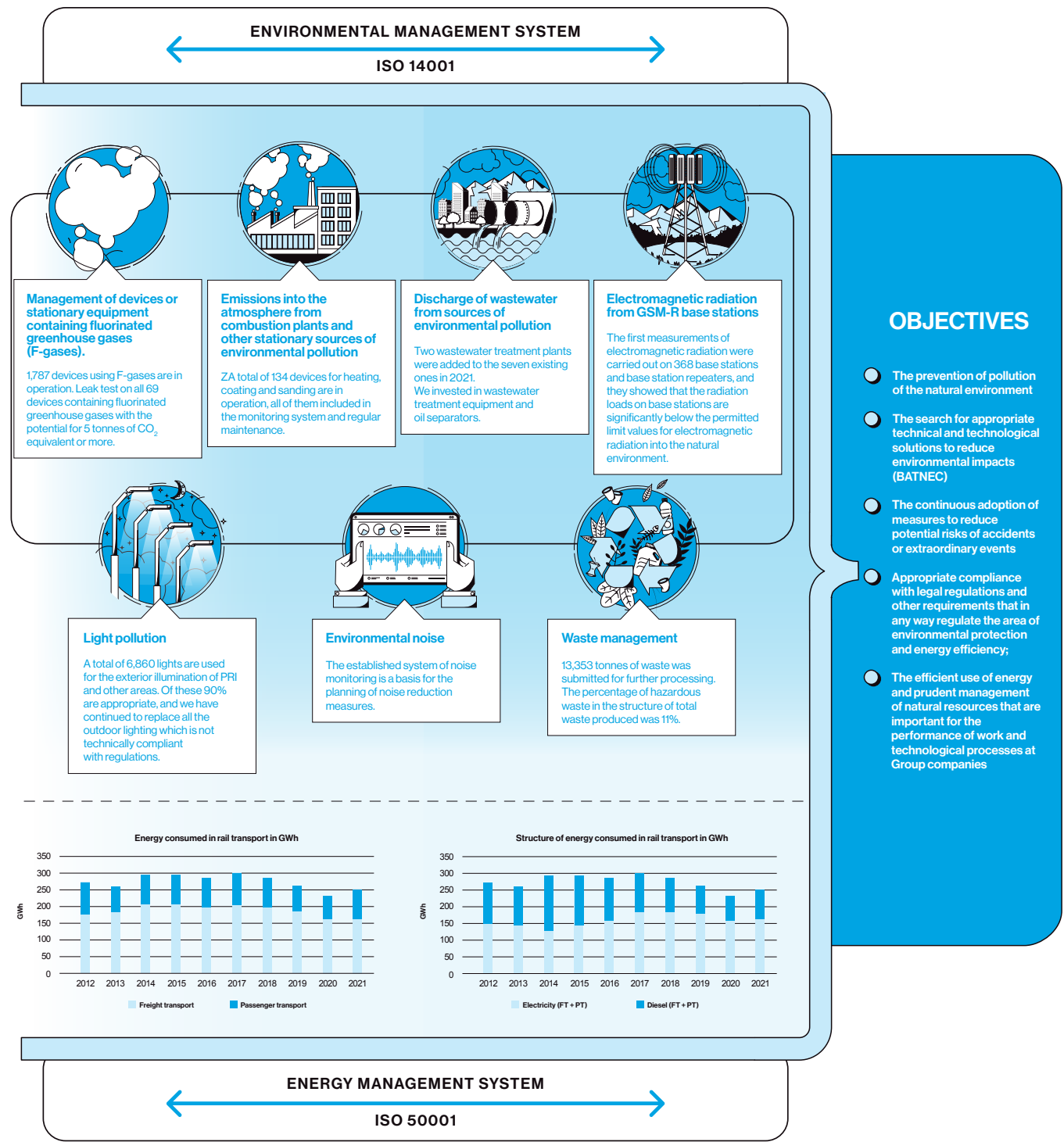
Traffic accidents and extraordinary events that impacted the environment

In 2021 there were 56 small fires alongside railway tracks for which the relevant firefighting units were deployed, which is 25% less than the year before. Fires alongside railway tracks mostly broke out in the spring and summer, and were in most cases caused by the ignition or deliberate burning of dry undergrowth in the immediate vicinity of the track strip. No major economic damage was incurred as a result.

In July 2021, a passenger train passing the village of Tržišče on the Sevnica-Trebnje railway line ran into a large rock which had rolled from the nearby wooded slope into the path of the train. The train

derailed and although no one was injured, the motor fuel tank suffered damage. The leaking of motor fuel from the damaged fuel tank caused an approximately 200-metre-long contamination of the track strip, in conjunction with the potential risk of the motor fuel leaking into the Mirna, a nearby stream that flows along the railway line. The relevant regional protection and rescue centre was immediately notified. Firefighters prevented the contamination of the environment. The PRI manager then promptly repaired the railway line. All the measures for the prevention of harmful impacts of the extraordinary event on the environment were successfully completed. The Ministry of the Environment was also notified of the extraordinary event and the measures taken to reduce its harmful environmental impacts, pursuant to the Environmental Protection Act.

Activities relating to natural capital ²¹



Compliance auditing of the environmental management system and the energy management system

Slovenske železnice Group companies perform internal audits in the planned time intervals to obtain the information needed to determine whether the introduced systems of management conform to the requirements of bylaws which govern the areas of EMS according to ISO 14001 and EnMS according to ISO 50001 at the level of the Slovenske železnice Group.

Internal audits by respective management system in 2021

		SŽ, d. o. o.	SŽ-INF	SŽ-TP	SŽ-PP	SŽ-VIT	SŽ-ŽIP	SŽ-ŽGP	SŽ Group
ISO 14001	Number of planned internal audits of the management system	1	11	6	1	10	5	2	36
	Number of completed internal audits of the management system	1	10	4	1	7	5	2	30
ISO 50001	Number of planned internal audits of the management system	1	1	1	1	1	1	1	7
	Number of completed internal audits of the management system	1	1	1	1	1	1	1	7

Measures issued within the internal audits by respective management system

		SŽ, d. o. o.	SŽ-INF	SŽ-TP	SŽ-PP	SŽ-VIT	SŽ-ŽIP	SŽ-ŽGP	SŽ Group
ISO 14001	Number of non-conformities identified – the measure is to rectify non-conformities			1		1			2
	Number of proposed corrections to rectify a minor deviation		4	3		29	12		48
	Number of recommendations issued to improve the functioning of the EMS		6	2		10	3		21
ISO 50001	Number of non-conformities identified – the measure is to rectify non-conformities			-					
	Number of proposed corrections to rectify a minor deviation		1	-	3	1			5
	Number of recommendations issued to improve the functioning of the EnMS	3	1	4		1	2	2	13

²¹GRI 302-1, 302-4, 302-5

Two external audits of the system of management were carried out in 2021 at Slovenske železnice, d. o. o., and at Slovenske železnice Group subsidiaries where an EMS according to ISO 14001 and an EnMS according to ISO 50001 is in place, specifically:

- in November 2021, an ISO 50001 recertification audit was completed, where Bureau Veritas auditors issued a certain number of corrections and recommendations for the improvement of EnMS performance in Slovenske železnice Group companies;
- in December 2021, the first ISO 14001 surveillance audit was completed, where Bureau Veritas auditors issued a total of 23 corrections and recommendations for the improvement of EnMS performance. Based on the proposed corrections and recommendations a programme of measures was made at the level of the Slovenske železnice Group after the first surveillance audit and approved by the Management Board of Slovenske železnice, d. o. o.

In connection with the changeover to version ISO 50001:2018, the energy policy, the EnMS rules of procedure and manual and other documents were revised.

The certificates obtained by Slovenske železnice Group companies demonstrate that their management system takes into account the requirements regarding environmental protection and efficient energy use on a fully equal basis, and that the companies provide the necessary resources and relevant conditions to successfully and effectively implement both management systems in practice. The introduced 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.

Environmental management system

Within the framework of the legislation that governs environmental protection in the Republic of Slovenia and the European Union, the companies of the Slovenske železnice Group must manage all the negative impacts that are caused by their activities and infrastructure in the natural or other environment.

Environmental noise

The companies of the Slovenske železnice group manage the sources of environmental noise pollution in accordance with the applicable regulations that govern environmental noise emissions in Slovenia. In the scope of EMS, producers of noise are planning measures to minimise environmental noise, and operational noise monitoring at all sources of noise pursuant to applicable regulations.

In 2021, SŽ-VIT, d. o. o., commissioned operational noise monitoring at nine locations considered to be noise sources under the applicable regulations. The measured noise levels or emissions to the natural environment were compliant with the applicable regulations at all the locations. Operational noise monitoring was not required in 2021 at all other locations considered to be noise sources under the applicable regulations.

The entity responsible for the operational noise monitoring of linear sources of noise (noise produced on the PRI) is the Ministry of Infrastructure or its authorised body. Based on the results of the operational noise monitoring of linear sources of noise, the Ministry of Environmental Protection works with the Ministry of Infrastructure to prepare a three-year operative plan for the reduction of noise on the PRI.

Amongst the main environmental issues faced by the PRI manager as well as the operator of rail freight transport is the noise generated by railway traffic in some of the most heavily trafficked rail sections (within the City of Ljubljana and on the Ljubljana–Kranj section). We find that one of the main reasons for the increased number of

complaints due to noise caused by rail traffic is the closure of traffic in core urban centres and its redirection onto thoroughfares that commonly run adjacent to the city centre. This is the case particularly in the area of the City of Ljubljana and its districts of Šiška and Ljubljana Vič, which are crossed by the Ljubljana–Jesenice and the Ljubljana Sežana railway lines.

Slovenske železnice Group companies handle complaints in connection with environmental protection and take appropriate action on the basis of their findings, facts and circumstances. A total of 42 complaints were filed with various Slovenske železnice Group companies in 2021 due to noise generated by rail traffic, specifically:

- noise caused predominantly in the night-time by freight trains with diesel traction vehicles types 664, 661, 644 and 642;
- noise caused by freight trains waiting at particular train stations for permission to proceed with their journey;
- noise caused by rail traffic when giving the sound signal for “beware of train”.

Considering that in 2021 the PRI in Slovenia was used by eight different operators of rail freight transport, it is reasonable to assume that not all of the complaints lodged by interested members of the public through various communication channels, which are managed by the companies of the Slovenske železnice Group, concern only or exclusively Slovenske železnice Group transport operators. If noise is the result of the operation of a linear noise source, the complainants are sent appropriate referrals.

Emissions of substances to the atmosphere from stationary sources of environmental pollution

The companies of the Slovenske železnice Group manage the installations which are sources of air pollution pursuant to the applicable regulations that govern emissions to the atmosphere from combustion plants and other installations which are stationary sources of air pollution.

In 2021, contractors authorised to clean and inspect combustion and other installations which are sources of air pollution carried out the mandatory annual inspection and measurements of emissions to the air on 134 installations. Of these, 97.5% were small combustion plants. Three facilities where railway vehicles are painted operate in the Slovenske železnice Group. They are classified as small paint shops in applicable legislation, which do not require an environmental licence for operation of installations pursuant to Article 82 of the Environmental Protection Act.

Discharge of wastewater from stationary sources of environmental pollution

Slovenske železnice Group companies manage the wastewater which is generated in buildings and other types of real estate owned or managed by them, or which results from railway vehicle cleaning, repair and maintenance in accordance with the applicable regulations that govern the discharge of wastewater into water bodies and the public sewerage system in Slovenia.

Buildings owned or managed by Slovenske železnice Group companies have appropriate systems for the discharge of municipal wastewater in place. In the areas of agglomerations with existing public sewerage networks, such buildings are connected to the public sewerage networks. In areas with no such infrastructure, municipal wastewater is collected in septic tanks or purified in small municipal treatment plants, as stipulated in applicable regulations. As the managers of buildings in agglomerations with no public sewerage network, Slovenske železnice Group companies plan the funding needed to connect particular buildings to a public sewerage network as required and in accordance with the applicable ordinances of local communities.

In connection with the processes for the maintenance, repair and cleaning of motorised and railway vehicles, the companies of the Slovenske železnice Group ensure that stormwater is mechanically purified by settlers or oil separators before draining from reinforced asphalt surfaces

into the ground, water bodies or public sewers. SŽ-ŽIP, storitve, d. o. o., installed two oil separators at the sites of two autoservicing workshops in Ljubljana and Maribor in 2021. In accordance with applicable regulations, the owners or managers of oil separators are required to commission general cleaning at least once a year.

The cleaning, renovation and maintenance of railway vehicles produces industrial wastewater. SŽ-VIT, d. o. o., which renovates and maintains railway vehicles, and SŽ-Potniški promet, d. o. o., which commissions the cleaning of rail passenger vehicles, have invested considerable funds in the construction of their own wastewater treatment plants in the last five years. SŽ-VIT, d. o. o., installed two treatment plants for industrial wastewater in 2021.

Nine plants which are sources of industrial wastewater emissions were inspected in 2021. The report on the wastewater measurements performed indicates that the emissions of substances in wastewater released into the public sewerage system are compliant with the admissible parameters stipulated by applicable legislation.

Management of stationary equipment containing fluorinated greenhouse gases (F-gases).

The companies of the Slovenske železnice Group manage the stationary equipment and air-conditioning equipment in rail passenger vehicles and other rolling stock, which contain F-gases, in accordance with the applicable regulations in Slovenia that govern the management and maintenance of equipment containing F-gases, and in line with EU Regulation No. 517/2014 on fluorinated greenhouse gases, which stipulates the management and maintenance of

equipment containing F-gases at the level of the European Union.

Slovenske železnice Group companies which manage devices containing F-gases pursuant to applicable regulations, ensure that:

- the installation of new devices, their maintenance, leak testing, and gas capture, recycling and filling is carried out only by authorised equipment servicers who are licensed for such services by the competent Ministry of Environmental Protection;
- stationary equipment containing 3 kg of F-gases or more is registered in the REMIS information system, which is administered and maintained by the competent Ministry of Environmental Protection.
- a leak test is performed on devices containing F-gases with the potential for 5 tonnes of CO₂ equivalent or more.

A total of 1,787 devices containing F-gases are in operation as part of air cooling, heating and firefighting systems and electrical power installations (A/C units, heat pumps, firefighting devices and high-voltage switching mechanisms). The mandatory annual inspection and leak test were carried out in 2021 on 68 devices containing F-gases with the potential for 5 tonnes of CO₂ equivalent or more, which account for 3.8% of all devices containing F-gases. All the inspected devices operate in line with the regulations.

As part of its maintenance of railway vehicles, SŽ-VIT, d. o. o., is required by applicable regulations to submit annual reports on the filling and capture of fluorinated greenhouse gases in air-conditioning devices which are installed in rail tractive vehicles and passenger trains.

	SŽ, d. o. o.	SŽ-INF	SŽ-TP	SŽ-PP	SŽ-VIT	SŽ-ŽIP	SŽ-ŽGP	SŽ Group
Number of devices that contain fluorinated greenhouse gases	265	1,025	179	70	161	43	44	1,787
Number of devices that contain 3 kg of fluorinated greenhouse gases or more	19	37	0	5	5	2	0	68

Light pollution

The companies of the Slovenske železnice Group manage exterior lighting which is a source of light pollution in accordance with the regulations that govern the area of light pollution in the Republic of Slovenia.

A total of 6,860 lights are used for the exterior illumination of PRI and other areas. Of these, 90% lights are technically compliant with the regulations for exterior lighting, and the remaining lights on the PRI will be replaced in the scope of PRI modernisation between 2022 and 2025 (Pragersko, Ljubljana-Sežana).

Electromagnetic radiation

SŽ-Infrastruktura, d. o. o., manages and maintains 388 GSM-R base stations and base station repeaters which are legally considered as sources of electromagnetic radiation, in accordance with regulations governing the area of electromagnetic radiation to the natural and living environment in Slovenia. The first measurements of electromagnetic radiation were conducted on all base stations in line with the applicable regulations. The radiation loads of base stations were below the limit values for electromagnetic radiation to the environment.

Waste management

As part of their activities, the companies of the Slovenske železnice Group ensure:

- proper waste treatment;
- record-keeping regarding the production and disposal of waste;
- annual reports on the quantity of waste generated in the preceding calendar year;
- the adoption of measures to optimise the costs of waste management and to reduce the quantities of waste generated (waste management plan).

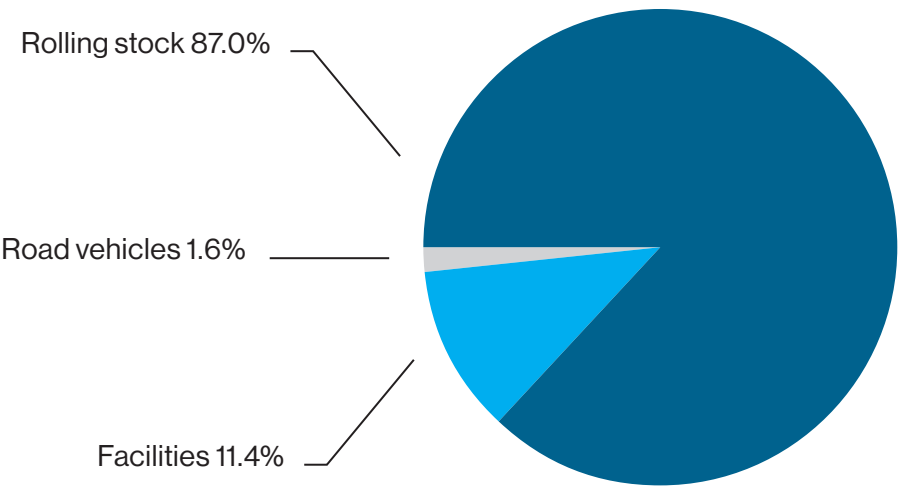
A total of 13.4 tonnes of waste resulting from PRI maintenance, the maintenance and renovation of vehicles, installations and machinery, the disposal of financially written-off and unserviceable rail wagons, passenger trains and other written-off metal assets were submitted for further processing to authorised collectors, go-betweens and processors of waste in 2021. The percentage of hazardous waste in the structure of total waste was 11% in 2021. Scrap sleepers account for 72% of hazardous waste and 8% of total waste. Construction waste and scrap metal account for 45% and 30% of waste, respectively.

Energy management system

The companies of the Slovenske železnice Group engage in efforts to protect nature and the environment and combat climate change. In Slovenia, the transport sector consumes 36% of the total annual energy used. Ninety-nine percent of the energy consumed in transport comes from fossil fuels. Rail offers an alternative to other transport system, since its services can be carried out by consuming significantly less

energy, and its operations can include a large share of renewable sources. Rail transport as an alternative to other types of transport is therefore an opportunity to reduce energy consumption and thus the carbon footprint of transport. Eighty percent of all energy use in Slovenske železnice is monitored within the energy management system.

Structure of energy consumers

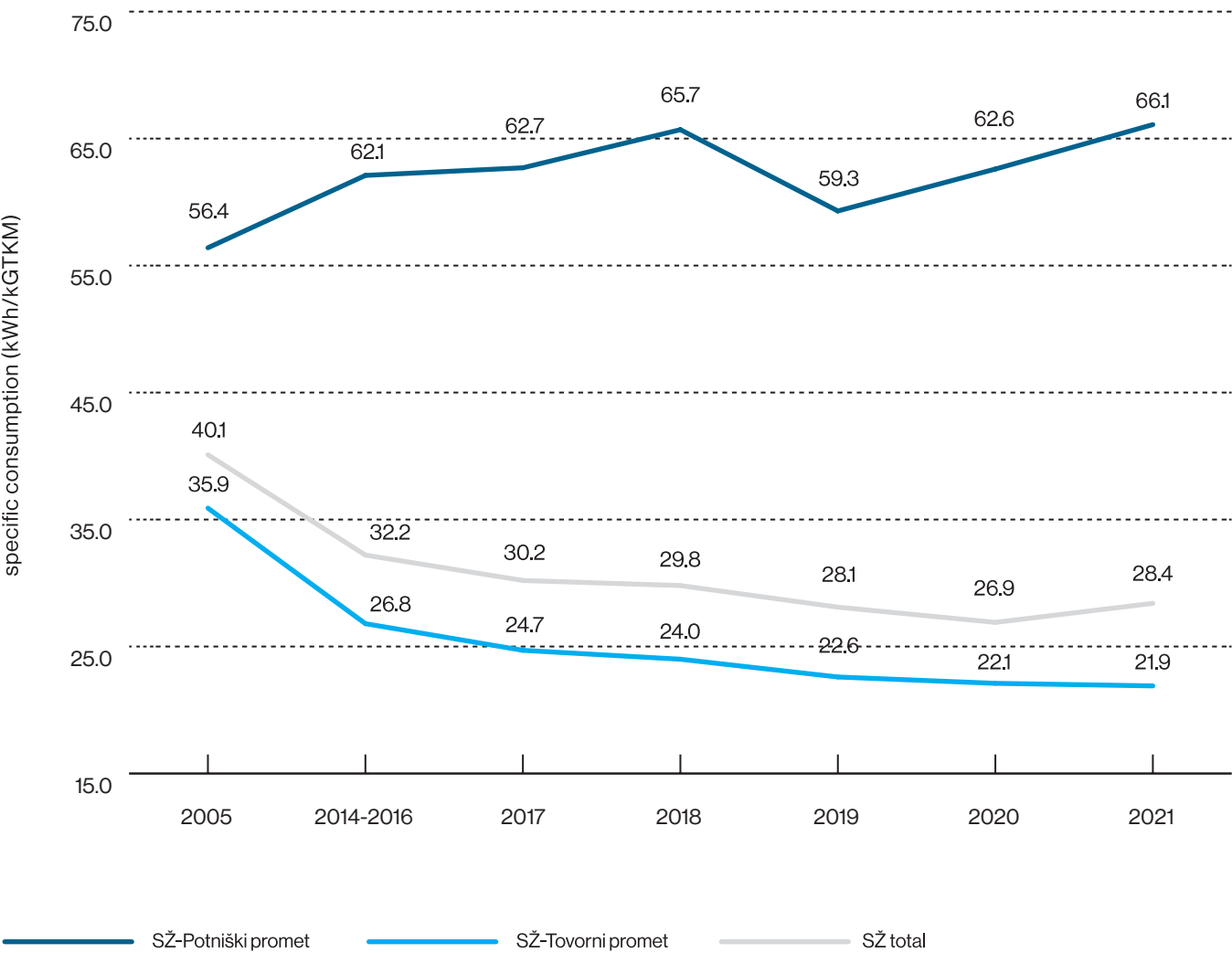


The main targets of the energy efficiency system in the Slovenske železnice Group by the end of 2022 are:

- to improve the average energy efficiency in structures by at least 3% relative to the energy baseline of 2014-2016;
- to improve the average energy efficiency in the transport of passengers and goods by rail by at least 2% relative to the energy baseline of 2014-2016;

- to improve the average energy efficiency in the use of road vehicles and railway maintenance rolling stock by at least 1% relative to the energy baseline of 2014–2016.

Slovenske železnice Group – energy efficiency of rolling stock (kWh/kGTKM)



Within the company, energy use and carbon footprint are increasingly important indicators in the area of costs and environmental protection. One of the main goals of the energy management system is to control the consumption of energy and continuously reduce the use of energy. Energy consumption has a direct effect on the amount of greenhouse gas (CO₂) emissions.

In terms of energy and the environment, rail transport is a highly efficient type of transport. In the age of global transport decarbonisation, it is attractive and promoted as a sustainable means of transport.

Fifty percent of electricity consumed by the electric rolling stock of Slovenske železnice is

produced from renewable energy sources, which allows the railway system to leave a markedly lower carbon footprint in the transport of goods and passengers. Moreover, within the railway system the use of modern tractive vehicles allows us to harness a portion of the braking energy by converting it back into electricity, which is then re-used by other rolling stock. Advanced electric rolling stock which enables energy recovery can reduce the consumption of primary energy for greater energy efficiency. As such, there is potential in the future to make further positive efforts in environmental protection and energy efficiency, and so increase the appeal of rail transport.

RISK MANAGEMENT²²

The process of risk management in the Slovenske železnice Group is headed by the Central Corporate Office for Compliance and Risk Management. Its activities are subject to the Rules of Procedure of the Central Corporate Office for Compliance and Risk Management.

The process is based on the principle of quarterly reviews of the status of all risks, the effectiveness of the measures taken to manage risks, damage assessments and, if necessary, the identification of new risks or measures.

The responsible risk owners submit individual assessments of risks of damage (by estimating inherent risks and damage after adopting measures) and work with the management to decide the risk management strategy (acceptance, transfer, reduction). Each risk is associated with a responsible owner and assessed for frequency, typical loss, worst scenario assessment and persistence. Furthermore, preventive measures, measures for its management and time limits for the implementation of measures are assigned to each risk.

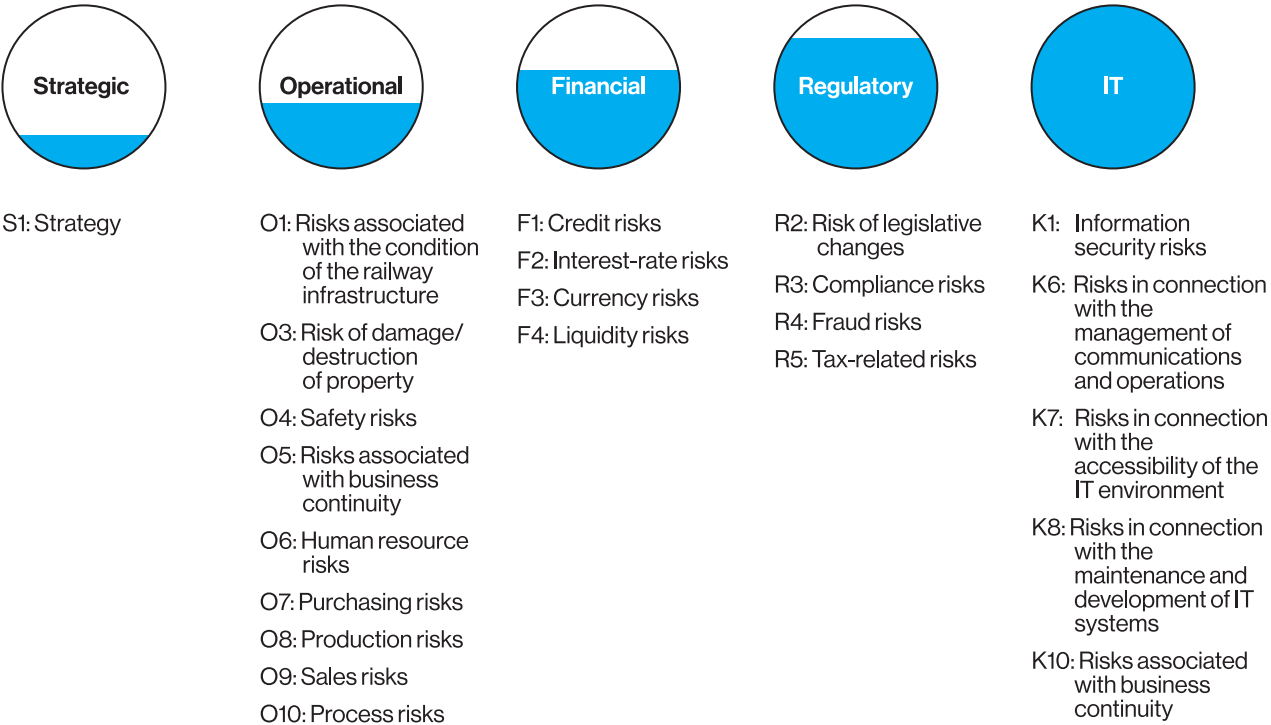
The office develops and updates mechanisms for the effective identification and management of risks. The specific powers or operations of each Group company are considered in the process, in particular factors such as size, complexity, number of employees, organisational structure, the specifics of work tasks, powers, responsibilities, specific risks and other factors that require special consideration of a company within the Group.

Risks are identified, analysed and managed by process administrators. The responsibility for risk management is linked to the responsibility for business goal achievement. A single methodology of risk management is defined at the strategic level, which sets out guidelines for the clear assignment of roles and responsibilities in relation to risks, the defining of measures, the schedule of updates to the structure of risks and measures, and the monitoring of risk management.

The Slovenske železnice Group uses methodologically supported quantitative assessment of identified risks. All risks are aggregated first at the level of the company and then at the level of the Slovenske železnice Group and described in the risk profile. The risks transferred by companies to the controlling company must comply with the service agreement signed between the companies.

The office drafts quarterly reports on the management of risks associated with individual companies as well as the Slovenske železnice Group. These reports are approved by the Management Boards of the companies and submitted to the audit committees and Supervisory Boards of the respective companies.

The risk catalogue of the Slovenske železnice Group



Within the system of risk management there is a distinction between discreet and continuous risks, individual risks are assessed for the persistence of the consequences of potential risk realisation, and the acceptable level of risk is verified for individual companies of the Slovenske železnice Group.

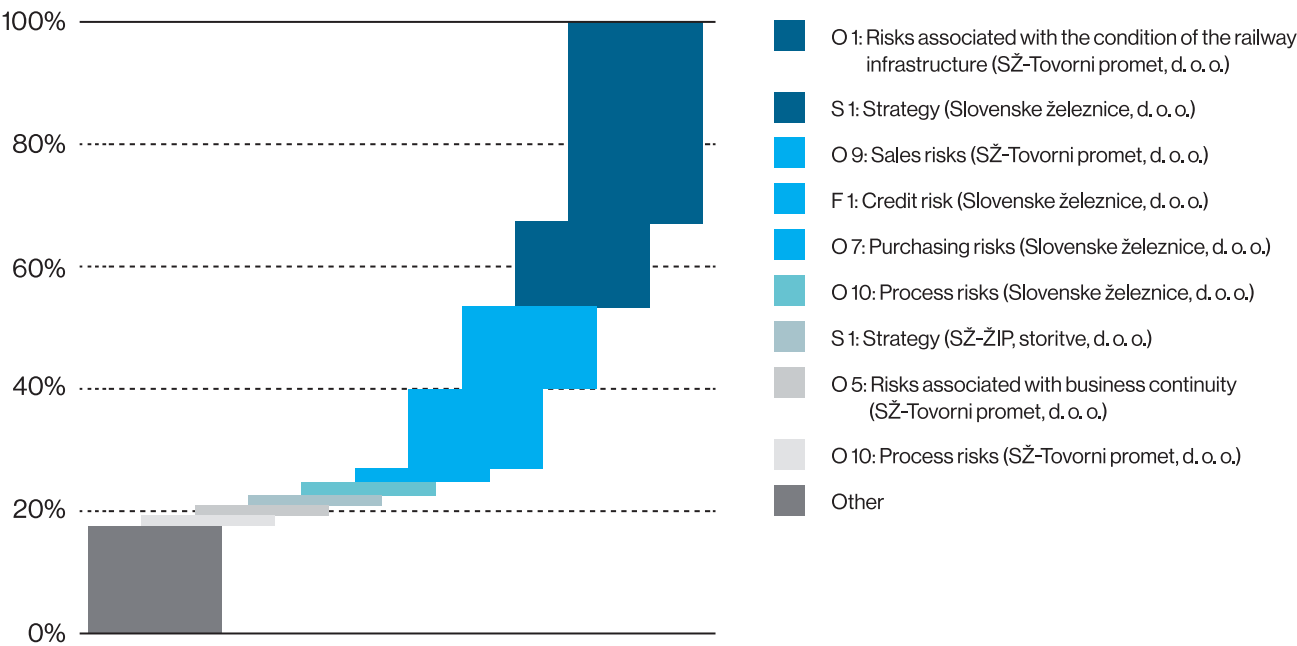
The limit of acceptable risk of damage is estimated for all Slovenske železnice Group companies at more than EUR 100 thousand of net impact on cash flow in the case of the realisation of a typical risk scenario after adopted measures, and in the case of continuous risks, damage from the worst case scenario after adopted measures is assumed.

The risk management methodology includes assessments of risks before and after adopting measures. Assessments of risks before adopting measures refer to the frequency and damage that would occur if no measures were in use to reduce the negative effects of the risk and if no control was in place, which constitutes an assessment of inherent risk.

²²GRI 102-11, 102-15

Principal risks in 2021

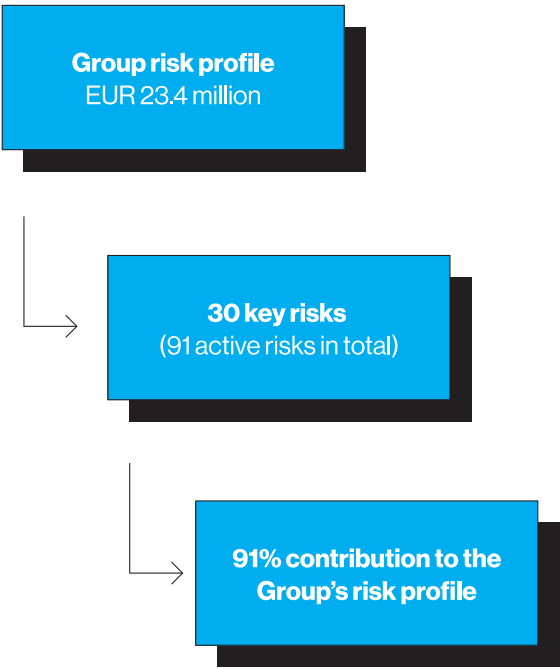
A total of 91 risks were identified in 2021. The risk profile of the Slovenske železnice Group amounts to EUR 23.4 million. The greatest influence on the risk profile of the Slovenske železnice Group is exerted by Slovenske železnice, d. o. o., SŽ-Tovorni promet, d. o. o., and SŽ-ŽIP, storitve, d. o. o.



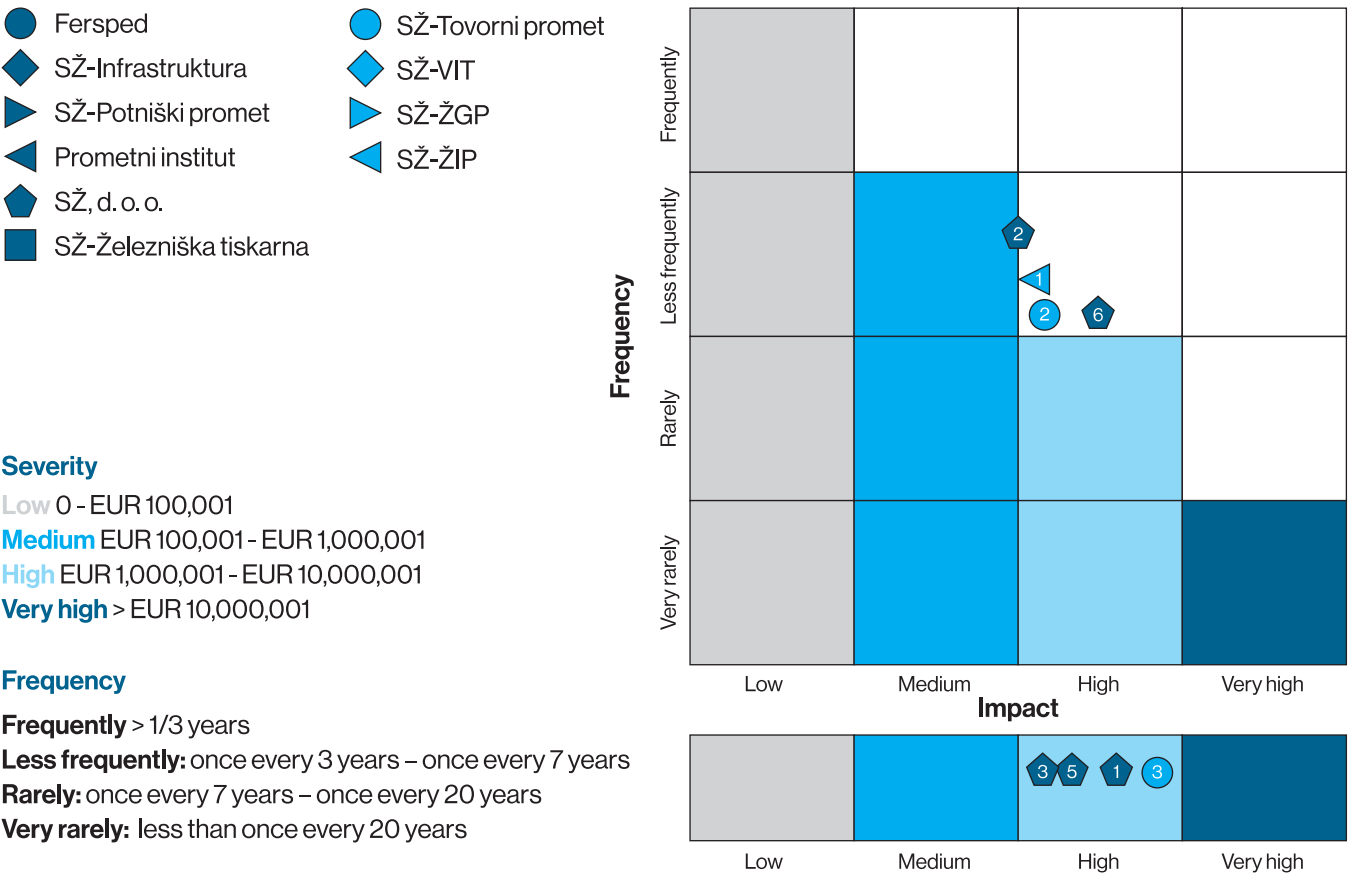
The ten greatest risks account for 84% of the total risk profile of the Slovenske železnice Group.

In 2021, 30 key risks were identified in the Slovenske železnice Group, accounting for 91% of the risk profile of the Group. Key risks are risks where the estimated damage exceeds the limit of acceptability. Most of the key risks are in SŽ-Tovorni promet, d. o. o. (57%), and Slovenske železnice, d. o. o. (37%). The majority of key risks are classified as operational (15), followed by the groups of strategic risks (6) and financial risks (4).

As the controlling company, Slovenske železnice, d. o. o., assumes all the financial risks of its subsidiaries and the majority of IT risks, as agreed under mutual business agreements.



Risk matrix of the worst case scenario for the ten greatest risks of the Slovenske železnice Group



Significant changes of risk assessments in 2021

Based on the changes in the business environment, some risks were assessed as substantially higher in 2021, including the risks of maintenance and development of IT systems and process risks in Slovenske železnice, d. o. o., the purchasing and production risks in SŽ-ŽGP, d. d., the sales risks in SŽ-Tovorni promet, d. o. o., and the strategic risks in SŽ-ŽIP, storitve, d. o. o.

On the other hand, owing to risk reduction measures some risks were assessed as lower, specifically compliance risks and tax risk in Slovenske železnice, d. o. o., risks associated with the condition of the rail infrastructure in SŽ-Tovorni promet, d. o. o., and process risks in SŽ-ŽGP, d. d.

Personal data protection

Personal data protection in the Slovenske železnice Group is defined in the Rules on the Protection of Personal Data. The personal data protection officer has operated as a collective body since 2018 to monitor the compliance of processes where personal data is collected and processed pursuant to the General Data Protection Regulation and other regulations relating to personal data protection, and to provide training and legal consulting related to personal data protection.

The personal data protection officer manages the reporting line for suspected breaches of personal data security for the Slovenske železnice Group. Six reports of this type were considered in 2021, but no breaches were established that would

have to be further reported to the Information Commissioner. However, preventive measures were taken to reduce the risk of recurrence.

Respect for human rights in business operations

Business entities, which are established in accordance with Slovenian law or conduct business in Slovenia, are obliged to respect and protect human rights. In November 2018, the government of the Republic of Slovenia adopted the National Action Plan Promoting Respect for Human Rights in Business to ensure the implementation of UN Guiding Principles on Business and Human Rights, to uphold human rights in business activities throughout the value chain and to additionally develop cooperation between the state, businesses, business associations, unions, NGOs and other stakeholders.

The National Action Plan Promoting Respect For Human Rights in Business is based on the three pillars which were envisioned in the UN Guiding Principles on Business and Human Rights; the government's responsibility to establish the appropriate legal framework, the responsibility of business entities to respect human rights and the government's responsibility to sanction violations.

Signing the Commitment to respect human rights in business operations in 2019 was our first step towards the close scrutiny of human rights in the day-to-day practices of the Slovenske železnice Group. The risks in relation to respect for human rights will be included in the register of risks of the Slovenske železnice Group and in the integrity plan.

INTERNAL AUDITING²³

The Internal Audit Department (IAD) of Slovenske železnice, d. o. o., conducts internal auditing at the level of the 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.

An independent external assessment in 2017 and annual internal assessments of quality have confirmed the compliance of the work of the IAD with the International Standards for the Professional Practice of Internal Auditing.

Our internal auditors are highly qualified and, between them, they hold a total of eight professional titles from the areas covered by internal auditing. Besides attending regular training, they are members of professional associations and play an active role in professional circles that deal with internal auditing.

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.

In 2021, the IAD functioned on the basis of the adopted work plan for 2021. It performed the services of providing assurances and consulting, and issued recommendations for the improvement of internal controls and more effective management of risks in the areas audited. IAD introduced the system of continuous auditing in several areas and carried on with the preparation of an assurance map.

The IAD regularly monitors the implementation of adopted recommendations. It regularly, directly and concurrently submits reports on all the conducted audits, findings and recommendations, and their implementation to the Management Board and the Supervisory Board's audit committee of the controlling company and each of its subsidiaries. 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.

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.

²³GRI 102-16

CORPORATE GOVERNANCE

Corporate governance statement²⁴

In accordance with the provisions of the fifth paragraph of Article 70 of the Companies Act (ZGD-1) 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 2021.

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 the Recommendations and Expectations of Slovenski državni holding, d. d.

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 2021. If we were not fully compliant with an individual provision in 2021 and we intend to change this policy in 2022, this is stated separately in accordance with Recommendation 3.4.1 of the SDH Code. We also highlight certain activities that were announced in the 2020 statement in order to reduce the number of deviations, and which were successfully implemented in 2021.

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 will be produced in 2022.

Recommendation 3.6: Diversity policy

The company has not yet received a report on the implementation of the diversity policy and results of that implementation.

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. We also perform public service obligations (PSO) under contracts with the Slovenian government. Regular contacts with representatives of the competent ministries and the Slovenian Infrastructure Agency are thus required.

The company's Management Board and members of its Supervisory Board had contacts with representatives of the government in 2021. 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 has not formally developed a succession plan for members of the Management Board, although it has begun discussions in that regard. Any succession plan must take into account, in particular, the strategic objectives of the Slovenske železnice Group and the company's duties set out in applicable regulations and the Articles of Association.

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 well-balanced body. Both genders are represented in its new make-up, which nevertheless deviates from the target composition as recommended by 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.

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.

²⁴GRI 102-5, 102-11, 102-12, 102-14, 102-16, 102-17, 102-18, 102-22, 102-45, 102-46, 103-1, 205-1, 405-1

Recommendation 6.14.2: Number of sessions of audit committees

The number of the audit committee sessions is greater than recommended due to the complexity of the operation of the Slovenske železnice Group (eleven sessions instead of the recommended eight).

Management Board

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

The company has no formally specified obligation for a member of its Management Board who assumes the position of member of the supervisory board of a company outside the Slovenske železnice Group to obtain the prior consent of the company's Supervisory Board.

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 have individual development plans for every employee. However, regular annual development interviews will be introduced in 2022, and they will serve as a basis for the identification of key employees and a more individualised approach to the inclusion of management staff into SŽ's Management Academy programmes. The additional information support will help us to capture other employee profiles as well, and develop a HR process of managing employee development plans in which the career path of a specific employee and their key skills and competencies 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 upgraded or expanded it into the Code of Conduct that has applied 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 regarding the total value of transactions that by their legal nature are mandate contracts or work contracts or whose subject is intellectual work, but it does publish data on its website in accordance with the applicable regulations regarding specific contracts

in a manner that makes it possible to determine the total value from individual publications.

Recommendation 3.11: Maximum scope of sponsorships and donations

Sponsorship and donation activities 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 the annual plan defining 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, separately for sponsorships and donations. Sponsorships and donations are approved by the company's Management Board based on the committee's proposals.

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.

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. That system also 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 defining 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 in business processes, and are responsible for the effective functioning of the internal control system.

Internal accounting controls function on the basis of the following principles:

- veracity in the division of responsibility;
- control of transactions;
- separation of accounting records from transactions;
- the accuracy, reliability, completeness and timeliness of financial reports;
- the compliance of operation with legislation, International Financial Reporting Standards, contracts and company bylaws, and the policies adopted by the Management Board of Slovenske železnice, d. o. o.;
- the professionalism and independence of accountants.

Accounting controls are to a large degree directly linked to controls in the area of the IT system, which ensures restrictions and control of access to the network, applications and information and controls of accuracy, completeness of capture and data processing. The proper operation and establishment of appropriate controls within the IT system is verified through authorised external service providers.

Risks associated with the consolidated financial statements of the Slovenske železnice Group are managed to a great degree with the centralised accounting function within Slovenske železnice, d. o. o., and with a revision of the annual financial

statements of all major subsidiaries that comprise the Slovenske železnice Group.

4. Compliance and integrity system

The Slovenske železnice Group has an integrity plan in place. The integrity plan is an integral part of our comprehensive risk management system. The corporate integrity officer is the administrator of the integrity plan and keeps a separate register of risks related to unethical or illicit activity, conflicts of interest, nepotism, mobbing, acceptance of gifts, lobbying and uneconomical management of public funds. Measures were taken to reduce individual risks, responsible persons were appointed and the frequency of internal controls was established. The integrity officer reports on the fulfilment of the integrity plan semi-annually to the management and supervisory bodies.

The Slovenske železnice Group has a functioning system in place for the reporting of suspected breaches of corporate integrity, which is managed by the corporate integrity officer. This area is defined in the Rules on the Reporting and Treatment of Suspected Breaches of Corporate Integrity within the Slovenske železnice Group, and the Code of Conduct. A follow-up reporting and warning system is in place. The corporate integrity office submits quarterly reports to the management and supervisory bodies and, if required, to external supervisory and inspection authorities. The officer performs their work independently and is responsible for the protection of known whistle-blowers.

Since the reporting line was set up in 2016, we have received no reports about any retaliation against known whistleblowers, which is reflected in the high percentage of known whistleblowers (the annual average in the last three years was over 40%). The Slovenske železnice Group had received an average of 35 breach reports in the last three years.

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

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 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 dismissed by the founder, i.e. Slovenski državni holding. 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.

6. 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.

7. 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 2021 financial year

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	Independence in accordance with Article 23 of the Code	Existence of conflicts of interest during the financial year ²⁾	Membership of the supervisory bodies of other companies, funds etc.	Membership on committees	Chair/ member	Participation in committee sessions with respect to total number
Aleksander Mervar	Chair	Master of science	12 September 2019	12 September 2023	S	15/16	YES	YES	Kapitalska družba, d. d.			
Franci Matoz	Deputy Chair	Bachelor's degree in law	27 August 2020	27 August 2024	S	15/16	YES	NO	Luka Koper, d. d., DUTB, d. d	HR committee	Chair	4/4
Aleksander Nagode	Member	Master of science	11 September 2015	12 September 2023	S	16/16	YES	YES	Succession Fund of the Republic of Slovenia (public fund)	Audit committee	Member	11/11
										Strategic investments committee	Member	9/9
Jože Pavšek	Member	Primary school education	11 September 2015	12 September 2023	E	15/16	YES	NO	SŽ-ŽIP, storitve, d. o. o.			
Silvo Berdajs	Member	Secondary vocational education	11 September 2015	12 September 2023	E	16/16	YES	NO	SŽ-ŽGP Ljubljana, d. d., SŽ-Tovorni promet, d. o. o.	Audit committee	Member	11/11
										Strategic investments committee	Member	9/9
Zlatko Ratej	Member	Secondary vocational education	24 April 2018	12 September 2023	E	16/16	YES	NO	/	HR committee	Member	4/4
Melita Malgaj	Member	Bachelor's degree in economics	12 June 2020	12 June 2024	S	15/16	YES	NO	/	Audit committee	Chair	11/11
Boris Markočič	Member	Bachelor's degree in electrical engineering	27 August 2020	27 August 2024	S	16/16	YES	NO	/	Audit committee	Member	11/11
										Strategic investments committee	Chair	9/9
Gabriel Škof	Member	Bachelor's degree in law	27 August 2020	27 August 2024	S	16/16	YES	NO	GIZ Nuclear Insurance and Reinsurance Pool, Elektro Gorenjska, d. d.	HR committee	Member	4/4
										Strategic investments committee	Member	9/9
Barbara Nose	External member of the audit committee	Specialised auditing	19 October 2015	12 September 2023	S	/	YES	NO	/	Audit committee	Member	10/11

¹⁾ S – shareholder representative; E – employee representative
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, the Rules of Procedure of the Supervisory Board's audit committee, and the Rules of Procedure of the Supervisory Board's Strategic Investments 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 implementation of the adopted annual and strategic business 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 activities in 2021 are presented in detail in the report on the work of the Supervisory Board, and are not described again here.

Management Board

In 2021, the Management Board of Slovenske železnice, d. o. o., comprised three members; the Director General and two members of senior management – the Managing Director and the Workers’ Director, who is appointed in accordance with the Workers’ Participation in Management

Act. The Director General represents the company independently and without restrictions. The Management Board member (Managing Director) and Worker’s Director represent the company in concert with the Director General.

Composition of the senior management during the 2021 financial year

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	execution of the Strategic Business Plan, operation of subsidiaries, marketing, logistics and mobility, human resources and legal affairs, real estate management, procurement and investments, and internal auditing	22 March 2012	24 March 2024	/
Tomaž Kraškovic	Member of the Management Board (Director)	Finance, accounting and controlling, IT, compliance and risk management	1 April 2016	2 April 2024	/
Nina Avbelj Lekić	Workers' Director	HR and social issues	21 March 2018	22 March 2026	/

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 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 EP Logistika, d. o. o.,

SŽ-Potniški promet, d. o. o., SŽ-Infrastruktura, d. o. o., SŽ-VIT, 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.

Control agreements are signed with the companies that are 100% owned by Slovenske železnice, d. o. o.

These companies are engaged in the maintenance and management of the public rail infrastructure, rail traffic management, the conveyance of passengers and goods on the PRI, train traction and technical wagon inspection services as core activities, and other services, and supplementary and complementary activities required for the continuous and/or good performance of core activities.

8. 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 each 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.

The company has not yet received a report on the implementation of the diversity policy and results of that implementation. We will report on the results of the diversity policy in the next annual report.

Dušan MES
Director General

Tomaž KRAŠKOVIC, MSc
Member of the Management Board

Nina AVBELJ LEKIĆ
Workers' Director

REPORT 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.

Composition of the Supervisory Board of Slovenske železnice, d. o. o., and its committees did not change in 2021.

The Supervisory Board comprised the following members:

- representatives of the founder:
 - Aleksander Mervar (Chairman),
 - Franci Matoz (Deputy Chairman),
 - Melita Malgaj,
 - Boris Markočič,
 - Aleksander Nagode, and
 - Gabriel Škof;
- employee representatives:
 - Silvo Berdajs,
 - Jože Pavšek, and
 - Zlatko Ratej.

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.

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 sixteen sessions in 2021, of which twelve were ordinary and four were correspondence. No extraordinary sessions were held in 2021.

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 2021. If a particular topic had been discussed beforehand in a committee, it was marked AC for audit committee, SIC for strategic investments 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 the status of strategic projects (SIC);
 - report on the progress of digitalisation programmes (SIC);
 - quarterly reporting (AC):
 - unaudited report on the operating results of the company and Group,
 - report of the Central Corporate Office for Compliance and Risk Management,
 - report on financial risks in the Group,
 - register of internal and external auditing recommendations,
 - report on changes with respect to received and filed lawsuits,
 - report on agreements published on the websites of Group companies pursuant to paragraph 11 of Article 10a of the Public Information Access Act,
 - 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 status and development of information security (SIC),
 - report on the sale of the Group's obsolete assets (AC);
 - annual reporting (AC):
 - letter to the management following the pre-audit of the financial statements for 2020,
 - discussion of the unaudited annual report and confirmation of the audited annual report of the company and Group for 2020,
- operational planning:
 - consent to the Strategic Business Plan of the Slovenske železnice Group for the period 2021–2025 (AC),
 - briefing on the Human Resource Management Strategy in the Slovenske železnice Group for the period 2021–2025 (HRC),
 - briefing on the Work Plan in the Area of Corporate Integrity for 2021 (AC);
 - briefing on the final proposal of the strategy for managing the Group's strategic, non-strategic and development real estate owned by the Group,
 - consent to the Business Plan of the Slovenske železnice Group for 2022 with a forecast of operations for 2023–2024 (AC),
 - approval of the work plan of the Internal Audit Department for 2022, including an indicative long-term work plan for the period 2023–2024 (AC),

- approval of the extension of the guarantee line, short- and long-term external financing transactions and the mutual financing transactions of Group companies;
- briefing on the long-term agreement on the discharge of PRI manager services,
- monitoring of the sale of real estate requiring the consent of the Supervisory Board;
- monitoring of the activities involved in forming strategic partnerships in freight and passenger transport,
- monitoring of fixed capital formation and monitoring of progress or providing required approvals of documentation for key strategic projects (SIC),
- briefing on the selection of strategic projects in the Group's portfolio, in accordance with the Strategic Business Plan 2021–2025 (SIC),
- digitalisation of mobility and the management of human capital in the Group (SIC),
- monitoring of upgrades to business processes and the corrective measures and recommendations of the Court of Audit (AC),
- examination of the legal opinion on the avoidance of conflict of interests in Management Board members or committees when they participate in the decision-making in public procurement procedures,
- action plan for the implementation of past-due recommendations of the Internal Auditing Department as at 31 December 2020 (AC),
- new corporate governance arrangements in the Group with regard to new public interest entities following the adoption of the new ZGD-1K,
- human resources (HRC):
 - consent to the recall and the concurrent appointment of Group subsidiary directors with the aim to unify the terms of office and prepare a basis for the formulation of a succession policy,

- briefing on the goals formulated by the directors of subsidiaries,
- consent to the appointment of the new director of SŽ-ŽGP Ljubljana, d. d., and the extension of the term of office for the director of SŽ-ŽIP Savudrija, d. o. o.,
- consent to the change in the rules and elements for entering into individual employment contracts,
- briefing on information regarding liability insurance for the Group's executive staff,
- briefing on information regarding average wages within the Group in 2020, and definition of the basis for the calculation of wages under individual contracts for 2021,
- briefing on changes to the rules on the internal organisational structure of the Slovenske železnice Group (changed organisation of the work of central corporate offices),
- HR procedures on the completion of the strategic partnership project:
 - briefing on the appointment of the members of the Supervisory Board in the newly-founded SŽ EP, d. o. o.,
 - consent to the appointment of the members of the Management Boards of SŽ-Tovorni promet, d. o. o., Fersped, d. o. o., and the newly-founded SŽ EP Logistika, d. o. o.

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.

The work of the Supervisory Board in 2021 focused on the following activities:

- giving consent to the very ambitious strategic business plan for a five-year period,
- briefing on the Human Resources Management Strategy as a key document for the fulfilment of the ambitious strategy,

- coordination of the terms of office of subsidiary directors and the definition of goals,
- monitoring of progress in digitalisation programmes,
- additional emphasis on the ongoing and close monitoring of progress across the entire portfolio of strategic projects,
- monitoring of finished activities within the strategic partnership in rail freight transport and logistics,
- addressing the project activities in the mobility pillar pursuant to the Strategic Business Plan for the modernisation of passenger transport (purchase of a bus company, construction of a passenger centre, purchase of new trains, introduction of self-service ticketing points of sale)
- addressing the method of aligning corporate governance arrangements in the Group with the new ZGD-1, where a number of discussions and external legal opinions led to the decision to establish Supervisory Boards in five subsidiaries.

The Management Board of the company worked with the expert departments to ensure relevant material for discussion in the Supervisory Board and the committees, and always responded in a timely manner to any further questions by providing additional clarifications.

Work of Supervisory Board committees

The Supervisory Board has the following three committees:

- audit committee,
- strategic investments committee, and
- human resources committee.

The efforts of the Supervisory Board committees made a significant contribution to the quality and efficiency of the Supervisory Board's work.

Since the topics discussed by the committees which were also discussed by the Supervisory Board have been presented above, only those topics that were addressed by the committees alone are covered below.

Audit committee

In 2021, the audit committee consisted of the following members:

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

The audit committee held eleven ordinary sessions in 2021.

Key topics:

- 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 completed pre-audit of the financial statements for 2020,
 - 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 2020;
 - letter to the management following the completed audit of the financial statements for 2020,
 - additional report to the audit committee following the audit of the financial statements for 2020,
 - auditor's opinion on the financial statements of Slovenske železnice, d. o. o., and the Slovenske železnice Group for 2020,

- verification of the independence of the external auditor;
- audited annual report of Slovenske železnice, d. o. o., and the Slovenske železnice Group for 2020,
- annual discussion in the absence of the Management Board, focusing on a few key topics (planning the audit of the financial statements for 2021 with annual report completion deadlines, suitability of the register of risks as a basis for the determination of audited areas, implementation of recommendations from past audits, auditor selection criteria),
- briefing on the contract of Group control and single management,
- information on public contracts and records procedures,
- ensuring the independence of the actual and potential auditors 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 2021),
- monitoring of the Internal Audit Department's work:
 - reports on internal audits performed and other regular reports, plans and bylaws governing the work of the Internal Audit Department,
 - briefing on the action plans for the implementation of past-due recommendations,
 - briefing on the employment contract of the head of the Internal Audit Department,
 - 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.

Strategic investments committee

In 2021, the strategic investments committee consisted of the following members:

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

The strategic investments committee started its work in 2021, when it held nine ordinary sessions. Its scrutiny of all strategic investments was an important contribution to the successful work of the Supervisory Board.

Key topics:

- definition of the committee's tasks and work system,
- ongoing monitoring of the progress of the entire portfolio of strategic projects,
- separate and more detailed ongoing monitoring of progress in digitalisation programmes,
- drafting a proposal for the selection of strategic projects in the Group's portfolio to implement the adopted Strategic Business Plan, including estimated values and deadlines for the completion of individual projects,
- preliminary discussion of project documentation which is subject to briefing or approval at Supervisory Boards sessions.

HR committee

In 2021, the human resources committee consisted of the following members:

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

The HR committee held four ordinary sessions in 2021. All of the topics addressed were independent points on the agendas of Supervisory Board sessions.

Self-assessment of the work of the Supervisory Board and the audit committee

Due to the large number of changes in the make-up of the Supervisory Board in 2020, the first two self-assessments of the work of the Supervisory Board and the audit committee were carried out after one year of joint cooperation, i.e. at the end of 2021 and in early 2022.

The members of the Supervisory Board and the audit committee filled in a questionnaire – the self-evaluation matrix of the Slovenian Director's Association. Two analyses were made on the basis of the completed questionnaires and examined by both bodies. The analyses indicated that the Supervisory Board and its committees are performing well. Lower scores were given particularly in matters outside the Supervisory Board's direct control. Other matters were assessed by the Supervisory Boards members as "good", with the exception of the corporate governance policy as a standalone document, since the company does not have one.

Both bodies adopted resolutions or conclusions that suggest the necessity of tasks for the improvement of the system of work in the following areas:

- preparation of a standardised induction programme for new members,
- presentation of subsidiaries at Supervisory Board session in the presence of the external member of the audit committee,
- formulation of a Corporate Governance Policy of Slovenske železnice, d. o. o., and the Slovenske železnice Group,
- greater emphasis on the monitoring of the implementation of risk management measures and recommendations,
- corporate integrity:
 - transition from semi-annual to quarterly reporting of suspected breach reports and
 - discussion of the Rules on the Reporting and Treatment of Suspected Breaches of Corporate Integrity within the Slovenske železnice Group, which already included potential changes at the session of the audit committee.

The Supervisory Board and the audit committee will consistently monitor the performance of tasks as part of the ongoing monitoring of the implementation of Supervisory Board's resolutions and the audit committee's conclusions.

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 2021 financial year, and based on the consolidated annual report of the Slovenske železnice Group for 2021, 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 2021 as very successful. The Management Board and Supervisory Board worked constructively together at sessions, while the Chairman of the Supervisory Board, the chairs of committees and the Director General and a member of the Management Board communicated regularly between sessions. The Management Board successfully handled the situation in connection with the COVID-19 pandemic, and adopted all necessary measures to safeguard the health of employees and adapt operations to the changing circumstances. The Management Board carried out some key activities in 2021 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 two points in 2021 from which one member of the Supervisory Board was excluded from discussions and decision-making to avoid 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 2021 signed statements of independence in which they declared their status as independent members. Their statements of independence are published on the company's website.

Approval of the annual report and the proposed use of distributable profit of Slovenske železnice, d. o. o., for 2021

The unaudited annual report of Slovenske železnice, d. o. o., and the Slovenske železnice Group for 2021 was discussed by the Supervisory Board's audit committee at its 23rd session on 19 May 2022.

The certified audit firm Deloitte Revizija, d. o. o., which audited the financial statements for 2021 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 2021.

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 2021 at its 331st correspondence session of 26 June 2022, and

submitted them to the audit committee and Supervisory Board for review and verification in accordance with paragraph 3 of Article 272 of the Companies Act, together with the independent auditor's report of 26 May 2022 and the proposal for the use of distributable profit of Slovenske železnice, d. o. o. The audited consolidated annual report of the Slovenske železnice Group and Slovenske železnice, d. o. o., for 2021 was discussed by the Supervisory Board's audit committee at its 24th session on 26 May 2022 and by the Supervisory Board at its 31st session on 30 May 2022. 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 2021, 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 2021, the Supervisory Board found, based on the findings of the audit committee, that the audited annual report and the consolidated annual report for the 2021 fiscal 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.

Ljubljana, 30 May 2022

In addition to the annual report, the Supervisory Board also verified and approved the proposed use of distributable profit of Slovenske železnice, d. o. o., which amounted to EUR 7,888,108.49 as at 31 December 2021, 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.

Based on its review of the annual report and the proposed use of distributable profit for 2021, 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 2021, 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 business plan for 2021, despite difficult conditions. The Supervisory Board proposes that the founder adopt a resolution conferring official approval on the Management Board and Supervisory Board for their work in 2021.

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 2021.


Aleksander Mervar
Chairman of the Supervisory 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 2021. The members of the Management Board represent that to the best of their knowledge 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 2021.

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 26 May 2022.

Dušan MES
Director General

Tomaž KRAŠKOVIC, MSc
Member of the Management Board

Nina AVBELJ LEKIĆ
Workers' Director

STATEMENT REGARDING NON-FINANCIAL OPERATIONS²⁵

The annual report of the Slovenske železnice Group for 2021 complies with Directive 2014/95/EU (Article 19. a), the Companies Act (Article 70. c) and the Corporate Governance Code for Companies with Capital Assets of the State of Slovenski državni holding (Point 8).

The requirements set out in those regulations are included in the business report. The results of non-financial operations in this annual report were reported by using the GRI Standards, which represent an international framework for sustainable reporting, the International Integrated Reporting Framework, and the United Nations guidelines as defined in the 2015 Sustainable Development Goals. 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.

The Slovenske železnice Group manages all types of capital as defined by the International Integrated Reporting Framework. In particular, the Group manages and, for 2021, also reports

developments relating to production (physical), intellectual, human, social and natural capital, as well as financial capital, across several chapters. Most of the requirements of legislative bases listed in the introduction are encompassed in the above capitals as relevant, whereas other requirements, such as business model presentation, are addressed in separate chapters.

Dušan MES
Director General

Tomaž KRAŠKOVIC, MSc
Member of the Management Board

Nina AVBELJ LEKIĆ
Workers' Director

²⁵GRI 102-14

The Slovenske železnice Group has compiled its annual reports in accordance with the principles of sustainable reporting for five consecutive years. In 2017, we first started reporting in accordance with GRI (Global Reporting Initiative) Standards, including new important topics and disclosures. Since our first sustainable report we see this type of reporting not only as a means to provide information but as a developmentally oriented pause for thought which allows us to reflect properly on the past year and improve our focus on the goals we set for ourselves. Moreover, our initial sustainable reporting was upgraded in the past years by including the United Nations guidelines. This will be further enhanced in the coming years, and in particular, we will focus on integrated reporting according to the standard of the International Integrated Reporting Council – the IIRC. We made a stronger commitment to an integrated way of thinking in 2020, making the first major steps, and this year, integrated reporting has been introduced to a very large degree as also reflected in the arrangement of contents by capitals. We also follow the changes that are taking place with regard to integrated reporting, such as the 2021 merger of the IIRC with the globally important standard of the Sustainability Accounting Standards Board (SASB) into the Value Reporting Foundation, which has announced new guidelines, a development that we have been following and will presumably also be implementing in the future.

In a similar way as GRI Standards, the standard of the Value Reporting Foundation includes certain key elements such as:

- 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;
- integrated reporting on employees, cooperation with the wider social environment and environmental protection.

Some disclosures according to the GRI Standards are not yet implemented or are implemented partially. However, we are aware that the introduction of sustainable reporting is a process, and we will continue our efforts to improve the compliance of reporting with the guidelines, and collect the necessary data, and above all, define material topics and boundaries more clearly. The same applies to the standard of Value Reporting Foundation, which is increasingly used as our basis for reporting, since the integrated approach helps us to better understand how the Group functions. We have been and will keep striving to fully achieve the proposed elements of this standard as well.

The report covers the period 1 January to 31 December 2021.

If you have any questions in connection with the annual report, please contact us at info@slo-zeleznice.si.

Indicator	Disclosure	Section	Page	Comment
GRI 101: Foundation 2016				
GRI 102: General disclosures 2016				
Organisational profile				
102-1	Name of the organisation	General information	14	
102-2	Activities, brands, products and services	General information	14	
		Business model	22	
		Strategy of the Slovenske železnice Group for the period 2021–2025	24	
102-3	Location of headquarters	General information	14	
102-4	Location of operations	Social capital; Activities relating to social capital	105	The number of countries is captured in part. The drafting of a diagram that will present activities by country is planned.
		Intellectual capital; Notable results in 2021	108	
102-5	Ownership and legal form	General information	14	
		Corporate governance statement	138	
102-6	Markets served (geographic and sectoral breakdown, and breakdown by type of customer)	Key performance indicators of the Slovenske železnice Group	6	
		Social capital	99	
102-7	Scale of the organisation (number of employees, number of activities, sales revenue, liabilities/equity, number of products and services)	Key performance indicators of the Slovenske železnice Group	6	
		Financial performance of the Group	48	
102-8	Information on employees and other workers	Human capital; Indicators by pillar	84	In accordance with internal rules, we do not disclose data regarding employees by contract type and region.
102-11	Clarification of whether and how the organisation takes into account the precautionary principle	Corporate governance statement	138	
		Risk management	130	
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	138	We disclose codes that relate to corporate governance. We are planning to disclose other codes that apply to the Group.
		Social capital	99	
		Natural capital	118	
102-13	Membership in organisations	Social capital	99	
Strategy and analysis				
102-14	Statement of the highest decision-making body on the importance of sustainable development for the organisation and sustainable development strategy	Statement regarding non-financial operations	157	
		Statement of the Director General	12	
		Corporate governance statement	138	
102-15	Key impacts, risks and opportunities	Key results of the Group; Performance by pillar	39	
		Risk management	130	
Ethics and integrity				
102-16	Description of values, principles, standards and norms, such as codes of conduct and ethics	Strategy and plans	18	
		Corporate governance statement	138	
		Internal auditing	136	
102-17	Mechanisms for advice and concerns about ethics	Corporate governance statement	138	
Governance				
102-18	Governance structure of the organisation, including committees of the highest governance body	General information	14	
		Corporate governance statement	138	
102-22	Composition of the highest governance body and committees	Corporate governance statement	138	

²⁶GRI 102-46, 102-49, 102-50, 102-52, 102-53, 102-54, 103-1

²⁷GRI 102-54, 102-55

Indicator	Disclosure	Section	Page	Comment
Stakeholder engagement				
102-40	List of stakeholder groups engaged by the organisation	Social capital	99	
102-42	Bases for the identification and selection of stakeholders, including the frequency of engagement by stakeholder group	Social capital	99	
102-43	Approaches to stakeholder engagement, including the frequency of engagement by stakeholder group	Social capital	99	
102-44	Key topics and concerns that have been raised through stakeholder engagement, and how the organisation has responded to them, including through reporting	Social capital	99	
Report profile				
102-45	Entities included in the consolidated financial statements	Corporate governance statement General information	138 14	
102-46	Process of defining report content and aspect boundaries	Corporate governance statement Corporate reporting	138 158	Reporting content includes 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	Corporate reporting	158	
102-50	Reporting period	Corporate reporting	158	
102-51	Date of most recent previous report	Significant events in 2021	8	The audited annual report for 2020 was approved at the 19th session of the company's Supervisory Board held on 23 June 2021.
102-52	Reporting cycle	Corporate reporting	158	
102-53	Contact point for questions regarding the report	Corporate reporting General information	158 14	
102-54	Claims of reporting in accordance with GRI Standards	Corporate reporting GRI reporting compliance	158 159	
102-55	GRI content index	GRI reporting compliance	159	
102-56	External assurance of reporting according to the GRI Standards			External assurance of reporting according to the GRI Standards is planned.
GRI 103: Management approach				
103-1	Explanation of material topics and their boundaries	Corporate reporting Business model Corporate governance statement	158 22 138	We are planning a detailed review of material aspect boundaries in the scope of this indicator.

SPECIFIC STANDARD DISCLOSURES

Indicator	Disclosure	Section	Page	Comment
Economic impacts				
GRI 201: Economic performance				
201-1	Direct economic value generated and distributed (revenues, operating costs, employee wages and benefits, payments to the holders of equity, payments to the state (taxes), donations and other community investments)	Financial performance of the Group	48	
GRI 203: Indirect economic impacts				
203-1	Development and impact of infrastructure investments and support activities	Production capital; Notable results in 2021; Investments Strategy and plans	93 18	
GRI 205: Anti-corruption				
205-1	Total number and percentage of operations assessed for risks related to corruption and the significant risks identified	Corporate governance statement	138	
ENVIRONMENTAL IMPACT				
GRI 302: Energy				
302-1	Energy consumption within the organisation	Natural capital; Activities relating to natural capital	122	
302-4	Reduction of energy consumption within the organisation	Natural capital; Activities relating to natural capital	122	
302-5	Reduction in energy requirements of products and services	Natural capital; Activities relating to natural capital	122	
GRI 304: Biodiversity				
304-2	Description of significant impacts of activities, products and services on biodiversity in protected areas	Natural capital	118	We plan to enhance this section with specific data regarding impacts.
SOCIAL IMPACTS				
GRI 401: Employment				
401-1	New employee hires and employee turnover	Human capital; Key performance indicators of the Slovenske železnice Group Human capital; Indicators by pillar	77 84	
401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees, with respect to core activities	Human capital	76	In accordance with the provisions of labour law, the Slovenske železnice Group complies with the principle of the equal treatment of all employees.
GRI 403: Occupational health and safety				
403-1	Clarification as to whether the organisation has an occupational health and safety system	Human capital; Notable results in 2021; Occupational health and safety	78	
403-5	Worker training on occupational health and safety	Human capital; Notable results in 2021; Occupational health and safety Human capital; Indicators by pillar	78 84	We monitor the situation through the number of trainings hours.
403-6	Promotion of worker health	Human capital; Notable results in 2021; Care for health, well-being and an orderly working environment, and social activities	79	
403-9	Occupational injury rate	Human capital; Key performance indicators of the Slovenske železnice Group	77	

Indicator	Disclosure	Section	Page	Comment
GRI 404: Training and education				
404-1	Average hours of training per year per employee by gender and by employee category	Human capital; Indicators by pillar	84	
GRI 405: Diversity and equal opportunity				
405-1	Composition of governance bodies and the 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	Corporate governance statement Human capital; Indicators by pillar	138 84	
405-2	Ratio of basic salary and remuneration of women to men by employee category, by significant locations of operations	Human capital; Notable results in 2021; Implementation of the principle of equal treatment of all employees	78	The Slovenske železnice Group adheres to the principle of equal wages for all employees in accordance with the applicable labour legislation.
GRI 413: Local communities				
413-1	Operations with local community engagement, impact assessments and development programs	Social capital	99	

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 Value

Reporting Foundation. We make an indirect impact and, to a limited extent, direct impact on the achievement of 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.

Compliance with the principles of the Value Reporting Foundation

Since 2017, when our annual report was first compiled as a sustainable report, we have been following and preparing to implement also integrated reporting according to the IIRC's standard. The 2020 report already included some elements of integrated reporting, and the present report incorporates the standard to a considerable extent.

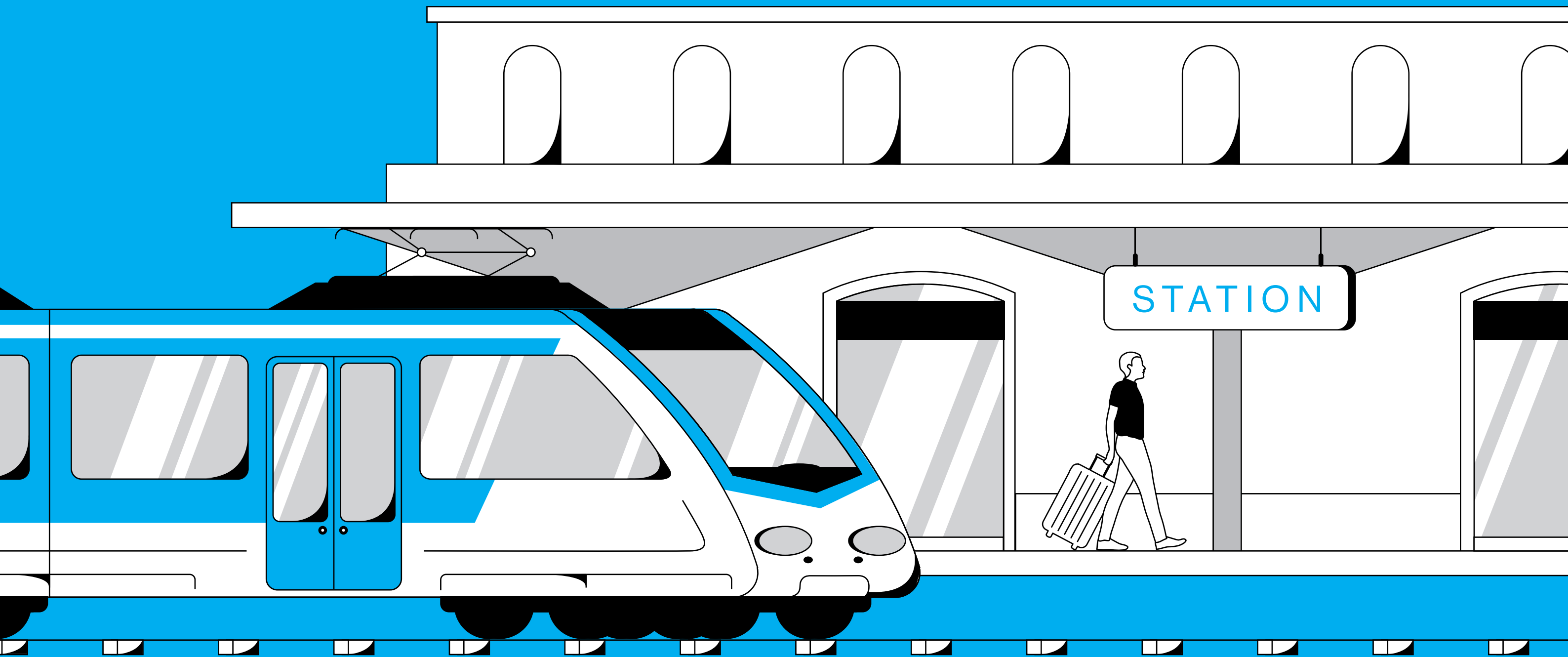
The introduction of integrated reporting into the Slovenske železnice Group was carried out by the following guiding principles:

- materiality,
- strategic focus and future orientation,
- connectivity of information,
- conciseness,
- stakeholder relationships,
- reliability and completeness.

We have also followed the merger process between the IIRC and the SASB (Sustainability Accounting Standards Board), which in 2021 merged to form an international organisation – the Value Reporting Foundation. The merger is a response to the calls of international investors for clear and highly unified solutions for the communication of corporate value. We will continue to keep abreast of developments related to the standard and adapt to new policies.



FINANCIAL REPORT



1. CONSOLIDATED FINANCIAL STATEMENTS OF THE SLOVENSKE ŽELEZNICE GROUP

1.1 Consolidated statement of financial position

in EUR	Note	Balance as at	
		31 December 2021	31 December 2020
ASSETS		988,974,187	1,008,213,484
A. Non-current assets		516,907,074	600,669,926
Intangible assets	2.3.1.1	25,837,878	25,063,410
Right-of-use assets in connection with leases	2.3.1.2	17,051,197	22,571,403
Property, plant and equipment	2.3.1.3	397,177,956	311,985,666
Investment property	2.3.1.4	42,079,585	42,806,782
Investments in associates	2.3.1.5	14,246,338	13,760,176
Other financial assets	2.3.1.5	2,143,755	2,093,464
Financial receivables	2.3.1.6	2,997,826	2,692,377
Operating receivables	2.3.1.7	4,082,179	129,043,502
Deferred tax assets	2.3.1.8	3,894,691	3,331,185
Other non-current assets	2.3.1.9	7,395,669	47,321,961
B. Current assets		472,067,113	407,543,558
Assets held for sale		52,717	30,025
Inventories	2.3.1.10	41,393,311	39,418,672
Financial receivables	2.3.1.11	2,238	63,909,002
Trade receivables	2.3.1.12	54,687,298	55,911,511
Other operating receivables	2.3.1.13	248,737,863	205,430,092
Receivables for corporate income tax	2.3.2.10	0	376,349
Cash and cash equivalents	2.3.1.14	127,193,686	42,467,907

in EUR	Note	Balance as at	
		31 December 2021	31 December 2020
EQUITY AND LIABILITIES		988,974,187	1,008,213,484
A. Equity	2.3.1.15	576,332,485	548,275,424
a. Equity of the owner of the controlling company		569,674,634	542,390,197
Called-up capital		359,529,921	359,529,921
Share premium account		45,002,140	45,002,140
Legal reserves		3,849,576	3,778,009
Revenue reserves		47,128,047	46,448,165
Fair value reserves		-7,957,886	-6,720,962
Retained earnings		122,125,257	94,354,139
1. Net profit or loss brought forward		94,322,607	70,367,022
2. Undistributed net profit or loss for the financial year		27,802,650	23,987,117
Translation differences		-2,421	-1,215
b. Non-controlling interest		6,657,851	5,885,227
B. Non-current liabilities		257,045,060	299,436,305
Provisions for jubilee benefits and termination benefits	2.3.1.16	32,758,967	28,956,624
Other provisions	2.3.1.16	1,057,220	1,039,840
Non-current deferred income	2.3.1.17	1,206,623	1,651,372
Financial liabilities	2.3.1.18	106,934,966	130,163,570
Lease liabilities	2.3.1.19	8,649,719	13,803,685
Operating liabilities	2.3.1.20	106,437,565	123,821,214
C. Current liabilities		155,596,642	160,501,755
Financial liabilities	2.3.1.18	23,329,216	23,819,368
Lease liabilities	2.3.1.19	6,086,420	6,694,563
Trade payables	2.3.1.21	39,650,681	36,312,894
Other operating liabilities	2.3.1.20	85,171,814	93,674,930
Liabilities for corporate income tax	2.3.2.10	1,358,511	0

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	2021	2020
1. Net sales revenue	2.3.2.1	413,991,511	407,210,561
2. Change in the value of inventories of finished goods and work in progress		460,878	1,674,443
3. Capitalised own products and services	2.3.2.2	18,071,172	8,683,249
4. Other operating revenues	2.3.2.3	110,274,450	119,700,880
5. Costs of goods, materials and services	2.3.2.4	214,216,342	200,843,869
6. Labour costs	2.3.2.5	236,561,290	268,279,610
7. Write-downs	2.3.2.6	55,647,034	47,556,749
8. Other operating expenses	2.3.2.7	2,274,613	4,792,308
9. Operating profit or loss (1 ± 2 + 3 + 4 – 5 – 6 – 7 – 8)		34,098,732	15,796,597
10. Finance income	2.3.2.8	1,866,415	3,317,232
11. Finance costs	2.3.2.9	3,379,419	5,202,732
12. Net finance income/costs (10 – 11)		-1,513,004	-1,885,500
13. Pre-tax profit or loss (9 + 12)		32,585,728	13,911,097
14. Current tax		3,828,696	3,029,311
15. Deferred taxes	2.3.1.8	-563,506	-37,681
16. Corporate income tax	2.3.2.10	3,265,190	2,991,630
17. Net profit or loss for the accounting period		29,320,538	10,919,467
Net profit or loss for the accounting period attributable to:			
a) to the owner of the controlling company		28,554,099	9,773,762
b) non-controlling interest		766,439	1,145,705

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	2021	2020
Net profit or loss for the accounting period	1.2	29,320,538	10,919,467
Items that will not be reclassified subsequently to profit or loss		-1,236,924	-3,180,835
Actuarial gains/losses		-1,236,924	-3,180,835
Items that may be reclassified subsequently to profit or loss		-26,552	-203,988
Exchange rate differences		-1,205	15
Translation differences		-25,347	-204,003
Other comprehensive income for financial year		-1,263,476	-3,384,823
Total comprehensive income for the reporting period		28,057,062	7,534,644
Total comprehensive income for the reporting period attributable to:			
a) to the owner of the controlling company		27,284,438	6,418,075
b) non-controlling interest		772,624	1,116,569

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 EUR	Note	2021	2020
A. CASH FLOWS FROM OPERATING ACTIVITIES			
a) Net profit or loss		29,320,538	10,919,467
Pre-tax profit or loss	1.2	32,585,728	13,911,097
Corporate income tax and other taxes not included in operating expenses		3,265,190	2,991,630
b) Adjustments for		56,919,655	37,682,822
Amortisation/depreciation (+)	2.3.2.6	49,672,443	45,275,997
Revaluation operating revenues (-)		-3,019,297	-2,423,169
Revaluation operating expenses (+)	2.3.2.6	5,974,591	2,280,752
Finance income, excluding finance income from operating receivables (-)	2.3.2.8	-1,770,282	-2,526,201
Finance costs, excluding finance costs from operating liabilities (+)	2.3.2.9	3,237,935	4,836,611
Revenues from the acquisition of superfices, property, plant and equip- ment and investment property		-12,479	-41,303
Actuarial calculation of provisions for employee benefits		2,933,289	-4,727,186
Calculation of other provisions		-125,622	168,260
Tax expenses		1,106,702	-3,439,699
Reversal of accrued revenues and expenses		-325,241	-1,017,369
Revenues from materials acquired		-626,784	-344,498
Other adjustments to revenues and expenses		-125,600	-359,373
c) Changes in net working capital (and provisions and deferred tax assets and liabilities) from balance sheet operating items		36,675,213	-8,383,769
Opening less closing operating receivables		60,815,687	-1,631,785
Opening less closing inventories		-3,530,854	-5,170,860
Closing less opening operating liabilities		-19,648,394	-774,574
Closing less opening provisions		-961,226	-806,550
d) Net cash flows from operating activities (a + b + c + d + e)		122,915,406	40,218,520
B. CASH FLOWS FROM INVESTING ACTIVITIES			
a) Inflows from investing activities		68,337,453	5,352,386
Inflows from interest received and shares in the profit of others		540,327	2,590,009
Inflows from the disposal of property, plant and equipment	2.3.1.3	2,322,274	2,087,845
Inflows from disposal of investment property	2.3.1.4	1,869,789	584,582
Inflows from the disposal of financial assets		63,605,063	89,950
b) Outflows from investing activities		-73,231,250	-34,964,714
Outflows for the acquisition of intangible assets	2.3.1.1	-3,046,019	-4,270,443
Outflows for the acquisition of property, plant and equipment	2.3.1.3	-69,832,405	-30,357,794
Outflows for the acquisition of investment property	2.3.1.4	-206,650	-44,160
Outflows for the acquisition of participating interests in subsidiaries		-143,550	-287,100
Outflows for the acquisition of financial assets		-2,626	-5,217
c) Net cash flows from investing activities (a + b)		-4,893,797	-29,612,328

in EUR	Note	2021	2020
C. CASH FLOWS FROM FINANCING ACTIVITIES			
a) Inflows from financing activities		252,000,000	349,000,000
Inflows from the increase in financial liabilities	2.3.1.18	252,000,000	349,000,000
b) Disbursements from financing activities		-285,295,886	-334,943,383
Outflows for interest paid on leases		-474,060	-575,869
Outflows for other interest paid		-1,788,765	-2,024,064
Outflows for the repayment of financial liabilities	2.3.1.18	-275,721,846	-325,693,898
Outflows for the repayment of lease liabilities	2.3.1.19	-7,311,215	-6,245,562
Outflows for the payment of dividends and other shares in profit	2.3.1.15	0	-403,990
c) Net cash flows from financing activities (a + b)		-33,295,886	14,056,617
D. Closing balance of cash and cash equivalents	2.3.1.14	127,193,686	42,467,907
x) Net cash flow for the period (sum of Ač, Bc and Cc)		84,725,723	24,662,809
+/- Calculated exchange rate differences from foreign currency assets		56	-3,013
y) Opening balance of cash and cash equivalents	2.3.1.14	42,467,907	17,808,111

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 2021

in EUR	Share capital	Share premium account	Legal reserves	Revenue reserves	Fair value reserves	Retained earnings		Translation differences	Equity of the owner of the controlling company	Non-controlling interest	Total
						Retained earnings from previous years	Undistributed retained earnings from the financial year				
Opening balance for the reporting period	359,529,921	45,002,140	3,778,009	46,448,165	-6,720,962	70,367,022	23,987,117	-1,216	542,390,196	5,885,227	548,275,423
Changes in equity – transactions with owners											
Payment of shares in profit and dividends											
Changes in total comprehensive income for the reporting period	0	0	0	0	-1,236,924	-31,532	28,554,099	-1,205	27,284,438	772,624	28,057,062
Entry of net profit or loss for the reporting period							28,554,099		28,554,099	766,439	29,320,538
Items that will not be reclassified subsequently to profit or loss					-1,236,924	-31,532			-1,268,456	6,185	-1,262,271
Exchange rate differences								-1,205	-1,205		-1,205
Changes in equity	0	0	71,567	679,882	0	23,987,117	-24,738,566	0	0	0	0
Allocation of remaining portion of net profit for comparable reporting period to other equity items						23,987,117	-23,987,117				0
Allocation of a portion of net profit from the reporting period to other components of equity			71,567	679,882			-751,449				0
Closing balance for the reporting period	359,529,921	45,002,140	3,849,576	47,128,047	-7,957,886	94,322,607	27,802,650	-2,421	569,674,634	6,657,851	576,332,485

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 2020

in EUR	Share capital	Share premium account	Legal reserves	Revenue reserves	Fair value reserves	Retained earnings		Translation differences	Equity of the owner of the controlling company	Non-controlling interest	Total
						Retained earnings from previous years	Undistributed retained earnings from the financial year				
Opening balance for the reporting period	359,529,921	45,002,140	3,778,009	46,448,165	-3,540,193	59,241,388	25,513,922	-1,231	535,972,121	5,172,648	541,144,769
Changes in equity – transactions with owners	0	0	0	0	0	0	0	0	0	-403,990	-403,990
Payment of shares in profit and dividends										-403,990	-403,990
Changes in total comprehensive income for the reporting period	0	0	0	0	-3,180,769	-174,933	9,773,762	15	6,418,075	1,116,569	7,534,644
Entry of net profit or loss for the reporting period							9,773,762		9,773,762	1,145,705	10,919,467
Items that will not be reclassified subsequently to profit or loss					-3,180,769	-174,933			-3,355,702	-29,136	-3,384,838
Exchange rate differences								15	15		15
Changes in equity	0	0	0	0	0	11,300,567	-11,300,567	0	0	0	0
Allocation of remaining portion of net profit for comparable reporting period to other equity items						25,513,922	-25,513,922		0		0
Allocation of a portion of net profit from the reporting period to other components of equity						-14,213,355	14,213,355		0		0
Closing balance for the reporting period	359,529,921	45,002,140	3,778,009	46,448,165	-6,720,962	70,367,022	23,987,117	-1,216	542,390,196	5,885,227	548,275,423

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 2021 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 2021 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 26 May 2022.

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 2021 was the result of the continued COVID-19 epidemic, which the Slovenske železnice Group and Slovenske železnice, d. o. o., handled appropriately.

Presented below are the main estimates 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 2022. 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-employment 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 (note 2.3.1.16).

• 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 parent 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 (note 2.3.1.21).

• 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 (note 2.3.1.8).

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-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),
- Prometni institut Ljubljana, d. o. o. (100% owned by the controlling company),
- SŽ-ŽIP, storitve, d. o. o. (100% owned by the controlling company),
- SŽ EP Logistika d. o. o. (100% owned by the controlling company),
- SŽ-Železniško gradbeno podjetje Ljubljana, d. d. (79.82% owned by the controlling company),
- SŽ-Železniška tiskarna Ljubljana, d. d. (64.28% owned by the controlling company),
- SŽ-Tovorni promet, d. o. o. (100% owned by SŽ EP Logistika, d. o. o.),
- Fersped, d. o. o. (100% owned by SŽ EP Logistika, d. o. o.),
- 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

Presented below are the standards issued by the International Accounting Standards Board (IASB) and adopted by the EU that had not yet entered into force on the day these financial statements were approved. The possibility of the early application of a specific standard was not taken into account by the Slovenske železnice Group and Slovenske železnice, d. o. o.

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 IFRS 3 Business Combinations	1 January 2022	Being studied
IFRS 17 Insurance Contracts	1 January 2023	No material effect
Amendments to various standards – annual Improvements to the IFRS 2018–2020 Cycle	1 January 2022	No material effect

Amendments to IAS 16 Property, Plant and Equipment

The amendments to the standard prohibit the deduction of proceeds from the sale of items produced from the costs of the purchase of property, plant and equipment 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 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 Slovenske železnice Group and Slovenske železnice, d. o. o., are still examining whether the amendments to the standard will have a material impact on their financial statements.

Amendments to IFRS 3 Business Combinations

The amendments eliminate uncertainty when determining whether a transaction involves the acquisition of a business or group of assets. 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 Slovenske železnice Group and Slovenske železnice, d. o. o., are still examining whether the amendments to the standard will have a material impact on their financial statements.

IFRS 17 Insurance Contracts

The new standard requires insurance liabilities to be measured at a current fulfilment value and provides a more uniform measurement and presentation method for all insurance contracts. The purpose of these requirements is to ensure

consistent and principle-based accounting of insurance contracts. IFRS 17 replaces IFRS 4 Insurance Contracts and associated interpretations. The Slovenske železnice Group and Slovenske železnice, d. o. o., do not expect said amendments to the standard to have a material impact on their financial statements.

Amendments to various standards – annual Improvements to the IFRS 2018–2020 Cycle

Amendments proceeding from the project of annual improvements to the IFRS (IFRS 1, IFRS 9,

IFRS 16 and IFRS 41), primarily to eliminate discrepancies and to provide interpretations. The amendments to IFRS 1, IFRS 9 and IFRS 41 apply to annual periods beginning on or after 1 January 2022. Amendments to IFRS 16 are cited only for illustrative purposes and therefore no effective date is given. The Slovenske železnice Group and Slovenske železnice, d. o. o., do not expect amendments to the standards to have a material impact on their financial statements.

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 1 Presentation of Financial Statements	1 January 2023	Being studied
Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors	1 January 2023	Being studied
Amendments to IAS 12 Income Taxes	1 January 2023	Being studied
Amendments to IFRS 17 Insurance Contracts	1 January 2023	No material effect
Amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures		Being studied

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 still examining whether the amendments to the standard will have a material impact on their financial statements.

Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors

The amendments focus on accounting estimates and provide guidance on how to distinguish between accounting policies and accounting estimates.

Amendments to IAS 12 Income Taxes

Deferred tax related to assets and liabilities arising from a single transaction; according to amendments, the initial recognition exemption does not apply to transactions in which equal amounts of deductible and taxable temporary differences arise on initial recognition, giving rise to equal amounts of deferred tax assets and liabilities.

Amendments to IFRS 17 Insurance Contracts

It involves comparative information of applying the transition requirements of IFRS 17 upon initial application of IFRS 17 and IFRS 9. 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 IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures

The amendments address discrepancies between the requirements of IFRS 10 and IAS 28 in the treatment of sales or contributions of assets between an investor and its associate and their joint venture. The most important consequence of the amendments is that a company must recognise the full amount of gains or losses when a transaction includes a business (regardless of whether the business is housed in a subsidiary or not). The International Accounting Standards Board deferred the effective date of the amendments to the aforementioned standards indefinitely while it waits for the results of the research project on the accounting of assets under the equity method.

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
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	1 January 2021	No material effect
Amendments to IFRS 16	1 January 2020	No material effect

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16

As part of the final phase of the response to the effects of the interbank offered rate reform on corporate financial reporting, the International Accounting Standards Board has published amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16. 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, IFRS 4 and IFRS 16 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 lease modifications that are the result of the COVID-19 pandemic, but to apply a practical expedient whereby every lease modification that is the direct consequence of the COVID-19 pandemic is accounted for in the same way as other changes that are not 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 2021.

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, non-controlling 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-Potniški promet, d. o. o., SŽ-Infrastruktura, d. o. o., SŽ-Prometni institut, d. o. o., SŽ-Vleka in tehnika, d. o. o., and SŽ-ŽIP, storitve, d. o. o. Control agreement with SŽ-Tovorni promet, d. o. o., and Fersped, d. o. o., ceased to be effective on 31 December 2021, as Slovenske železnice, d. o. o., increased the capital of SŽ EP Logistika d. o. o., in December 2021 with a non-cash contribution – an investment in SŽ-Tovorni promet, d. o. o., and in 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 revenue reserves to which profit was allocated for the duration of an agreement. The controlling company did not cover the losses of subsidiaries in 2021, as these operated at a profit.

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. Non-monetary 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.

Upon the goodwill test on 31 December 2021, the recoverable amount of the equity investment was determined based on the calculated present value of expected free cash flows according to financial plans. The discount rate applied to projections was 8.8%, and the long-term growth in net cash flows after the period of projection (after 2024) was 2.0%. All assumptions applied in the calculation of net cash flows are based on the 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 write-down 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 2021 and 2020

	Lowest	Highest
1. Buildings	1.00%	20.00%
2. Production equipment	1.00%	100.00%
3. Computer equipment	14.00%	100.00%
4. Motor vehicles	10.00%	100.00%
5. Other equipment	2.00%	25.00%
6. Intangible assets	5.00%	33.00%

The amortisation and depreciation rates used in 2021 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 (value of the new asset is less than EUR 5,000), which are disclosed as a cost in the period to which the 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 work-in-progress and finished products inventory is valued using the production cost method. Production costs include: direct material costs, direct costs of outsourced services, direct labour costs and general production costs.

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 that have not changed for several accounting periods are revalued on the statement of financial position date for up to 92 percent of the maximum value, taking into account their age.

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:**

	2021	2020
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):**

	2021	2020
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 2021 and 2020).**

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 non-current 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.

In accordance with IFRS 9, the 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.

In construction contracts, revenue is recognised on the percentage of completion method or the method of measuring progress toward satisfaction of a performance obligation, according to which revenue and costs are recognised in proportion to the stage of completion of the contract. The output method is used, where the amount of revenue is determined in percentage terms as the ratio between the work actually performed and all contract work.

The following is necessary if the outcome of a construction contract cannot be reliably measured:

- revenues are only recognised up to the amount of contractual costs that will likely be compensated;
- contractual costs are recognised as expenses in the period in which they arise.

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 revenues reduced accordingly.

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 2021	31 December 2020
Long-term property rights	22,107,166	21,305,479
Goodwill	3,568,239	3,568,239
Non-current deferred development costs	162,473	189,692
Total	25,837,878	25,063,410

Computer software and licences account for the majority of long-term property rights.

Changes to 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 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-downs	-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
Balance as at 1 January 2021	27,693,739	2,052,463	3,568,239	364,864	33,679,305
Acquisitions	1,095,205	1,973,415	0	5,000	3,073,620
Write-downs	-959,602	0	0	0	-959,602
Balance as at 31 December 2021	27,829,342	4,025,878	3,568,239	369,864	35,793,323
Value adjustment					
Balance as at 1 January 2020	8,030,665	0	0	170,171	8,200,837
Write-downs	-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
Balance as at 1 January 2021	8,440,724	0	0	175,171	8,615,896
Write-downs	-957,514	0	0	0	-957,514
Amortisation	2,264,844	0	0	32,220	2,297,064
Balance as at 31 December 2021	9,748,054	0	0	207,391	9,955,445
Carrying amount					
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
Carrying amount as at 1 January 2021	19,253,015	2,052,463	3,568,239	189,692	25,063,410
Carrying amount as at 31 December 2021	18,081,288	4,025,878	3,568,239	162,473	25,837,878

The Slovenske železnice Group had commitments for the purchase of intangible assets in the amount of EUR 264,543 as at 31 December 2021 (EUR 207,206 as at 31 December 2020). The Slovenske železnice Group has not pledged intangible assets as collateral.

A total of 21.7% of all intangible assets in use as at 31 December 2021 have been amortised in full

(that proportion stood at 22.0% as at 31 December 2020). That proportion is calculated taking into account the historical cost of intangible assets.

Major investments in 2021 comprise investments in the TIS program - business information system for transport and logistics in the amount of EUR 901,844 and BIS digitisation program in the amount of EUR 362,255.

2.3.1.2 Right-of-use assets in connection with leases

in EUR	31 December 2021	31 December 2020
Right-of-use assets – land	957,014	545,031
Right-of-use assets – buildings	2,586,692	3,076,783
Right-of-use assets – equipment	13,507,491	18,949,589
Total	17,051,197	22,571,403

Changes in leases

in EUR	Land	Buildings	Plant and equipment	Total
Historical cost				
Balance as at 1 January 2020	1,051,852	4,001,285	29,384,355	34,437,491
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	32,272,782
Balance as at 1 January 2021	822,998	3,999,285	27,450,499	32,272,782
Increases	621,897	140,393	5,092,162	5,854,452
Decreases	-57,748	-277,739	-7,819,593	-8,155,080
Transfers	0	0	-163,651	-163,651
Balance as at 31 December 2021	1,387,147	3,861,939	24,559,417	29,808,503
Value adjustment				
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
Depreciation	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
Balance as at 1 January 2021	277,967	922,501	8,500,910	9,701,378
Decreases	-9,610	-93,301	-3,584,760	-3,687,671
Depreciation	161,776	446,047	6,248,773	6,856,596
Transfers	0	0	-112,997	-112,997
Balance as at 31 December 2021	430,133	1,275,247	11,051,926	12,757,306
Carrying amount				
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	3,076,783	18,949,589	22,571,403
Balance as at 1 January 2021	545,031	3,076,783	18,949,589	22,571,403
Balance as at 31 December 2021	957,014	2,586,692	13,507,491	17,051,197

The Group had liabilities from right-of-use assets in connection with leases in the amount of EUR 14,736,139 as at 31 December 2021 (EUR 20,498,248 as at 31 December 2020).

2.3.1.3 Property, plant and equipment

in EUR	31 December 2021	31 December 2020
Land	11,909,158	12,638,864
Buildings	50,839,204	51,887,308
Equipment	318,278,984	234,714,701
• rolling stock	296,694,551	213,145,448
• other equipment	21,584,433	21,569,253
Property, plant and equipment in acquisition	16,150,610	12,744,793
Total	397,177,956	311,985,666

Changes in property, plant and equipment

in EUR			Plant and equipment, and investments in the assets of others	Property, plant and equipment in acquisition	Total property, plant and equipment
	Land	Buildings			
Historical cost					
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	1,012,462,127
Balance as at 1 January 2021	12,638,864	127,123,770	859,954,700	12,744,793	1,012,462,127
Acquisitions	60,052	1,375,557	121,765,391	3,975,325	127,176,324
Investment spare parts in stock	0	0	0	-535,530	-535,530
Disposals	-150,047	-402,159	-27,157,194	0	-27,709,400
Transfers from finance leasing and from investment property	-639,711	-240,376	163,651	0	-716,436
Write-downs	0	0	0	-33,978	-33,978
Balance as at 31 December 2021	11,909,158	127,856,792	954,726,548	16,150,610	1,110,643,108
Value adjustment					
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
Balance as at 1 January 2021	0	75,236,462	625,240,000	0	700,476,462
Decreases	0	-281,313	-26,801,155	0	-27,082,468
Depreciation	0	2,062,439	38,008,719	0	40,071,158
Balance as at 31 December 2021	0	77,017,588	636,447,565	0	713,465,153
Carrying amount					
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	12,638,865	51,887,308	234,714,701	12,744,793	311,985,666
Balance as at 1 January 2021	12,638,865	51,887,308	234,714,701	12,744,793	311,985,666
Balance as at 31 December 2021	11,909,158	50,839,204	318,278,984	16,150,610	397,177,956

Moveable property and real estate valued at EUR 45,156,638 were pledged as guarantees for long-term loans as at 31 December 2021 (EUR 40,310,921 as at 31 December 2020).

The Group had commitments for the purchase of property, plant and equipment in the amount of EUR 103,870,669 as at 31 December 2021 (EUR 115,375,908 as at 31 December 2020).

A total of 35.7% of all items of property, plant and equipment in use as at 31 December 2021 have

been depreciated in full (that proportion stood at 41.3% as at 31 December 2020). That proportion is calculated taking into account the historical cost of property, plant and equipment.

Significant purchases in 2021 included the purchase of new passenger multiple units in the amount of EUR 89 million, the purchase of diesel switcher locomotives totalling EUR 7.6 million and major periodic repairs of rolling stock in the amount of EUR 17.4 million.

2.3.1.4 Investment property

in EUR	31 December 2021	31 December 2020
Investment property	42,079,585	42,806,782
Total	42,079,585	42,806,782

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 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	61,343,050
Balance as at 1 January 2021	36,895,258	24,447,792	61,343,050
Acquisitions	153,516	48,192	201,708
Disposals	-1,361,366	0	-1,361,366
Transfers to property, plant and equipment	639,711	240,376	880,087
Balance as at 31 December 2021	36,327,119	24,736,360	61,063,479
Value adjustment			
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
Balance as at 1 January 2021	0	18,536,268	18,536,268
Depreciation	0	447,625	447,625
Balance as at 31 December 2021	0	18,983,893	18,983,893
Carrying amount			
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	42,806,783
Balance as at 1 January 2021	36,895,258	5,911,524	42,806,783
Balance as at 31 December 2021	36,327,119	5,752,467	42,079,586

The Group has not pledged investment property as collateral.

The Group generated rental income of EUR 1,395,753 in 2021 (EUR 1,631,894 in 2020). Depreciation costs associated with investment property totalled EUR 447,625 (EUR 452,647 in 2020).

The fair value of investment property was determined with the help of certified real estate valuers and amounted to EUR 78,589,946 as at 31 December 2021 (EUR 83,837,196 as at 31 December 2020).

2.3.1.5 Non-current financial assets

in EUR	31 December 2021	31 December 2020
Investments in associates	14,246,338	13,760,176
Other financial assets	2,143,755	2,093,464
Total	16,390,093	15,853,640

Information regarding associates as at 31 December 2021

Business name of associate	Business address of associate	Activity	Ownership as at 31 December 2021	Ownership as at 31 December 2020
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%

in EUR	Total equity		Profit or loss for the year	
	31 December 2021	31 December 2020	2021	2020
Terme Olimia, d. d.	42,928,766	38,886,489	3,890,599	1,242,422
Adria Kombi, d. o. o., Ljubljana	12,620,474	12,035,144	1,802,421	1,237,732
CKTZ, d. d., Zagreb	1,622,283	1,425,966	188,357	-287,369
Total	57,171,523	52,347,599	5,881,377	2,192,785

Balance of investments in associates

in EUR	31 December 2021	31 December 2020
Terme Olimia, d. d.	9,513,571	9,282,524
Adria Kombi, d. o. o., Ljubljana	4,255,624	4,058,250
CKTZ, d. d., Zagreb	477,143	419,402
Total investments in associates	14,246,338	13,760,176

Changes in investments in associates

in EUR	Slovenske železnice Group	
	31 December 2021	31 December 2020
Balance as at 1 January	13,760,176	13,615,619
Attributable profit/loss	1,591,893	629,419
Dividends received	-414,756	-472,080
Impairment of investment in Terme Olimia	-733,877	0
Attributable changes in equity of associates	42,902	-12,782
Balance as at 31 December	14,246,338	13,760,176

Other financial assets	Participating interest in %	Amount of investment in EUR	
		31 December 2021	31 December 2020
• EUROFIMA	0.42	2,084,000	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	4,392
Total		2,143,755	2,093,464

The investment in Terme Olimia, d. d., was appraised by a certified valuer and, based on the valuation, impaired in the amount of EUR 733,877. The income approach was applied in the valuation, namely the discounted cash flow method. The cash flows on which the valuation is based have been projected from the perspective of the minority owner under the assumption of less-than-full control.

The fair value of the investment in EUROFIMA was verified by assessing the value of equity

for financial reporting purposes. The value of the investment rose by EUR 50,291 based on the valuation.

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 2021 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 2021	31 December 2020
Receivables for funds paid to institution (Železniški zdravstveni dom)	2,401,002	2,401,003
Deposits placed with banks and others	586,731	279,363
Other financial receivables	10,093	12,011
Total	2,997,826	2,692,377

Non-current financial receivables are not secured or pledged as collateral.

2.3.1.7 Non-current operating receivables

in EUR	31 December 2021	31 December 2020
Non-current advances for the purchase of fixed assets	301,481	125,380,192
• for the purchase of passenger multiple units	0	125,056,890
• other	301,481	323,302
Trade receivables	141	144
Credits for the purchase of property	3,338,837	3,519,088
Other operating receivables	441,720	144,078
Total	4,082,179	129,043,502

As at 31 December 2021, advances disclosed based on NAB agreements no. 40/2018/08/INV and 45/2019/08/INV 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, were stated as current operating receivables in their entirety (note 2.3.1.13).

Receivables for credits for the purchase of real property are secured in full by mortgages. The aforementioned receivables are not pledged as collateral.

2.3.1.8 Deferred tax assets

in EUR	31 December 2021	31 December 2020
Deferred tax assets	3,894,691	3,331,185

	Consolidated 31 December 2021	Consolidated 31 December 2020
SŽ, d. o. o.	325,478	337,292
SŽ-Infrastruktura, d. o. o.	971,918	1,195,193
SŽ-VIT, d. o. o.	815,016	0
SŽ-Potniški promet, d. o. o.	230,890	227,522
SŽ-Tovorni promet, d. o. o.	507,020	457,788
SŽ-ŽGP Group	329,883	441,183
Fersped, d. o. o.	699,932	647,977
SŽ-Železniška tiskarna, d. d.	0	3,680
Prometni institut, d. o. o.	10,389	9,659
VV-LOG, d. o. o.	4,165	10,891
Total	3,894,691	3,331,185

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 16,826,318 (EUR 15,859,643 in 2020) and together with tax allowances for investments represents the unrecognised basis for deferred tax assets in the amount of EUR 40,679,528 (EUR 35,270,346 in 2020).

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 2020	761,317	2,108,404	183,273	240,511	3,293,505
Drawn	0	-175,050	0	-53,123	-228,173
Created	53,209	0	212,644	0	265,853
Balance as at 31 December 2020	814,525	1,933,355	395,917	187,388	3,331,185
Drawn	-152,948	0	-196,055	-155,183	-504,186
Created	0	1,067,692	0	0	1,067,692
Balance as at 31 December 2021	661,577	3,001,047	199,862	32,205	3,894,691

2.3.1.9 Other non-current assets

in EUR	31 December 2021	31 December 2020
Deferred licence maintenance costs	332,897	0
Deferred costs relating to passenger multiple units	6,653,882	4,009,846
Deferred costs for the reserve fund for leased housing	408,890	392,604
Accrued compensation for cost reimbursements to carriers due to traffic disruptions	0	42,919,511
Total	7,395,669	47,321,961

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 between Slovenske železnice, d. o. o., and SŽ-Potniški promet, d. o. o., and two banks dated 12 June 2018. The cost of the discount will be charged proportionately to the historical cost of the new passenger multiple units purchased based on NAB agreement no. 40/2018/08/INV with respect to the value thereof and the timing of delivery of specific wagons.

SŽ-Infrastruktura, d. o. o., concluded with the Slovenian government Annex No. 3 to the to the Agreement on the discharge of PRI management services for the period 2021–2030, whereby it agreed on the amount of monetary compensation for the reimbursement of costs to carriers due to the investment works carried out on the PRI in the period 2018–2020 in the amount of EUR 66,164,886. The Annex specified the amount of compensation awarded to carriers and the schedule of payments to the manager by the contracting authority, which the manager should reimburse to carriers in the name and on behalf of the contracting authority. In line with the Annex, in 2021 the contracting authority already paid to the manager the first part of its obligations in the amount of EUR 6,000,000.

In December 2021, the PRI manager sold a part of its outstanding receivables owed by the contracting authority in the amount of EUR 60,164,886 to a bank, and in December 2021 used the respective consideration to settle obligations to carriers based on agreements signed with them on monetary compensation to reimburse the costs they incurred between 2018 and 2020 due to investment works on the PRI.

Accrued compensation for the costs of carriers incurred due to the deterioration of the availability of the railway network as a result of the implementation of investments on the PRI in the period 2018–2020 were partially disclosed as other current operating receivables as at 31 December 2020 (note 2.3.1.13).

2.3.1.10 Inventories

in EUR	31 December 2021	31 December 2020
Materials	13,873,057	11,112,389
Replacement parts	21,091,341	21,704,225
Small inventory and packaging	994,902	1,013,859
Work in progress	3,722,517	3,441,922
Products and merchandise	1,711,494	2,146,277
Total	41,393,311	39,418,672

Write-offs of obsolete inventories and impairments of inventories amounted to EUR 22,299 and EUR 2,167,240 respectively in 2021 (write-offs of inventories amounted to EUR 262,904, while impairments of inventories totalled EUR 1,352,441 in 2020). 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 2021	31 December 2020
Current financial receivables – sale of receivables	0	40,742,670
Other financial receivables (bank deposits)	0	23,166,332
Receivables from short-term loans to employees	2,238	0
Total	2,238	63,909,002

The short-term part of financial liabilities 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 40,742,670 and was fully repaid by the banks in 2021 (note 2.3.1.20).

2.3.1.12 Trade receivables

in EUR	31 December 2021	31 December 2020
Current trade receivables from domestic customers	35,068,892	37,862,246
Current trade receivables from foreign customers	19,618,406	18,049,265
Total	54,687,298	55,911,511

in EUR	2021			2020		
	Gross value	Value adjustment	Net value	Gross value	Value adjustment	Net value
Current trade receivables from domestic customers	39,244,882	4,175,990	35,068,892	42,080,385	4,218,139	37,862,246
- Current trade receivables from foreign customers	21,663,607	2,045,201	19,618,406	20,059,656	2,010,391	18,049,265
Total	60,908,489	6,221,191	54,687,298	62,140,041	6,228,530	55,911,511

Receivables were not pledged as collateral as at 31 December 2021, while secured receivables amounted to EUR 2,399,904 (EUR 3,603,906 in 2020).

Net adjustments to the value of current trade receivables were created as follows:

in EUR	2021	2020
Balance as at 1 January	6,228,530	6,470,486
• Reversal of value adjustments	-297,254	-327,767
• Creation of value adjustments	358,968	435,428
• Reduction for written-off receivables	-69,053	-349,617
Balance as at 31 December	6,221,191	6,228,530

Maturity structure of trade receivables

in EUR	31 December 2021	31 December 2020
Non-past-due receivables	50,024,781	51,658,553
Past-due receivables	10,883,708	10,481,488
• up to 30 days	2,866,661	3,306,924
• from 31 to 90 days	1,320,876	700,872
• from 91 to 365 days	872,805	649,684
• more than 365 days	5,823,366	5,824,008
Total	60,908,489	62,140,041

2.3.1.13 Other current operating receivables

in EUR	31 December 2021	31 December 2020
Receivables from government and other institutions	7,747,440	7,154,088
Receivables from employees	172,313	1,911,086
Other receivables associated with finance income	23,790	96
Current operating receivables based on advances	167,141,279	102,012,573
Current security deposits	2,462	2,450
Receivables based on the agreement on the transfer of the benefits of negotiations in connection with the purchase of rolling stock	23,769,200	29,996,400
Other current operating receivables	13,643,314	1,618,086
Deferred costs	1,166,453	444,716
Accrued income:	35,069,781	62,197,616
• accrued development element of compensation for the discharge of the PSO	17,584,887	22,971,732
• accrued compensation for the drop in transport revenues due to the COVID-19 epidemic	0	7,638,535
• accrued under-compensation for the discharge of the PSO of passenger transport	0	3,703,641
• accrued proportion of contractual penalty	1,170,165	0
• accrued compensation due to traffic disruptions for the period 2018–2020	0	7,417,685
• accrued compensation to carriers for reimbursement of costs arising from investment works on the PRI in 2021	3,883,053	3,312,193
• accrued revenues from the coverage of costs of the information system (IPPT)	0	1,949,011
• accrued revenues from services provided by the manager of the PRI	7,552,710	7,967,211
• accrued revenues from costs incurred by the manager in the rehabilitation of the PRI	1,118,318	3,533,699
• accrued revenues from claims for damages	443,610	1,239,610
• other accrued revenues	3,317,038	2,464,299
VAT on advances received	1,831	92,981
Total	248,737,863	205,430,092

Current operating receivables based on advances primarily relate to advances for the purchase of property, plant and equipment in the amount of EUR 166,484,815 (EUR 100,698,439 at the end of 2020). The highest value of advances paid is disclosed by SŽ-Potniški promet, d. o. o. (EUR 166,259,010 at the end of 2021 and EUR 95,378,760 in 2020) based on agreements on the purchase of new passenger multiple units. Receivables from these advances are secured in full by advance guarantees.

Receivables in the amount of EUR 23,769,200 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.

Other current operating receivables in the amount of EUR 13,643,315 (EUR 1,618,086 as at 31 December 2020) almost entirely (EUR 12,028,592) consist of receivables from the state on behalf of carriers arising from compensation for reimbursement of their costs incurred as a result of the implementation of investment works on the PRI in 2021.

The new, multi-annual Agreement on the discharge of PRI management services for the period 2021–2030, concluded in 2021, stipulates for the first time that in accordance with the Decree on the allocation of train paths, the infrastructure fee and the performance scheme on public

rail infrastructure, the PRI manager, during the term of the Agreement, calculates appropriate compensation arising from the performance of investment works on the PRI, issues to the contracting authority, i.e. the investor of the works on the PRI, a request for payment of monetary compensation and reimburses the carriers in the name and on behalf of the contracting authority. As a result of this provision, the methodology for disclosing individual items in the manager's financial statements has changed. In 2021, the manager no longer discloses revenues and expenses related to this compensation, but only receivables due from the contracting authority and, at the same time, liabilities to carriers in the same amount.

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 17,584,887 (EUR 22,971,732 in 2020);
- accrued compensation to the carrier SŽ-Potniški promet, d. o. o., for the costs incurred in 2021 due to the implementation of investment works on the PRI in the amount of EUR 3,883,053 (EUR 16,560,967 in 2020, of which EUR 13,248,774 is disclosed under other non-current assets);
- accrued revenues for services provided by the manager of the PRI under contracts with the government in the amount of EUR 7,552,710 (EUR 7,967,211 in 2020);

- accrued revenues of the manager of the PRI in connection with the rectification of extraordinary events on the PRI in the amount of EUR 1,118,315 (EUR 3,533,699 in 2020);
- accrued revenues from other loss events in the amount of EUR 443,610 (EUR 1,239,610 in 2020), the majority at SŽ-Tovorni promet, d. o. o., and SŽ-Potniški promet, d. o. o., due to damage to rolling stock;
- the accrued proportion of the contractual penalty under NAB agreement no. 40/2018/08/ INV and Annexes thereto in the amount of EUR 1,170,165 (EUR 0 in 2020).

Accrued compensations for the costs of carriers incurred due to the deterioration of the availability of the railway network as a result of the implementation of investments on the PRI in the period 2018–2020 were partially 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 3,482,708 in 2021 (EUR 449,137 in 2020). In addition to adjustments of trade receivables, the impairments mostly relate to the impairment of other receivables from employees arising from accrued bonuses in the amount of EUR 1,616,034 and to the impairment of accrued revenues due to derailment of tank cars of the freight train in Hrastovlje in the amount of EUR 834,015. The write-off of receivables mainly refers to the write-off of the difference between the accrued and recognised receivables related to traffic disruptions for the period 2018–2020 in the amount of EUR 640,206 (notes 2.3.1.9 and 2.3.1.13).

2.3.1.14 Cash and cash equivalents

in EUR	31 December 2021	31 December 2020
Cash on hand	182,591	111,839
Cash on bank accounts	127,011,095	42,356,068
Total	127,193,686	42,467,907

2.3.1.15 Equity

in EUR	31 December 2021	31 December 2020
Called-up capital	359,529,921	359,529,921
Share premium account	45,002,140	45,002,140
Legal reserves	3,849,576	3,778,009
Revenue reserves	47,128,047	46,448,166
Fair value reserves	-7,957,886	-6,720,962
Net profit or loss brought forward	94,322,607	70,367,022
Undistributed net profit or loss for the financial year	27,802,650	23,987,117
Translation differences	-2,421	-1,216
Non-controlling interest	6,657,851	5,885,227
Total	576,332,485	548,275,424

Changes in equity	in EUR
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
Balance as at 1 January 2021	548,275,423
Net profit or loss for the financial year	29,320,538
Payment of shares in profit	0
Actuarial gains and losses	-1,236,924
Exchange rate differences from the conversion of foreign companies' financial statements	-1,205
Other changes	-25,347
Balance as at 31 December 2021	576,332,485

2.3.1.16 Provisions

Provisions for jubilee benefits and termination benefits:

in EUR	31 December 2021	31 December 2020
Provisions for termination benefits	28,528,949	25,203,810
Provisions for jubilee benefits	4,230,018	3,752,814
Total	32,758,967	28,956,624

Changes in provisions for jubilee benefits and termination benefits

in EUR	Termination benefits	Jubilee benefits	Total
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
Balance as at 1 January 2021	25,203,810	3,752,814	28,956,624
Used	-136,518	-397,989	-534,507
Current employment costs	2,096,366	858,053	2,954,419
Interest (expenses)	208,625	29,497	238,122
Reversal of provisions – closure, rights, etc. (revenues)	-116,628	-12,357	-128,985
Actuarial gains/losses	1,273,294	0	1,273,294
Balance as at 31 December 2021	28,528,949	4,230,018	32,758,967

The following material assumptions were taken into account in the calculation of provisions for termination benefits at retirement and jubilee benefits:

	2021	2020
Average monthly gross wage in Slovenia	EUR 1,990	EUR 1,850
Discount rate	0.834%	1.25%
Overall wage growth	1.0%	1.50%
Retirement conditions (age)		
• men (transitional period)	60	60
• women (transitional period)	60	60
• men	65	60
• women	65	60

Other provisions:

in EUR	31 December 2021	31 December 2020
Provisions for litigation	460,779	508,875
Provisions for guarantees issued	546,917	530,965
Provisions for the clean-up of a quarry	49,524	0
Total	1,057,220	1,039,840

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 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
Balance as at 1 January 2021	508,875	530,965	0	1,039,840
Created	38,037	69,021	49,524	156,581
Reversed	-39,037	0	0	-39,037
Used	-47,096	-53,068	0	-100,164
Balance as at 31 December 2021	460,779	546,917	49,524	1,057,220

A total of 48 legal proceedings, primarily labour and commercial disputes, were in progress against six companies in the Slovenske železnice Group during 2021. A total of 11 of those proceedings were completed during the course of the year.

Of the remaining 37, provisions in the total amount of EUR 460,779 were created for 11 cases as at 31 December 2021 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 has been 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 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
Balance as at 1 January 2021	1,401,866	36,028	213,478	1,651,372
Created	4,596,552	0	3,720	4,600,272
Used and/or transferred to current portion	-5,005,546	-3,110	-33,017	-5,041,673
Reversed	0	0	-3,348	-3,348
Balance as at 31 December 2021	992,872	32,918	180,833	1,206,623

2.3.1.18 Financial liabilities

in EUR	31 December 2021	31 December 2020
Non-current financial liabilities to domestic banks	102,601,633	122,163,570
Non-current financial liabilities to foreign banks	4,333,333	8,000,000
Total non-current financial liabilities	106,934,966	130,163,570
Current financial liabilities to domestic banks	19,561,937	19,721,847
Current financial liabilities to foreign banks	3,666,667	4,000,000
Other current financial liabilities	100,612	97,521
Total current financial liabilities	23,329,216	23,819,368
Total	130,264,182	153,982,938

Changes in financial liabilities

	2021	2020
Non-current financial liabilities		
Balance as at 1 January	130,163,570	95,885,417
• loan received	0	58,000,000
• transfer to current portion	-23,228,604	-23,721,847
Balance as at 31 December	106,934,966	130,163,570
Current financial liabilities		
Balance as at 1 January	23,819,369	34,481,954
• transfer to current portion	23,228,604	23,721,847
• payment of interest	-1,906,213	-2,187,129
• repayment of the loan	-275,721,846	-325,693,898
• calculation of interest	1,909,303	2,270,119
• loan received	252,000,000	291,000,000
• exchange rate differences	0	226,476
Balance as at 31 December	23,329,216	23,819,369
Total	130,264,182	153,982,938

Non-current financial liabilities

in EUR	Date of agreement or annex	Payment due date	Balance as at 31 December 2021	Collateral
Financing of rolling stock purchases	5 April 2018	6 December 2024	4,968,750	Rolling stock pledged as collateral, bills of exchange
Financing of locomotive purchases	5 September 2019	15 September 2030	85,716,216	Rolling stock pledged as collateral, bills of exchange
Financing of measures to optimise business processes	23 December 2019	31 December 2023	16,250,000	Bills of exchange
Total			106,934,966	

Current financial liabilities

in EUR	Date of agreement or annex	Payment due date	Balance as at 31 December 2021	Collateral
Financing of locomotive purchases	5 September 2019	31 December 2022	7,270,270	Rolling stock pledged as collateral, bills of exchange
Financing of rolling stock purchases	5 April 2018	6 December 2022	2,208,333	Rolling stock pledged as collateral, bills of exchange
Financing of measures to optimise business processes	23 December 2019	31 December 2022	13,750,000	Bills of exchange
Other current liabilities – interest			100,613	
Total			23,329,216	

2.3.1.19 Lease liabilities

in EUR	31 December 2021	31 December 2020
Non-current lease liabilities	8,649,719	13,803,685
Current lease liabilities	6,086,420	6,694,563
Total	14,736,139	20,498,248

Changes in lease liabilities

in EUR	2021	2020
Balance as at 1 January	20,498,248	26,486,980
Increases	6,113,369	8,021,779
Decreases	-4,564,262	-7,754,229
Lease concession	0	-10,720
Payments	-7,657,024	-6,706,715
Interest	345,809	461,153
Balance as at 31 December	14,736,139	20,498,248

Changes in financial liabilities and lease liabilities (cash flow)

in EUR	2021	2020
Balance as at 1 January	174,481,186	156,854,351
Inflows from loans raised	252,000,000	349,000,000
Outflows from loans raised	-275,721,846	-325,693,898
Outflows for the repayment of lease liabilities	-7,311,215	-6,245,562
Changes in lease liabilities	1,549,106	256,830
Changes in liabilities for interest	3,090	82,989
Exchange rate differences	0	226,476
Balance as at 31 December 12	145,000,321	174,481,186

2.3.1.20 Operating liabilities

in EUR	31 December 2021	31 December 2020
Non-current liabilities	106,437,565	123,821,214
Other non-current operating liabilities arising from energy renovation activities	7,179	9,572
Non-current operating liabilities – sale of receivables	106,166,650	118,952,650
Non-current liabilities in connection with superficies	263,736	288,156
Accrued compensation for the closure of lines (maintenance of the public rail infrastructure)	0	4,569,425
Other non-current liabilities	0	1,411
Current liabilities	85,171,814	93,674,930
Liabilities based on advances	1,548,182	1,947,161
Liabilities to employees	15,244,275	34,720,432
Liabilities to the state and government institutions	16,684,977	8,997,779
Liabilities to others	26,660,323	19,439,869
Current operating liabilities – sale of receivables	12,786,000	12,786,000
Deferred revenues	2,000,799	1,984,703
Accrued costs and expenses	10,247,258	13,798,986
Total	191,609,379	217,496,144

Non-current operating liabilities in the amount of EUR 106,166,650 (EUR 118,952,650 in 2020) relate to receivables of SŽ-Potniški promet, d. o. o., arising from the funds in connection with the discharge of the PSO to the contracting authority, which will be paid in annual instalments by 2031 in accordance with paragraph 16 of Article 7 of the Amendments and Supplements 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. Along with the receivables from the contracting authority, a liability to the contracting authority was disclosed in 2018 due to PSO services that were not performed.

Based on the agreement on the assignment of claims for consideration between Slovenske železnice, d. o. o., and SŽ-Potniški promet, d. o. o., dated 12 June 2018, the above receivables were sold to two banks, and liabilities to the contracting authority are reduced in accordance with the repayment schedule set out in paragraph 16 of Article 7 of the Amendments and Supplements 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. The current portion of these liabilities, which falls due in 2022, was disclosed under current operating liabilities in the amount of EUR 12,786,000 as at 31 December 2021 (EUR 12,786,000 in 2020).

Accrued costs and expenses

in EUR	31 December 2021	31 December 2020
Unused annual leave	7,283,976	6,600,055
Accrued compensation for the closure of lines (maintenance of the public rail infrastructure)	0	1,142,357
Accrued costs of termination benefits	60,707	2,868,007
Contractual obligations for uncompleted works on projects	506,308	1,305,698
Use of freight wagons	688,819	458,572
Accrued services of foreign railway operators	428,705	430,102
Accrued concession fees	201,592	176,924
Accrued costs of hours worked	204,485	151,846
Accrued compensation in international freight transport	30,000	112,461
Accrued positioning costs for individual work orders	335,007	98,107
Accrued damages according to waybills	50,000	30,000
Accrued cross-border services	17,723	8,335
Other	439,936	416,522
Total	10,247,258	13,798,986

2.3.1.21 Trade payables

in EUR	31 December 2021	31 December 2020
Domestic trade payables	31,292,643	23,284,820
Foreign trade payables	8,358,038	13,028,074
Total	39,650,681	36,312,894

in EUR	31 December 2021	31 December 2020
Non-past-due liabilities	36,210,871	35,407,519
Past-due liabilities	3,439,810	905,375
• up to 30 days	3,009,202	519,329
• from 31 to 90 days	55,704	174,492
• from 91 to 365 days	164,223	137,034
• more than 365 days	210,681	74,520
Total	39,650,681	36,312,894

2.3.1.22 Contingent receivables and contingent liabilities

in EUR	31 December 2021	31 December 2020
Mortgages and liens received	3,166,559	3,519,088
Bank guarantees received, of which:	273,407,432	290,911,635
• for the purchase of rolling stock units	263,152,199	279,285,874
• for performance bonds and warranties	10,036,399	9,438,178
• other	218,834	2,187,583
Bills of exchange and enforcements received as collateral for advances, performance bonds and warranties	2,660,140	4,511,608
Merchandise on consignment	5,864	5,864
Withheld dividend payments	14,768	35,854
Total contingent receivables	279,254,763	298,984,049
Bank guarantees issued, of which:	27,030,705	25,282,302
• collateral for contractual liabilities, warranties and performance bonds	15,505,720	14,641,915
• transit insurance	10,050,000	10,050,000
• other	1,374,985	490,387
• Excise guarantees	100,000	100,000
Bills of exchange and enforcements issued as performance bonds and warranties	1,403,676	3,840,771
Liabilities for merchandise on consignment	5,864	5,864
Contingent liabilities from the sale of real estate	0	7,968,619
Contingent liabilities for lawsuits	3,216,801	3,002,806
Total contingent liabilities	31,657,046	40,100,363

2.3.2 Notes to the income statement

2.3.2.1 Net sales revenue

in EUR	2021	2020
• Revenues on the domestic market	239,005,233	233,245,629
Services and products	235,684,299	231,515,400
• services and products in connection with associates	381,444	418,175
• services and products in connection with others	235,302,855	231,097,225
Merchandise and materials	3,320,934	1,730,229
• merchandise and materials in connection with others	3,320,934	1,730,229
• Revenues on the foreign market	174,986,278	173,964,932
Services	174,986,278	173,964,932
• services and products in connection with others	174,986,278	173,964,932
Total	413,991,511	407,210,561

Net sales revenue comprises:

in EUR	Consolidated 2021	Consolidated 2020
Slovenske železnice, d. o. o.	1,415,512	1,659,936
SŽ-Tovorni promet Group	147,269,051	145,009,857
SŽ-Potniški promet, d. o. o.	30,552,072	22,546,334
SŽ-Infrastruktura, d. o. o.	144,553,099	145,139,533
SŽ-VIT, d. o. o.	12,292,326	12,613,286
SŽ-ŽIP Group	4,491,136	3,699,254
Prometni institut Ljubljana, d. o. o.	120,965	81,642
SŽ-Železniška tiskarna Ljubljana, d. d.	55,424	53,769
SŽ-ŽGP Group	48,121,378	56,281,771
Fersped, d. o. o.	19,643,035	16,550,741
VV-LOG, d. o. o.	5,477,513	3,574,438
Total	413,991,511	407,210,561

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 165,180,328 (EUR 156,104,287 in 2020)

were generated on the local and foreign markets by the SŽ-Tovorni promet Group in the amount of EUR 136,622,787 (EUR 135,397,408 in 2020) and SŽ-Potniški promet, d. o. o., in the amount of EUR 28,557,541 (EUR 20,706,879 in 2020).

SŽ-Infrastruktura, d. o. o., generated the majority of its revenues based on agreements with the Slovenian government:

in EUR	2021	2020
Public service obligation of the maintenance of the PRI	93,612,140	97,279,650
Public service obligation of the functioning of the PRI	36,925,720	35,474,706
Performance of tasks as manager of the PRI	2,078,031	1,956,309
Management and maintenance of housing and buildings that are not part of the PRI	684,980	340,196
Total	133,300,871	135,050,861

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	2021	2020
Capitalised own products and services	18,071,172	8,683,249

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 major repairs of rolling stock, and replacement parts for

locomotives, passenger multiple units, and freight and passenger wagons. The volume of work in this segment was significantly greater in 2021, as the COVID-19 epidemic caused a decline in passenger and freight transport and thus a drop in major repairs of rolling stock and replacements of parts for such vehicles.

2.3.2.3 Other operating revenues

in EUR	2021	2020
Revenues from the discharge of the public service obligation of passenger transport by rail	79,353,399	70,020,177
Revenue from state aid – COVID-19	1,052,993	18,649,980
Compensation and fines	19,951,242	15,241,083
• of which accrued revenues from the maintenance of PRI lines (traffic disruptions)	15,380,593	13,727,678
Revenues from assigned contributions for the employment of disabled persons	4,815,251	4,360,060
Revenue from other subsidies	565,858	724,286
Revenues from the reversal of provisions	603,315	7,695,789
Revenues from the sale of property, plant and equipment, and the revaluation of receivables and liabilities	3,747,436	2,923,298
Other revenues	184,956	86,207
Total	110,274,450	119,700,880

2.3.2.4 Costs of goods, materials and services

in EUR	2021	2020
Historical cost of goods sold and costs of materials used	2,119,144	2,103,808
Costs of materials	39,605,529	38,903,182
Energy costs	34,495,514	29,390,612
Costs of replacement parts	4,571,944	2,447,825
Write-off of small inventory	1,853,619	1,461,991
Costs of office materials	487,217	442,083
Other material costs	1,101,666	1,230,514
Total cost of goods and materials sold and cost of materials used	84,234,633	75,980,015
Costs from the manufacture of products and provision of services	40,087,574	45,655,036
Transport services	15,539,998	14,544,592
Maintenance services	21,133,242	16,825,024
Reimbursement of employee expenses	2,643,167	2,436,254
Payment transaction and banking services	393,232	393,581
Intellectual and personal services	2,857,655	3,125,013
Insurance premiums	6,795,806	5,988,088
Advertising, publicity and representation	1,297,079	1,289,290
Costs under the RIV Rules	4,878,698	3,721,605
Costs under the RIC Rules	1,021,852	766,085
Costs of other services:	33,333,406	30,119,286
• current rental costs	15,233,613	13,387,591
of which:		
• fee for access to public rail infrastructure	14,327,966	12,459,874
• low-value leases	129,254	536,529
• short-term leases	571,769	195,139
• costs of municipal services	1,810,715	1,742,478
• costs of services provided by the Port of Koper	3,081,544	3,130,367
• costs of student services and hired labour	6,660,055	5,834,447
• costs of transport services (traction) provided by foreign operators	253,908	437,389
• unclaimed VAT in the part where SŽ-Infrastruktura discharges its public service obligation	1,418,665	1,418,665
• cleaning costs for premises, external areas and clothing, and property surveillance	882,091	708,486
• costs of services associated with contracted work	1,102,091	489,721
• membership fees and contributions paid to international organisations and other associations	545,681	616,491
• administrative fees, administrative announcements and court fees	450,361	497,433
• engineering services (ancillary activity in the maintenance of the PRI)	111,831	126,995
• border services provided by foreign railway administrations	76,709	131,266
• other costs	1,706,142	1,597,957
Total costs of services	129,981,709	124,863,854
Total	214,216,342	200,843,869

The costs of goods, materials and services comprise:

in EUR	Consolidated 2021	Consolidated 2020
Slovenske železnice, d. o. o.	6,817,758	6,728,500
SŽ-Tovorni promet Group	39,694,827	31,066,726
SŽ-Potniški promet, d. o. o.	18,088,466	12,152,612
SŽ-Infrastruktura, d. o. o.	55,196,380	54,177,528
SŽ-VIT, d. o. o.	30,650,185	28,781,758
SŽ-ŽIP Group	10,802,560	7,224,140
Prometni institut Ljubljana, d. o. o.	116,886	97,085
SŽ-Železniška tiskarna Ljubljana, d. d.	152,136	99,468
SŽ-ŽGP Group	35,623,128	47,818,404
Fersped, d. o. o.	13,113,755	10,525,077
VV-LOG, d. o. o.	3,960,207	2,172,571
SŽ-EP Logistika, d. o. o.	54	0
Total	214,216,342	200,843,869

The most significant energy costs comprise the electricity and other fuels used to drive rolling stock in the amount of EUR 26,669,111 (EUR 22,526,139 in 2020).

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 2021	Consolidated 2020
SŽ-VIT, d. o. o.	3,275,386	3,327,988
SŽ-ŽIP Group	6,633,256	3,949,370
SŽ-ŽGP Group	15,124,356	27,179,614
Fersped, d. o. o.	12,345,696	9,912,780
VV-LOG, d. o. o.	2,641,013	1,212,547
Total	40,019,707	45,582,299

Costs of auditor

in EUR	2021	2020
Auditing of financial statements	130,128	123,908
• separate financial statements of the Slovenske železnice Group companies	120,828	114,608
• consolidated financial statements of Slovenske železnice Group companies	9,300	9,300
Other assurance services	9,220	7,220
Total	139,348	131,128

2.3.2.5 Labour costs

in EUR	2021	2020
Costs of wages and salaries	167,467,582	164,373,079
Pension insurance costs	22,259,652	23,337,358
Other social security costs	12,339,576	13,470,442
Other labour costs	34,494,480	67,098,731
• reimbursements	17,940,261	15,682,040
• annual leave allowance	13,235,793	9,799,347
• termination benefits	221,142	37,799,239
• provisions for jubilee benefits and termination benefits (actuarial calculation)	2,844,247	1,610,781
• crisis bonus (COVID-19 measure)	0	2,051,666
• other costs	253,037	155,658
Total	236,561,290	268,279,610

In accordance with the Agreement of 22 December 2021, the costs of accrued and paid performance-based pay for 2021 in the amount of EUR 5,364,136 are also disclosed under the costs of wages and salaries and the costs of pension insurance and social security.

2.3.2.6 Write-downs

in EUR	2021	2020
Amortisation of intangible assets and depreciation of property, plant and equipment	42,815,848	39,071,281
Depreciation of right-of-use assets	6,856,596	6,204,716
Operating expenses for intangible assets and property, plant and equipment	308,883	237,343
Operating expenses for working capital	5,665,707	2,043,409
• revaluation of inventories	2,182,999	1,614,477
• revaluation of receivables	2,837,318	398,598
• write-downs of other assets	645,390	30,334
Total	55,647,034	47,556,749

2.3.2.7 Other operating expenses

in EUR	2021	2020
Fees for the use of building land, and other taxes and levies	1,243,616	1,286,907
Accrued costs for damages due to the closure of lines	112,557	1,823,210
Fines and compensation for damage incurred by legal and natural persons	243,695	856,727
Scholarships and awards for pupils and students on compulsory job training	156,283	71,863
Donations (for sporting, cultural and humanitarian activities)	250,011	247,149
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	91,380	90,171
Other expenses	177,071	416,281
Total	2,274,613	4,792,308

2.3.2.8 Finance income

in EUR	2021	2020
Finance income from participating interests in associates	1,591,893	629,419
Finance income from participating interests in other companies	77,531	42,255
Total finance income from participating interests	1,669,424	671,674
Finance income from loans to others	100,858	1,854,527
Total finance income from loans granted	100,858	1,854,527
Finance income from other operating receivables	96,133	791,032
Total finance income from operating receivables	96,133	791,032
Total	1,866,415	3,317,233

Finance income from participating interests is accounted for by participation in the profit of associates and other companies in the amount of EUR 1,619,133 (EUR 671,674 in 2020) and income from the increase in investment in EUROFIMA based on valuation of EUR 50,291.

Finance income from loans mostly relates to interest on loans for purchase of apartments in the amount of EUR 77,283 (EUR 70,910 in 2020). In 2020, finance income also includes exchange rate differences arising on repayment

of a foreign-currency loan in the amount of EUR 1,729,126.

Finance income from operating receivables primarily comprises default interest on current receivables in the amount of EUR 49,888 (EUR 67,963 in 2020) and revenues from the revaluation of operating receivables/liabilities in the amount of EUR 46,245 (EUR 102,932 in 2020). In 2020, finance income from operating receivables also includes revenues from the elimination of discount totalling EUR 590,412.

2.3.2.9 Finance costs

in EUR	2021	2020
Finance costs from impairments and write-downs of financial assets at other companies	733,877	0
Finance costs from impairments and write-offs of financial assets	733,877	0
Finance costs from bank loans	1,773,429	1,685,111
Finance costs from leases	474,060	575,869
Finance costs from other financial liabilities	256,569	2,575,631
Total finance costs from financial liabilities	2,504,058	4,836,611
Finance costs from trade payables and liabilities from bills of exchange	58,770	191,522
Finance costs from other operating liabilities	82,714	174,599
Total finance costs from operating liabilities	141,484	366,121
Total	3,379,419	5,202,732

Finance costs from the financial liabilities and impairment of financial for the most part comprise:

- interest on loans from banks in the amount of EUR 1,773,429 (EUR 1,685,111 in 2020);
- interest as the result of an actuarial calculation in the amount of EUR 238,122 (EUR 377,849 in 2020);
- interest on leases in the amount of EUR 474,060 (EUR 575,869 in 2020);
- costs arising on impairment of the investment in Terme Olimia based on a valuation made by a certified valuer in the amount of EUR 733,877.

A significant decrease in finance costs in 2021 arises from derivative financial instruments (FX Forward), namely EUR 1,775,857 in 2020, and EUR 0 in 2021.

2.3.2.10 Corporate income tax

in EUR	2021	2020
Current tax	3,828,696	3,029,311
Deferred tax	-563,506	-37,681
Total corporate income tax	3,265,190	2,991,630
Pre-tax profit	32,585,728	13,911,097
Tax calculated at effective tax rate	7,408,453	2,979,550
Tax from decrease in revenues	-865,382	-1,106,602
Tax from decrease in expenses	1,747,010	1,355,129
Tax from increase in expenses	-86,512	-134,320
Tax from change in tax base	-66,866	9,695
Tax from tax allowances	-4,508,613	-3,109,659
Tax credits	200,606	3,035,518
Total corporate income tax	3,265,191	2,991,630
Effective tax rate	10.02	21.51

The valid corporate income tax rate was 19% in Slovenia in 2021 and 2020, while tax rates for the Group range from 10% to 19%.

2.3.3 Related party transactions

Gross earnings of groups of persons

in EUR	2021	2020
Management Board of the parent company	386,939	373,076
Supervisory Board of the parent company	181,133	155,390
External members of the committees of the parent company's Supervisory Board	10,616	9,338
Management boards of subsidiaries	1,534,397	1,579,029
Supervisory boards of subsidiaries	156,298	92,717
External members of the committees of subsidiaries' supervisory boards	10,594	4,984
Group employees under individual contracts	7,893,987	7,524,751
Total	10,173,964	9,739,285

The earnings of members of the parent 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.

Earnings of the Management Board during the 2021 financial year – Slovenske železnice Group

Name and surname/ company	Position	Fixed remuneration – gross	Variable remuneration – gross			Deferred remuneration	Termination benefits	Fringe benefits	Repayment of previously paid bonuses (clawback)	Total (gross)	Total (net)
			Based on quantitative criteria	Based on qualitative criteria	Total						
		1			2	3	4	5	6	(1 to 6)	
Controlling company Slovenske železnice, d. o. o.											
Dušan Mes	Director General	126,982	0	0	0	0	0	8,488	0	135,470	65,122
Tomaž Kraškovic	Member of the Management Board (Director)	120,558	0	0	0	0	0	3,164	0	123,722	63,986
Nina Avbelj Lekić	Workers' Director	124,438	0	0	0	0	0	3,309	0	127,747	67,724
Total		371,978	0	0	0	0	0	14,961		386,939	196,832
SŽ-Tovorni promet, d. o. o.											
Melita Rozman Dacar	Director	110,530	0	0	0	0	0	7,416	0	117,946	60,883
Tamara Luskovec	Workers' Director	88,184	0	0	0	0	0	151	0	88,335	51,594
Total		198,714	0	0	0	0	0	7,567	0	206,281	112,477
SI Cargo Logistic, d. o. o., Belgrade											
Dragan Grujić	Director	49,879	0	0	0	0	0	0	0	49,879	36,827
SŽ-Potniški promet, d. o. o.											
Darja Kocjan	Director	102,069	0	0	0	0	0	5,946	0	108,015	54,235
Igor Birčaković	Workers' Director	84,284	0	0	0	0	0	151	0	84,435	51,022
Total		186,353	0	0	0	0	0	6,097	0	192,450	105,257
SŽ-Infrastruktura, d. o. o.											
Matjaž Kranjc	Director	106,431	0	0	0	0	0	4,135	0	110,566	56,239
Matjaž Skutnik	Workers' Director	88,259	0	0	0	0	0	1,482	0	89,741	50,966
Total		194,690	0	0	0	0	0	5,617	0	200,307	107,205
SŽ-Vleka in tehnika, d. o. o.											
Dušan Žičkar	Director	106,523	0	0	0	0	0	5,510	0	112,033	55,487
Zdravko Skrbiš	Workers' Director	86,684	0	0	0	0	0	4,406	0	91,090	48,803
Total		193,207	0	0	0	0	0	9,916	0	203,123	104,290
SŽ-ŽIP, storitve, d. o. o.											
Vojka Martinčič	Director	103,079	0	0	0	0	0	7,934	0	111,013	56,671
Vesna Ritlop	Workers' Director	83,287	0	0	0	0	0	3,016	0	86,303	49,715
Total		186,366	0	0	0	0	0	10,950	0	197,316	106,386
Fersped, d. o. o.											
Jožef Petrovič	Director (1 January – 15 February 2021)	0	0	0	0	0	0	0	0	0	0
Dean Peršić	Director (16 February – 31 December 2021)	82,309	0	0	0	0	0	4,649	0	86,958	44,640
Total		82,309	0	0	0	0	0	4,649	0	86,958	44,640
VV-LOG, d. o. o.											
Dean Peršić	Director	9,882	0	0	0	0	0	1,072	0	10,954	5,416

Name and surname/ company	Position	Fixed remuneration – gross	Variable remuneration – gross			Deferred remuneration	Termination benefits	Fringe benefits	Repayment of previously paid bonuses (clawback)	Total (gross)	Total (net)
			Based on quantitative criteria	Based on qualitative criteria	Total						
		1			2	3	4	5	6	(1 to 6)	
Prometni institut, d. o. o.											
Peter Verlič	Director	84,978	0	0	0	0	0	3,006	0	87,984	48,519
SŽ-Železniška tiskarna, d. d.											
Majda Železnik	Director	56,181	0	0	0	0	0	201	0	56,382	34,695
SŽ-ŽGP, d. d.											
Dušan Mes	Director (1 January – 22 June 2021)	0	0	0	0	0	0	0	0	0	0
Anton Žagar	Director (23 June – 31 December 2021)	54,640	0	0	0	0	0	5,723	0	60,363	27,493
Pavel Piškur	Workers' Director	85,829	0	0	0	0	0	7,457	0	93,286	45,402
Total		140,469	0	0	0	0	0	13,180	0	153,649	72,895
Kamnolom Verd, d. o. o.											
Matjaž Komprej	Director	78,241	0	0	0	0	0	1,810	0	80,051	45,179
SŽ-ŽGP Podgorica, d. o. o.											
Veljko Flis	Director	9,063	0	0	0	0	0	0	0	9,063	6,072
Total:		1,842,310	0	0	0	0	0	79,026	0	1,921,336	1,026,692
Other employees on individual contracts											
		7,818,818	0	0	0	0	0	75,169	0	7,893,987	4,696,072

Earnings of the Management Board during the 2020 financial year – Slovenske železnice Group

Name and surname/ company	Position	Fixed remuneration – gross	Variable remuneration – gross			Deferred remuneration	Termination benefits	Fringe benefits	Repayment of previously paid bonuses (clawback)	Total (gross)	Total (net)
			Based on quantitative criteria	Based on qualitative criteria	Total						
		1			2	3	4	5	6	(1 to 6)	
Controlling company Slovenske 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	0	0	0	8,546	0	130,971	62,098
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	0	0	0	3,610	0	120,390	62,899
Nina Avbelj Lekić	Workers' Director	117,762	0	0	0	0	0	3,952	0	121,714	61,905
Total		356,968	0	0	0	0	0	16,108	0	373,075	186,902
SŽ-Tovorni promet, d. o. o.											
Melita Rozman Dacar	Director	98,100	0	0	0	0	0	4,621	0	102,721	54,558
Drago Savić	Workers' Director (1 January to 19 January 2020)	4,155	0	0	0	0	0	129	0	4,284	2,250
Tamara Luskovec	Workers' Director (20 January to 31 December 2020)	73,741	0	0	0	0	0	39	0	73,779	42,841
Total		175,996	0	0	0	0	0	4,789	0	180,785	99,650
SI Cargo Logistic, d. o. o., Belgrade											
Dragan Grujić	Director	50,077	0	0	0	0	0	0	0	50,077	37,747
SŽ-Potniški promet, d. o. o.											
Darja Kocjan	Director	92,284	0	0	0	0	0	3,976	0	96,260	49,776
Remzija Cinac	Workers' Director	79,643	0	0	0	0	65,000	2,313	0	146,955	80,641
Total		171,926	0	0	0	0	65,000	6,289	0	243,215	130,417
SŽ-Infrastruktura, d. o. o.											
Matjaž Kranjc	Director	97,316	0	0	0	0	0	5,088	0	102,404	51,269
Matjaž Skutnik	Workers' Director (1 January to 1 February 2020 and 1 February 2020 to 31 December 2020)	78,585	0	0	0	0	0	1,675	0	80,260	44,544
Total		175,901	0	0	0	0	0	6,763	0	182,664	95,813
SŽ-Vleka in tehnika, d. o. o.											
Dušan Žičkar	Director	97,633	0	0	0	0	0	6,967	0	104,599	50,492
Zdravko Skrbiš	Workers' Director	78,489	0	0	0	0	0	4,942	0	83,431	43,693
Total		176,122	0	0	0	0	0	11,909	0	188,030	94,185
SŽ-ŽIP, storitve, d. o. o.											
Vojka Martinčič	Director	91,961	0	0	0	0	0	5,232	0	97,193	51,155
Vesna Rittlop	Workers' Director	74,385	0	0	0	0	0	1,919	0	76,304	42,382
Total		166,345						7,152		173,497	93,537
Fersped, d. o. o.											
Jožef Petrovič	Director	0	0	0	0	0	0		0	0	0

Name and surname/ company	Position	Fixed remuneration – gross	Variable remuneration – gross			Deferred remuneration	Termination benefits	Fringe benefits	Repayment of previously paid bonuses (clawback)	Total (gross)	Total (net)
			Based on quantitative criteria	Based on qualitative criteria	Total						
		1			2	3	4	5	6	(1 to 6)	
VV-LOG, d. o. o.											
Dean Peršič	Director	70,651	0	0	0	0	0	6,774	0	77,425	38,531
Daniel Tomljanović	Director (1 January to 31 March 2020)	18,018	0	0	0	0	0	2,057	0	20,076	9,500
Total		88,670	0	0	0	0	0	8,831	0	97,501	48,031
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	0	0	0	3,652	0	77,230	43,295
SŽ-Železniška tiskarna, d. d.											
Janez Brezovar	Director (1 January to 31 August 2020)	50,097	0	0	0	0	65,000	65	0	115,162	65,413
Majda Železnik	Director (1 September to 31 December 2020)	17,673	0	0	0	0	0	55	0	17,728	10,722
Total		67,770	0	0	0	0	65,000	120	0	132,890	76,135
SŽ-ŽGP, d. d.											
Tine Svoljšak	Director (1 January to 23 November 2020)	87,552	0	0	0	0	0	1,595	0	89,147	47,797
Dušan Mes	Director (23 November to 31 December 2020)	0	0	0	0	0	0	0	0	0	0
Pavel Piškur	Workers' Director (1 January to 8 November 2020 and 9 November to 31 December 2020)	78,764	0	0	0	0	0	2,559	0	81,323	44,231
Total		166,316	0	0	0	0	0	4,154	0	170,470	92,028
Kamnlom Verd, d. o. o.											
Matjaž Komprej	Director	71,293	0	0	0	0	0	2,314	0	73,607	40,716
SŽ-ŽGP Podgorica, d. o. o.											
Veljko Flis	Director	9,063								9,063	6,072
Total		1,750,024	0	0	0	0	130,000	72,080	0	1,952,104	1,044,528
Other employees on individual contracts		6,918,750	0	0	0	0	525,960	80,041	0	7,524,751	4,495,429

Remuneration of Supervisory Board members in 2021

Name and surname/company	Position	Gross annual wages for performance of position	Gross annual attendance fees for Supervisory Board and committee meetings	Fringe benefits	Total (gross)	Total (net)	Travel expenses
		1	2	3	(1 to 3)		
Slovenske železnice, d. o. o.							
Aleksander Mervar	Member and Chairman of the Supervisory Board	15,450	3,960	151	19,561	14,076	0
Franci Matoz	Member and Deputy Chairman of the Supervisory Board, member and Chairman of the HR Committee	15,192	4,840	151	20,183	14,529	0
Aleksander Nagode	Member of the Supervisory Board, member of the Audit Committee, member of the Strategic Investments Committee	15,450	6,435	151	22,036	15,876	0
Melita Malgaj	Member of the Supervisory Board, member of the Audit Committee, Chair of the Audit Committee	14,162	6,380	151	20,693	14,899	0
Gabrijel Škof	Member of the Supervisory Board, member of the HR Committee, member of the Strategic Investments Committee	15,450	6,435	151	22,036	15,876	0
Boris Markočič	Member of the Supervisory Board, member and Chair of the Strategic Investments Committee, member of the Audit Committee	15,450	6,435	151	22,036	15,876	0
Silvo Berdajs	Member and employee representative of the Supervisory Board, member of the Audit Committee and member of the Strategic Investments Committee	15,450	6,435	151	22,036	15,876	0
Zlatko Ratej	Member and employee representative of the Supervisory Board, member of the HR Committee	12,875	5,115	151	18,141	13,043	0
Jože Pavšek	Member and employee representative of the Supervisory Board	10,300	3,960	151	14,411	10,330	0
Barbara Nose	External member of the Audit Committee	8,240	2,376	0	10,616	7,721	0
Total		138,019	52,371	1,359	191,749	138,102	0
SŽ-Infrastruktura, d. o. o.							
Urška Grmek	Member and Chairwoman of the Supervisory Board	15,450	4,565	151	20,166	14,516	0
Matjaž Trontelj	Member and Deputy Chair of the Supervisory Board, member and Chairman of the Audit Committee	11,942	4,785	151	16,878	12,124	0
Milorad Šijivić	Member and employee representative of the Supervisory Board, member of the Audit Committee	10,708	4,785	151	15,644	11,227	0
Barbara Nose	External member of the Audit Committee	1,305	220	0	1,525	1,109	0
Total		39,405	14,355	453	54,213	38,976	0
SŽ-ŽGP Ljubljana, d. d.							
Gorazd Podbevšek	Chairman of the Supervisory Board and member of the aAudit Committee	18,025	1,760	151	19,936	14,349	0
Dušan Mes	Member and Deputy Chairman of the Supervisory Board, member of the Audit Committee	5,885	990	151	7,026	4,978	0
Nina Marin	Member of the Supervisory Board, member and Chair of the Audit Committee	13,893	1,980	151	16,024	11,503	0
Silvo Berdajs	Member and employee representative of the Supervisory Board, and member of the Audit Committee	12,875	2,200	151	15,226	10,923	0
Stanislav Debeljak	Member of the Supervisory Board and member of the Audit Committee (14 October – 31 December 2021)	2,769	495	29	3,293	2,366	0
Marjeta Mlinar	External member of the Audit Committee (1 January – 16 March 2021)	1,094	0	0	1,094	795	0
Barbara Nose	External member of the Audit Committee (17 March – 31 December 2021)	4,070	440	0	4,510	3,280	0
Total		58,611	7,865	633	67,109	48,194	0
SŽ-Železniška tiskarna Ljubljana, d. d.							
Boštjan Koren	Chairman of the Supervisory Board	0	323	151	474	224	0
Martina Resnik	Member and Deputy Chair of the Supervisory Board (1 January – 24 August 2021)	0	81	81	162	55	0
Daniel Vasiljevič	Member of the Supervisory Board (24 August – 31 December 2021)	0	81	70	151	55	0
Miran Parkelj	Member and employee representative of the Supervisory Board	0	242	151	393	165	0
Total		0	727	453	1,180	499	0

Name and surname/company	Position	Gross annual wages for performance of position	Gross annual attendance fees for Supervisory Board and committee meetings	Fringe benefits	Total (gross)	Total (net)	Travel expenses
		1	2	3	(1 to 3)		
SŽ-Tovorni promet, d. o. o.							
Dušan Mes	Member and Chairman of the Supervisory Board (28 September – 31 December 2021)	1,356	276	29	1,661	1,179	0
Bernarda Babič	Member of the Supervisory Board, Deputy Chair (28 September – 31 December 2021)	1,356	386	29	1,771	1,259	0
Silvo Berdajs	Member and employee representative of the Supervisory Board, member of the Audit Committee (11 August – 31 December 2021)	1,356	386	29	1,771	1,259	0
Petra Finžgar	External member of the Audit Committee	583	110	0	693	505	0
Total		4,651	1,158	87	5,896	4,202	0
SŽ-Potniški promet, d. o. o.							
Tomaž Kraškovic	Member and Chairman of the Supervisory Board (28 September – 31 December 2021)	1,356	276	29	1,661	1,179	0
Bernarda Babič	Member of the Supervisory Board, Deputy Chair (28 September – 31 December 2021)	1,356	386	29	1,771	1,259	0
Leon Didič	Member and employee representative of the Supervisory Board, member of the Audit Committee (11 August – 31 December 2021)	1,356	386	29	1,771	1,259	0
Simona Korošec Lavrič	External member of the Audit Committee	583	110	0	693	505	0
Total		4,651	1,158	87	5,896	4,202	0
SŽ-Vleka in tehnika, d. o. o.							
Jožef Petrovič	Member and Chairman of the Supervisory Board (28 September – 31 December 2021)	1,356	276	29	1,661	1,179	0
Jana Končar	Member of the Supervisory Board, Deputy Chair (28 September – 31 December 2021)	1,356	386	29	1,771	1,259	0
Zdenko Lorber	Member and employee representative of the Supervisory Board, member of the Audit Committee (18 August – 31 December 2021)	1,356	386	29	1,771	1,259	0
Petra Finžgar	External member of the Audit Committee	583	110	0	693	505	0
Total		4,651	1,158	87	5,896	4,202	0
SŽ-ŽIP, storitve, d. o. o.							
Miha Butara	Member and Chairman of the Supervisory Board (28 September – 31 December 2021)	1,356	276	29	1,661	1,179	0
Andreja Košir	Member of the Supervisory Board, Deputy Chair (28 September – 31 December 2021)	1,356	386	29	1,771	1,259	0
Jože Pavšek	Member and employee representative of the Supervisory Board, member of the Audit Committee (11 August – 31 December 2021)	1,356	386	29	1,171	1,259	0
Simona Korošec Lavrič	External member of the Audit Committee	583	110	0	693	505	0
Total		4,651	1,158	87	5,896	4,202	0
Fersped, d. o. o.							
Tomaž Kraškovic	Member and Chairman of the Supervisory Board (28 September – 31 December 2021)	1,356	276	29	1,661	1,179	0
Gašper Marc	Member of the Supervisory Board, Deputy Chair (28 September – 31 December 2021)	1,356	386	29	1,771	1,259	0
Darja Koleto	Member and employee representative of the Supervisory Board, member of the Audit Committee (11 August – 31 December 2021)	1,356	386	29	1,771	1,259	0
Petra Finžgar	External member of the Audit Committee	583	110	0	693	505	0
Total		4,651	1,158	87	5,896	4,202	0
Kamnolom Verd, d. o. o.							
Anton Žagar	Member and Chairman of the Supervisory Board (18 February – 31 December 2021)	5,182	840	124	6,146	3,880	0
Sergej Grmek	Member and Deputy Chairman of the Supervisory Board (18 February – 31 December 2021)	3,744	840	124	4,708	2,936	0
Pavel Piškur	Member and employee representative of the Supervisory Board	3,252	690	114	4,056	2,496	0
Total		12,178	2,370	362	14,910	9,312	0
Total		271,468	83,478	3,695	358,641	256,093	0

Remuneration of Supervisory Board members in 2020

Name and surname/company	Position	Gross annual wages for performance of position	Gross annual attendance fees for Supervisory Board and committee meetings	Fringe benefits	Total (gross)	Total (net)	Travel expenses
		1	2	3	(1 to 3)		
Slovenske železnice, d. o. o.							
Bojan Brank	Member and Chairman of the Supervisory Board, and member of the HR committee (1 January to 6 June 2020)	6,459	1,669	22	8,150	5,925	27
Igor Janez Zajec	Member of the Supervisory Board and member of the HR committee (1 January to 26 February 2020)	2,146	396	10	2,552	1,846	0
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	5,682	44	18,987	13,765	0
Tanja Bolte	Member of the Supervisory Board, member of the audit committee (1 January to 26 August 2020)	7,445	2,689	32	10,166	7,362	0
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	4,835	44	18,868	13,679	0
Adam Vengušt	Member of the Supervisory Board and chair of the HR committee (1 January to 26 August 2020)	8,189	2,560	32	10,781	8,002	265
Melita Malgaj	Member of the Supervisory Board and chair of the audit committee (12 June to 31 December 2020)	7,241	3,982	21	11,244	8,156	0
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	3,168	12	8,082	5,866	0
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	2,992	12	8,239	5,980	0
Franci Matoz	Member and Deputy Chairman of the Supervisory Board (27 August to 31 December 2020), and member and chair of the HR committee (28 September to 31 December 2020)	4,836	2,948	12	7,796	5,658	0
Silvo Berdajs	Member and employee representative of the Supervisory Board, member of the audit committee and strategic investments committee	12,574	5,902	44	18,520	13,426	0
Zlatko Ratej	Member and employee representative of the Supervisory Board, member of the HR committee	11,909	6,003	44	17,956	13,016	0
Jože Pavšek	Member and employee representative of the Supervisory Board	9,527	4,186	44	13,757	9,961	0
Barbara Nose	External member of the audit committee	7,622	1,716	0	9,338	6,791	0
Total		115,335	48,728	373	164,436	119,433	292
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	1,551	23	7,583	5,492	0
Anita Goršek	Member of the Supervisory Board (1 January to 23 July 2020)	5,447	1,826	28	7,301	5,282	0
Urška Grmek	Member and Chairwoman of the Supervisory Board (24 July to 31 December 2020)	6,659	2,255	16	8,930	6,479	0
Matjaž Trontelj	Member and Deputy Chairman of the Supervisory Board (24 July to 31 December 2020)	4,942	2,255	16	7,213	5,230	0
Silvo Berdajs	Member and employee representative of the Supervisory Board (1 January to 7 February 2020)	1,066	495	7	1,568	1,133	0
Milorad Šljivić	Member and employee representative of the Supervisory Board (18 February to 31 December 2020)	8,166	3,586	35	11,787	8,538	0
Total		32,289	11,968	125	44,382	32,154	0

Name and surname/company	Position	Gross annual wages for performance of position	Gross annual attendance fees for Supervisory Board and committee meetings	Fringe benefits	Total (gross)	Total (net)	Travel expenses
		1	2	3	(1 to 3)		
SŽ-ŽGP Ljubljana, d. d.							
Gorazd Podbevšek	Chairman of the Supervisory Board and member of the audit committee	16,005	1,969	44	18,018	13,061	0
Dušan Mes	Member and Deputy Chairman of the Supervisory Board, member and chair of the audit committee	11,752	1,694	42	13,488	9,768	0
Nina Marin	Member of the Supervisory Board, member of the Audit Committee (17 November – 31 December 2020), Chair of the Audit Committee (30 December – 31 December 2020)	1,502	275	2	1,779	1,292	0
Silvo Berdajs	Member and employee representative of the Supervisory Board, and member of the audit committee	11,909	1,969	44	13,922	10,082	0
Marjeta Mlinar	External member of the audit committee	4,764	220	0	4,984	3,625	0
Total		45,932	6,127	132	52,191	37,828	0
SŽ-Železniška tiskarna Ljubljana, d. d.							
Boštjan Koren	Chairman of the Supervisory Board	0	431	44	475	301	0
Martina Resnik	Member and Deputy Chairwoman of the Supervisory Board	0	242	44	286	164	0
Miran Parkelj	Member and employee representative of the Supervisory Board	0	323	44	367	223	0
Total		0	996	132	1,128	688	0
Total		193,556	67,819	762	262,137	190,103	292

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
2021		
Adria kombi, d. o. o., Ljubljana	16,333,189	257,843
Terme Olimia, d. d.	0	47,739
CKTZ, d. d., Zagreb	22,645	80,886
Total	16,356,142	386,468
2020		
Adria kombi, d. o. o., Ljubljana	16,802,647	287,796
Terme Olimia, d. d.	0.00	42,587
CKTZ, d. d., Zagreb	156,303	12,748
Total	16,958,950	343,131

Sales transactions with the associates 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 2021		
Adria kombi, d. o. o., Ljubljana	578,516	19,669
Terme Olimia, d. d.	0	47,158
CKTZ, d. d., Zagreb	1,314	13,306
Total	579,831	80,133
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

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 2021 and 2020, 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	2021	2020
Public service obligation of the maintenance of the PRI	93,612,140	97,279,650
Public service obligation of traffic control	36,925,720	35,474,706
Performance of tasks as manager of the PRI	2,078,031	1,956,309
Management and maintenance of housing and buildings that are not part of the PRI	684,980	340,196
Total	133,300,871	135,050,861

Transactions are executed on the basis of the Agreement on the provision of services by the manager of the public rail infrastructure for the period 2021–2030 and annexes 1 and 2 to that Agreement for services rendered between 1 January and 31 December 2021.

Revenues from transactions between the government and the subsidiary SŽ-Potniški promet, d. o. o.

in EUR	2021	2020
Revenues from the discharge of the public service obligation provision of passenger transport	79,353,399	70,080,177

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. 5 to that agreement for the period from 1 January to 31 December 2021 and amendments to the aforementioned agreement concluded with the Slovenian government, the company received net compensation of EUR 62,357,488 for services rendered in 2021 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 16,995,911 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	2021	2020
Provision of constructions services for:		
• Ministry of Infrastructure of the Republic of Slovenia	19,989,703	26,545,268
• Municipalities	0	0
Total	19,989,703	26,545,268

Transactions with the associates of the owner

in EUR	31 December 2021	31 December 2020
Balance of current trade and other operating receivables	2,241,702	1,849,468
Balance of current trade and other operating liabilities	2,615,651	1,597,919
in EUR	2021	2020
Revenues	10,964,779	9,848,993
Expenses (costs)	28,134,004	19,350,980

The disclosure of transactions with associates of the owner includes companies in the portfolio of SDH, d. d., in which the participating interest of the Republic of Slovenia and SDH, d. d., is greater than 20%.

2.3.4 Events after the accounting period

Based on the implementation of the Investment and Shareholder's Agreement concluded between Slovenske železnice, d. o. o., and EP Logistics International, a. s., the capital increase of SŽ EP Logistika, d. o. o., was entered in the Court Register on 13 January 2022, on the basis of which Slovenske železnice, d. o. o., retained a 51% ownership stake in SŽ EP Logistika, d. o. o., while the member EP Logistics International, a. s., acquired a 49% stake in SŽ EP Logistika, d. o. o. This entry in the Court Register marked the completion of the procedure of the entry of the strategic partner into SŽ-TP, d. o. o., and Fersped, d. o. o.

A military conflict started in Ukraine in February 2022, and the consequences related to it are described in the introduction to the business section of this report.

On 1 April 2022, SŽ-Infrastruktura, d. o. o., concluded annex 4 to the Agreement on the provision of services by the manager of the public rail infrastructure for the period from 1 January 2021 to 31 December 2030 with the contracting authority, i.e. the Government of the Republic of Slovenia. The annex specifies the approximate contract value, the scope of services provided by the manager in 2022 and the projected composition of funds for financing in this period. As part of the compensation for the performance of PSO tasks involving PRI maintenance, the annex also lays down the funds for financing the purchase of new machinery to perform the PSO tasks of PRI maintenance in accordance with Article 14 of the Agreement on the provision of services by the manager of the public rail infrastructure for the period from 1 January 2021 to 31 December 2030.

On 6 April 2022, the Management Board of Slovenski državni holding, d. d. passed a resolution to increase the capital of Slovenske železnice, d. o. o. through a cash contribution of EUR 150 million, which was transferred on 9 May 2022. The controlling company Slovenske železnice, d. o. o.,

must use all the funds to increase the share capital of SŽ-Potniški promet, d. o. o. The funds are earmarked exclusively for the purchase of new passenger multiple units.

Slovenske železnice, d. o. o., and Adventura Investments, d. o. o., signed a sale and purchase agreement in April 2022, whereby Slovenske železnice will acquire a 50% equity stake in Nomago, d. o. o. The transaction has yet to be approved by the competent competition protection agencies.

In April 2022, SŽ-ŽGP, d. d., was served a lawsuit filed by the Slovenian Infrastructure Agency for the elimination of defects in construction work on the public rail infrastructure (upgrades and reconstructions of lines and railway stations on the basis of five contracts concluded between SŽ-ŽGP, d. d., and the contracting authority) due to alleged cracks in railway sleepers. The value of the dispute is estimated at EUR 40 million. According to certain opinions submitted by the applicant – albeit not expert opinions – the supplier or manufacturer is allegedly responsible for the cause of the defects in the composition of the concrete sleepers, although SŽ-ŽGP Ljubljana, d. d., is neither. In view of the above, the authorised attorney assessed that the possibility of finding another cause of the defects in the proceedings was minimal. Since the defendant did its utmost to verify the adequacy of the sleepers before installation and further ensured external control, the attorney estimated that the possibility of the defence's objections being rejected was very small.

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 2021, as the Group adopted measures in a timely manner to deal with the situation.

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 2021	Balance as at 31 December 2020
• Financial receivables	3,000,064	66,601,379
• Financial liabilities	145,000,321	174,481,186
Net financial instruments	-142,000,257	-107,879,807

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 fixed interest rate:

in EUR	Balance as at 31 December 2021	Balance as at 31 December 2020
Total loans (principal)	130,163,570	153,885,417

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 46 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 236,947 in 2021 and EUR 197,355 in 2020).

for EUR 1	31 December 2021	31 December 2020
HRK	7.5156	7.5460
RSD	117.44	117.5300
USD	1.0916	1.2281

31 December 2021					
in EUR	EUR	HRK	RSD	USD	Total
Cash and cash equivalents	125,797,153	1,112,943	209,286	74,304	127,193,686
Current operating receivables	52,844,019	1,448,858	348,720	45,701	54,687,298
(excluding receivables from the government)	52,844,019	1,448,858	348,720	45,701	54,687,298
Non-current operating receivables	4,082,179				4,082,179
Current financial receivables	2,238				2,238
Non-current financial receivables	2,997,826				2,997,826
Non-current operating liabilities (excluding other liabilities)	106,437,565				106,437,565
Current operating liabilities (excluding liabilities to the state and employees, and liabilities from advances)	38,780,341	831,552	9,473	29,315	39,650,681
Non-current financial liabilities	115,584,685				115,584,685
Current financial liabilities	29,415,636				29,415,636
Exposure in the statement of financial position	-104,494,812	1,730,249	548,533	90,690	-102,125,340

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	52,302,926	3,408,252	172,108	28,225	55,911,511
(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

The Slovenske železnice Group's entire credit portfolio is in euros. Its credit obligations are thus not exposed to currency risk.

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 2021. 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 2021, 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	From 0 to 6 months	From 6 to 12 months	From 1 to 3 years	More than 3 years
Non-current borrowings received	106,934,966	111,977,395			40,075,832	71,901,563
Non-current lease liabilities	8,649,719	10,336,194			7,245,142	3,091,052
Other non-current operating liabilities	106,437,565	106,437,565			38,329,776	68,107,789
Current borrowings received	23,228,603	25,820,432	12,554,322	13,266,110		
Current lease liabilities	6,086,420	6,189,861	3,327,433	2,862,428		
Other current financial liabilities	100,613	100,613	100,613			
Current operating liabilities (excluding liabilities to the state and employees, and liabilities from advances)	39,650,681	39,650,681	39,650,681			
Balance as at 31 December 2021	291,088,567	300,512,741	55,633,049	16,128,538	85,650,750	143,100,404

in EUR		Contractual cash flows				
	Carrying amount of liabilities	Total contractual obligations	From 0 to 6 months	From 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	23,721,847	25,247,144	10,098,858	15,148,286		
Current lease liabilities	6,694,563	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	330,045,869	339,074,720	50,169,987	18,589,559	114,244,990	156,070,184

Credit risk

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.

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 the system for monitoring the credit ratings of the Group's partners will reduce 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.

Credit risks were appropriately managed in 2021, and there were no material credit-related events that had a significant impact on operations. A great deal of attention is devoted to the development of a system for monitoring business partners by means of a credit rating agency based on publicly accessible information and internal experiences in operations with those partners (introduction of the credit management process in the Slovenske železnice Group).

Domestic and foreign customers were verified in 2021 by a credit rating agency and based on 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 2.3.1.12).

Maturity of trade receivables (gross amount):

Maturity		in EUR						
As at	Non-past-due	Past-due				Total	Adjustments to the value of receivables	Net value of receivables
		up to 30 days	31 to 90 days	91 to 365 days	more than 365 days			
31 December 2021	50,024,781	2,866,661	1,320,876	872,805	5,823,366	60,908,489	6,221,191	54,687,298
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

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	2021	2020
Non-current financial liabilities	115,584,685	143,967,255
Current financial liabilities	29,415,636	30,513,931
Total financial liabilities	145,000,322	174,481,186
Total equity	576,332,485	548,275,424
Debt/equity	0.25	0.32
Cash and cash equivalents	127,193,686	42,467,907
Net financial liabilities	17,806,636	132,013,279
Net debt/equity	0.03	0.24

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 December 2021				
	Carrying amount	Fair value	Level 1	Level 2	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	2,143,755	2,143,755			2,143,755
Long-term deposits at banks	586,731	586,731			586,731
Other non-current financial assets	2,411,096	2,411,096			2,411,096
Current financial assets					
Trade receivables	54,687,297	54,687,297			54,687,297
Other current assets	2,238	2,238			2,238
Cash and cash equivalents	127,193,686	127,193,686	127,193,686		
Non-current financial liabilities					
Loans received	106,934,966	106,934,966			106,934,966
Lease liabilities	8,649,719	8,649,719			8,649,719
Current financial liabilities					
Loans received	23,228,604	23,228,604			23,228,604
Lease liabilities	6,086,420	6,086,420			6,086,420
Other financial liabilities	100,613	100,613			100,613
Trade payables	39,650,681	39,650,681			39,650,681

in EUR	31 December 2020				
	Carrying amount	Fair value	Level 1	Level 2	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	23,721,847	23,721,847			23,721,847
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

The Slovenske železnice Group did not record any transitions between fair value levels in 2021.

6. FINANCIAL STATEMENTS OF SLOVENSKE ŽELEZNICE, d. o. o.

6.1 Statement of financial position

in EUR	Note	Balance as at	
		31 December 2021	31 December 2020
ASSETS		724,682,411	716,618,928
A. Non-current assets		590,974,168	594,297,642
Intangible assets	6.6.1.1	19,449,767	18,222,356
Right-of-use assets in connection with leases	6.6.1.2	327,810	405,900
Property, plant and equipment	6.6.1.3	13,463,316	13,633,404
Investment property	6.6.1.4	43,385,180	44,929,798
Investments in subsidiaries	6.6.1.5	433,392,416	426,810,333
Investments in associates	6.6.1.5	3,079,623	3,079,623
Other financial assets	6.6.1.5	2,140,782	2,090,491
Financial receivables	6.6.1.6	71,203,073	80,744,746
Operating receivables	6.6.1.7	3,473,819	3,659,469
Deferred tax assets	6.6.1.8	325,478	337,291
Other non-current assets	6.6.1.9	732,904	384,231
B. Current assets		133,708,243	122,321,286
Assets held for sale	6.6.1.10	51,947	30,025
Financial receivables	6.6.1.11	31,084,710	68,416,343
Trade receivables	6.6.1.12	10,709,626	3,755,417
Other operating receivables	6.6.1.13	24,879,387	30,973,581
Receivables for corporate income tax	6.6.1.14	0	1,235,069
Cash and cash equivalents	6.6.1.15	66,982,573	17,910,851

in EUR	Note	Balance as at	
		31 December 2021	31 December 2020
EQUITY AND LIABILITIES		724,682,411	716,618,928
A. Equity	6.6.1.16	462,782,033	461,432,745
Called-up capital		359,529,921	359,529,921
Share premium account		45,002,140	45,002,140
Legal reserves		3,849,575	3,778,009
Revenue reserves		47,128,047	46,448,165
Fair value reserves		-615,759	-535,726
Retained earnings		7,888,109	7,210,236
1. Net profit or loss brought forward		7,208,227	7,210,236
2. Undistributed net profit or loss for the financial year		679,882	0
B. Non-current liabilities		86,786,774	108,792,740
Provisions for jubilee benefits and termination benefits	6.6.1.17	2,310,914	2,079,030
Non-current deferred income	6.6.1.17	1,639	2,258
Financial liabilities	6.6.1.18	82,718,750	103,677,083
Lease liabilities	6.6.1.19	283,187	348,808
Operating liabilities	6.6.1.20	1,472,284	2,685,561
C. Current liabilities		175,113,604	146,393,443
Financial liabilities	6.6.1.18	168,913,517	125,121,428
Lease liabilities	6.6.1.19	56,401	66,261
Other operating liabilities	6.6.1.20	2,645,505	4,986,948
Trade payables	6.6.1.21	3,498,181	16,218,806

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	2021	2020
1. Net sales revenue	6.6.2.1	21,180,117	21,354,435
4. Other operating revenues (including revaluation operating revenues)	6.6.2.2	1,867,399	4,777,517
5. Costs of goods, materials and services	6.6.2.3	8,132,541	7,747,044
6. Labour costs	6.6.2.4	15,513,311	18,718,512
7. Write-downs	6.6.2.5	3,030,313	2,082,084
8. Other operating expenses	6.6.2.6	1,454,558	13,708,850
9. Operating profit or loss (1 ± 2 + 3 + 4 – 5 – 6 – 7 – 8)		-5,083,207	-16,124,538
10. Finance income	6.6.2.7	12,434,541	6,719,034
11. Finance costs	6.6.2.8	5,908,190	4,812,238
12. Net finance income/costs (11 – 12)		6,526,351	1,906,796
13. Pre-tax profit or loss (9 + 12)		1,443,144	-14,217,742
14. Current tax		0	0
15. Deferred taxes	6.6.1.8	11,813	-4,387
16. Corporate income tax	6.6.2.9	11,813	-4,387
17. Net profit or loss for the accounting period		1,431,331	-14,213,355

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	2021	2020
Net profit or loss for the accounting period	6.2	1,431,331	-14,213,356
• Items that will not be reclassified subsequently to profit or loss		-82,042	-116,355
• Actuarial gains/losses		-82,042	-116,355
• Other comprehensive income for financial year		-82,042	-116,355
Total comprehensive income for the reporting period		1,349,289	-14,329,711

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	2021	2020
A. CASH FLOWS FROM OPERATING ACTIVITIES			
a. Net profit or loss	6.2	1,431,331	-14,213,356
Pre-tax profit or loss		1,443,144	-14,217,742
Corporate income tax and other taxes not included in operating expenses		11,813	-4,386
b. Adjustments for		-3,807,753	-4,573,926
Amortisation/depreciation (+)	6.6.2.5	2,817,027	1,942,984
Revaluation operating revenues (-)		-1,680,647	-1,395,103
Revaluation operating expenses (+)	6.6.2.5	213,286	139,100
Finance income, excluding finance income from operating receivables (-)	6.6.2.7	-12,432,179	-6,106,760
Finance costs, excluding finance costs from operating liabilities (+)	6.6.2.8	5,877,532	4,742,641
Revenues from the acquisition of property, plant and equipment and investment property free of charge		-11,479	-41,303
Actuarial calculation of provisions for employee benefits		166,947	-234,178
Tax expenses		1,246,881	-2,886,214
Revenues from the reversal of accrued expenses for unused annual leave		-4,439	-143,405
Other adjustments to revenues and expenses		-682	-591,688
c. Changes in net working capital (and provisions and deferred tax assets and liabilities) from balance sheet operating items		-17,589,053	2,500,125
Opening less closing operating receivables		92,461	1,464,661
Closing less opening operating liabilities		-17,646,675	1,064,386
Closing less opening provisions		-34,839	-28,922
d. Net cash flows from operating activities (a + b + c + d + e)		-19,965,475	-16,287,157
B. CASH FLOWS FROM INVESTING ACTIVITIES			
a. Inflows from investing activities		305,812,134	308,090,264
Inflows from interest received and shares in the profit of others		5,818,148	6,113,194
Inflows from the disposal of property, plant and equipment	6.6.1.3	1,623,351	1,192,322
Inflows from disposal of investment property	6.6.1.4	1,503,258	469,333
Inflows from the disposal of financial assets		296,867,377	300,315,415
b. Outflows from investing activities		-253,692,751	-267,190,336
Outflows for the acquisition of intangible assets	6.6.1.1	-2,704,611	-2,098,347
Outflows for the acquisition of property, plant and equipment	6.6.1.3	-941,419	-718,548
Outflows for the acquisition of investment property	6.6.1.4	-45,151	-89,260
Outflows for the acquisition of financial assets – company foundation SZ-EP Logistika, d. o. o.	6.6.1.16	-7,500	0
Outflows for the acquisition of financial assets		-249,994,070	-264,284,181
c. Net cash flows from investing activities (a + b)		52,119,383	40,899,928
C. CASH FLOWS FROM FINANCING ACTIVITIES			
a. Inflows from financing activities		725,953,000	598,053,000
Inflows from the increase in financial liabilities	6.6.1.18	725,953,000	598,053,000
b. Disbursements from financing activities		-709,035,196	-607,708,871
Outflows for interest paid on leases		-9,076	-11,351
Outflows for other interest paid		-5,861,582	-2,322,998
Outflows for the repayment of financial liabilities	6.6.1.18	-703,109,003	-605,307,053
Outflows for the repayment of lease liabilities	6.6.1.19	-55,535	-67,469
c. Net cash flows from financing activities (a + b)		16,917,804	-9,655,871
D. CLOSING BALANCE OF CASH AND CASH EQUIVALENTS	6.6.1.15	66,982,573	17,910,851
x. Net cash flow for the period (sum of Ac, Bc and Cc)		49,071,712	14,956,900
+/- Calculated exchange rate differences from foreign currency assets		10	2
y. Opening balance of cash and cash equivalents	6.6.1.15	17,910,851	2,953,949

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 2021

in EUR	Share capital	Share premium account	Legal reserves	Revenue reserves	Fair value reserves	Retained earnings		Total
						Retained earnings from previous years	Undistributed retained earnings from the financial year	
Opening 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
Changes in total comprehensive income for the reporting period	0	0	0	0	-80,032	-2,009	1,431,330	1,349,289
• Entry of net profit or loss for the reporting period							1,431,330	1,431,330
• Actuarial gains/losses					-80,032	-2,009		-82,041
Changes in equity	0	0	71,566	679,882	0	0	-751,448	0
• Allocation of a portion of net profit from the reporting period to other components of equity pursuant to resolution of management and supervisory bodies			71,566	679,882			-751,448	0
Closing balance for the reporting period	359,529,921	45,002,140	3,849,575	47,128,047	-615,759	7,208,227	679,882	462,782,033

in the period 1 January to 31 December 2020

in EUR	Share capital	Share premium account	Legal reserves	Revenue reserves	Fair value reserves	Retained earnings		Total
						Retained earnings from previous years	Undistributed retained earnings from the financial year	
Opening 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
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 or loss for the 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 a portion of net profit from the reporting period to other components of equity pursuant to resolution of management and supervisory bodies						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

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 2021	31 December 2020
Mandatory use of net profit		
Net profit (loss)	1,431,330	-14,213,356
Coverage of net loss brought forward	0	14,213,356
Creation of legal reserves	-71,566	0
Net profit or loss following mandatory use	1,359,764	0
Creation of other profit reserves	-679,882	0
Determination of distributable profit		
Net profit	679,882	0
Net profit or loss brought forward	7,208,227	7,210,236
Distributable profit	7,888,109	7,210,236

Pursuant to the resolution of the Management Board of Slovenske železnice, d. o. o., dated 1 April 2022, a portion of the company's net profit for 2021 in the amount of EUR 71,566.53 was used for the creation of legal reserves, while a portion in the amount of EUR 679,882.01 was used for the creation of other revenue

reserves. A portion of net profit in the amount of EUR 679,882.01 remains undistributed. The Management Board of Slovenske železnice d. o. o., proposed that distributable profit in the amount of EUR 7,888,108.49 as at 31 December 2021 remain undistributed.

6.6 Notes to the financial statements

6.6.1 Notes to the statement of financial position

6.6.1.1 Intangible assets

in EUR	31 December 2021	31 December 2020
Long-term property rights	19,449,767	18,222,356
Total	19,449,767	18,222,356

Intangible assets comprise licences and software.

Changes to 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 2020	14,541,036	46,114	129,683	14,716,833
Acquisitions	1,519,198	556,008	0	2,075,206
Write-downs	-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
Balance as at 1 January 2021	21,095,982	1,807,361	129,683	23,033,025
Acquisitions	999,840	1,827,729	0	2,827,569
Write-downs	-427,447	0	0	-427,447
Balance as at 31 December 2021	21,668,375	3,635,090	129,683	25,433,147
Value adjustment				
Balance as at 1 January 2020	4,662,636	0	129,683	4,792,319
Write-downs	-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
Balance as at 1 January 2021	4,680,987	0	129,683	4,810,670
Write-downs	-427,447	0	0	-427,447
Amortisation	1,600,157	0	0	1,600,157
Balance as at 31 December 2021	5,853,697	0	129,683	5,983,380
Carrying amount				
Carrying amount as at 1 January 2020	9,878,400	46,114	0	9,924,514
Carrying amount as at 31 December 2020	16,414,995	1,807,361	0	18,222,356
Carrying amount as at 1 January 2021	16,414,995	1,807,361	0	18,222,356
Carrying amount as at 31 December 2021	15,814,677	3,635,090	0	19,449,767

Slovenske železnice, d. o. o., had commitments for the purchase of intangible assets in the amount of EUR 559,422 as at 31 December 2021 (EUR 196,143 as at 31 December 2020). Slovenske železnice, d. o. o., has not pledged intangible assets as collateral.

A total of 16.0% of all intangible assets in use as at 31 December 2021 have been amortised

in full (that proportion stood at 15.6% as at 31 December 2020). That proportion is calculated taking into account the historical cost of intangible assets.

A major increase in 2021 comprises investments in the TIS program - business information system for transport and logistics in the amount of EUR 901,844, and BIS digitisation program in the amount of EUR 362,255.

6.6.1.2 Right-of-use assets in connection with leases

in EUR	31 December 2021	31 December 2020
Right-of-use assets – buildings	327,040	396,591
Right-of-use assets – equipment	770	9,309
Total	327,810	405,900

Changes in right-of-use assets

in EUR	Buildings	Plant and equipment	Total
Historical cost			
Balance as at 1 January 2020	495,892	58,338	554,230
Increases	41,977	0	41,977
Decreases	-49,289	-3,585	-52,874
Balance as at 31 December 2020	488,580	54,753	543,333
Balance as at 1 January 2021	488,580	54,753	543,333
Increases	21,467	0	21,467
Decreases	-42,279	0	-42,279
Balance as at 31 December 2021	467,767	54,753	522,520
Value adjustment			
Balance as at 1 January 2020	49,322	24,070	73,392
Decreases	-8,096	0	-8,096
Depreciation	50,763	21,374	72,136
Balance as at 31 December 2020	91,989	45,443	137,432
Balance as at 1 January 2021	91,989	45,443	137,432
Decreases	-880	0	-880
Depreciation	49,619	8,540	58,158
Balance as at 31 December 2021	140,727	53,983	194,710
Carrying amount			
Balance as at 1 January 2020	446,570	34,268	480,838
Balance as at 31 December 2020	396,591	9,310	405,900
Balance as at 1 January 2021	396,591	9,310	405,900
Balance as at 31 December 2021	327,040	770	327,810

The company had liabilities from right-of-use assets in connection with leases in the amount of EUR 339,588 as at 31 December 2021 (EUR 415,068 as at 31 December 2020).

6.6.1.3 Property, plant and equipment

in EUR	31 December 2021	31 December 2020
Land	4,201,105	4,318,915
Buildings	5,992,791	6,365,219
Equipment	2,335,521	2,304,126
Property, plant and equipment in acquisition	933,899	645,144
Total	13,463,316	13,633,404

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
Historical cost					
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
Balance as at 1 January 2021	4,318,915	18,465,968	10,513,025	645,143	33,943,051
Acquisitions	0	11,479	696,176	294,005	1,001,660
Disposals	-117,810	-188,780	-2,818,807	0	-3,125,397
Write-downs	0	0	0	-5,250	-5,250
Balance as at 31 December 2021	4,201,105	18,288,667	8,390,395	933,898	31,814,065
Value adjustment					
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
Balance as at 1 January 2021	0	12,100,750	8,208,898	0	20,309,648
Decreases	0	-78,051	-2,778,521	0	-2,856,572
Depreciation	0	273,178	624,495	0	897,673
Balance as at 31 December 2021	0	12,295,877	6,054,872	0	18,350,749
Carrying amount					
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
Balance as at 1 January 2021	4,318,915	6,365,219	2,304,127	645,143	13,633,404
Balance as at 31 December 2021	4,201,105	5,992,791	2,335,522	933,898	13,463,316

The company's moveable property and real estate were not pledged as guarantees for long-term loans as at 31 December 2021, nor at 31 December 2020.

The company had commitments for the purchase of property, plant and equipment in the amount of EUR 344,201 as at 31 December 2021 (EUR 548,861 as at 31 December 2020).

A total of 33.1% of all items of property, plant and equipment in use as at 31 December 2021 have been depreciated in full (that proportion stood at 38.1% as at 31 December 2020). 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 2021	31 December 2020
Investment property	43,385,180	44,929,798
Total	43,385,180	44,929,798

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 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
Balance as at 1 January 2021	36,489,923	17,275,973	53,765,896
Acquisitions	18,564	48,192	66,756
Disposals	-1,350,336	0	-1,350,336
Balance as at 31 December 2021	35,158,152	17,324,165	52,482,317
Value adjustment			
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
Balance as at 1 January 2021	0	8,836,099	8,836,099
Depreciation	0	261,039	261,039
Balance as at 31 December 2021	0	9,097,137	9,097,137
Carrying amount			
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
Balance as at 1 January 2021	36,489,923	8,439,875	44,929,798
Balance as at 31 December 2021	35,158,152	8,227,028	43,385,180

The company has not pledged investment property as collateral.

Slovenske železnice, d. o. o., generated rental income of EUR 1,707,308 in 2021 (EUR 1,971,418 in 2020).

A total of 22.3% of all investment property in use as at 31 December 2021 has been depreciated in full (19.6% as at 31 December 2020). That proportion is calculated taking into account the historical cost of investment property.

6.6.1.5 Non-current financial assets

in EUR	31 December 2021	31 December 2020
Investments in subsidiaries	433,392,416	426,810,333
Investments in associates	3,079,623	3,079,623
Other financial assets	2,140,782	2,090,491
Total	438,612,821	431,980,447

The company had no non-current financial assets pledged as guarantees for long-term loans as at 31 December 2021, nor at 31 December 2020.

The fair value of investment property was determined with the help of certified real estate valuers and amounted to EUR 89,189,941 as at 31 December 2021 (EUR 91,599,686 as at 31 December 2020). Decrease in fair value of investment property in 2021 relates to the sale of this property.

Changes to non-current financial investments

in EUR	Investments in subsidiaries	Investments in associates	Other financial assets
Historical cost			
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
Balance as at 1 January 2021	427,010,279	5,609,252	2,109,969
Elimination of investments in Tovorni promet, d. o. o. and Fersped, d. o. o.	-70,755,487	0	0
Foundation of SŽ EP, d. o. o.	7,500	0	0
Non-cash contribution in SŽ EP Logistika, d. o. o.	77,130,124	0	0
Valuation of investment in EUROFIMA	0	0	50,291
Balance as at 31 December 2021	433,392,416	5,609,252	2,160,260
Value adjustment			
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
Balance as at 1 January 2021	199,946	2,529,629	19,478
Elimination of investment in Fersped, d. o. o.	-199,946	0	0
Balance as at 31 December 2021	0	2,529,629	19,478
Carrying amount			
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
Balance as at 1 January 2021	426,810,333	3,079,623	2,090,491
Balance as at 31 December 2021	433,392,416	3,079,623	2,140,782

Participating interests in subsidiaries

in EUR	Participating interest* 31 December 2021	Share capital* 31 December 2021	Total equity 31 December 2021	Carrying amount of participating interest		Profit or loss for the year	
				31 December 2021	31 December 2020	2021	2020
SŽ-Tovorni promet, d. o. o.		0	0	0	61,615,541	0	3,269,494
SŽ EP, d. o. o.	100%	5,100,000	77,137,570	77,137,624	0	-54	0
SŽ-Potniški promet, d. o. o.	100%	285,939,661	331,242,584	288,087,658	288,087,658	12,132,095	13,018,458
SŽ-Infrastruktura, d. o. o.	100%	15,828,186	28,106,668	17,411,005	17,411,005	6,733,039	2,891,499
SŽ-Vleka in tehnika, d. o. o.	100%	26,068,145	34,509,049	41,718,205	41,718,205	2,936,457	0
Prometni institut Ljubljana, d. o. o.	100%	162,328	712,624	338,846	338,846	113,253	73,802
SŽ-ŽIP, storitve, d. o. o.	100%	6,072,597	6,579,434	4,782,426	4,782,426	-7,522	-2,069
Fersped, d. o. o.		0	0	0	8,940,000	0	1,403,727
SŽ-ŽGP Ljubljana, d. d.	79.82%	3,152,412	27,448,293	3,388,034	3,388,034	3,566,638	5,576,200
SŽ-Železniška tiskarna Ljubljana, d. d.	64.28%	265,160	618,244	528,618	528,618	-105,820	-116,479
Total			506,354,466	433,392,416	426,810,333	25,368,086	26,114,632

On 4 October 2021, Slovenske železnice, d. o. o., paid in the founding capital of SŽ EP Logistika, d. o. o. (EUR 7,500), which was entered in the Court Register on 5 October 2021.

In December 2021, the share capital of SŽ EP Logistika, d. o. o., increased by EUR 5,092,500 on the basis of a non-cash contribution by Slovenske železnice, d. o. o. (entered in the Court Register on 21 December 2021). The equity stakes of Slovenske železnice, d. o. o., in SŽ-Tovorni promet, d. o. o. (100% equity stake in the amount of EUR 62,281,124.00) and in Fersped, d. o. o. (100% equity stake in the amount of EUR 14,849,000.00) in the total value of EUR 77,130,124.00 were provided as a non-cash contribution. The difference between the selling value of the equity stakes (EUR 77,130,124) and the corresponding equity interest in SŽ EP Logistika, d. o. o. (EUR 5,092,500) equalling EUR 72,037,624.00 is disclosed under the share premium account of SŽ EP Logistika, d. o. o.

The difference between the stated increase in the investment in SŽ EP Logistika, d. o. o. (EUR 77,130,124) and the carrying amount of the non-cash contribution (equity stakes in SŽ-Tovorni promet, d. o. o., and Fersped, d. o. o.) in the amount of EUR 70,555,541 was disclosed under finance income in the amount of EUR 6,574,583 (note 6.6.2.7).

Information regarding associates as at 31 December 2021

Business name of associate	Business address of associate	Activity	Ownership as at 31 December 2021	Ownership as at 31 December 2020
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 2021	31 December 2020	2021	2020
Terme Olimia, d. d.	42,928,766	38,886,489	3,890,599	1,242,422
Adria Kombi, d. o. o., Ljubljana	12,620,474	12,035,144	1,802,421	1,237,732
Total investments in associates	55,549,240	50,921,633	5,693,020	2,480,154

Balance of investments in associates

in EUR	31 December 2021	31 December 2020
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 31 December 2021	Value of investment	
		31 December 2021	31 December 2020
• EUROFIMA	0.42%	2,084,000	2,033,709
• HIT RAIL		54,439	54,439
• Other shares and participating interests		2,343	2,343
Total		2,140,782	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 2021 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. The value of the investment rose by EUR 50,291 based on the valuation. 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 2021	31 December 2020
Non-current financial receivables from Group companies	68,802,070	78,343,743
Other non-current financial receivables	2,401,003	2,401,003
Total	71,203,073	80,744,746

The majority of non-current financial receivables from Group companies relate to receivables of Slovenske železnice, d. o. o., from the subsidiary SŽ-Tovorni promet, d. o. o., in the amount of EUR 66,468,750 (EUR 73,677,083 as at 31 December 2020) as the result of non-current liabilities to banks, for which Slovenske železnice, d. o. o., discloses non-current financial receivables

from the aforementioned subsidiary. Bank loans in the amount of EUR 66,468,750 relate to financing the purchase of rolling stock (note 6.6.1.18).

Thus, other non-current financial receivables only comprise a non-current financial receivable from SŽ-Železniški zdravstveni dom Ljubljana in the amount of EUR 2,401,003 (the same as in 2020).

Changes in non-current financial receivables

in EUR	2021	2020
Balance as at 1 January	80,744,746	130,440,958
• increases	0	0
• transfer to current portion	-9,541,673	-50,284,344
• write-offs by resolution	0	-2,280
• reversal of discount	0	590,412
Balance as at 31 December	71,203,073	80,744,746

6.6.1.7 Non-current operating receivables

in EUR	31 December 2021	31 December 2020
Non-current operating receivables from Group companies	222,250	234,957
Credits for the purchase of property	3,251,569	3,424,512
Total	3,473,819	3,659,469

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 2021	31 December 2020
Deferred tax assets	325,478	337,291

in EUR	Provisions	Adjustments to the value of receivables	Total
Balance as at 1 January 2020	332,905	0	332,905
Debited/credited to profit or loss	-44,625	49,011	4,387
Balance as at 31 December 2020	288,280	49,011	337,291
Balance as at 1 January 2021	288,280	49,011	337,291
Credited/debited to operating results	21,349	33,162	-11,813
Balance as at 31 December 2021	309,629	15,849	325,478

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 2021. 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 16,826,318 (EUR 15,859,643 in 2020) and together with tax allowances for investments represents the unrecognised basis for deferred tax assets in the amount of EUR 19,213,858 (EUR 16,882,827 in 2020).

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 2020	1,517,265	257,953	1,775,218
Balance as at 31 December 2021	1,629,627	83,417	1,713,044

6.6.1.9 Other non-current assets

in EUR	31 December 2021	31 December 2020
Other non-current assets	732,904	384,231
Total	732,904	384,231

6.6.1.10 Assets held for sale

in EUR	31 December 2021	31 December 2020
Available-for-sale fixed assets	51,947	30,025
Total	51,947	30,025

6.6.1.11 Current financial receivables

in EUR	31 December 2021	31 December 2020
Financial receivables from subsidiaries	31,084,673	27,673,673
Current financial receivables – sale of receivable	0	40,742,670
Financial receivables from others	37	0
Total	31,084,710	68,416,343

Changes in current financial receivables

in EUR	2021	2020
Balance as at 1 January	68,416,343	55,712,615
• Loans granted	249,994,071	264,284,181
• Transfer from non-current financial receivables	9,541,673	50,284,343
• Loan repayments received	-296,867,377	-300,315,415
• Change in fair value of derivatives	0	-1,775,857
• Exchange rate differences	0	226,476
Balance as at 31 December	31,084,710	68,416,343

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 21,543,000 (EUR 18,132,000 as at 31 December 2020). The company discloses an additional EUR 7,208,333 (EUR 7,208,333 in 2020) 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 2,333,340 in 2020) 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.

Current financial receivables arising from the sale of receivables from 2018 were fully repaid in 2021 (note 2.3.1.11).

Interest is charged between Slovenske železnice Group companies at the tax-deductible interest rate applicable for related parties.

6.6.1.12 Trade receivables

in EUR	31 December 2021	31 December 2020
Current receivables from Group companies	10,341,410	3,599,183
Current trade receivables from domestic customers	359,597	145,634
Current trade receivables from foreign customers	8,619	10,600
Total	10,709,626	3,755,417

The balance of receivables from Group companies as at 31 December 2021 was higher than at the end of 2020 mainly due to receivables owed by SŽ-Potniški promet, d. o. o., arising from the additional benefit in the purchase of new rolling stock based on the agreement on the transfer of the benefits of negotiations (note 6.6.1.13).

in EUR	Gross value as at 31 December 2021	Value adjustment as at 31 December 2021	Net value as at 31 December 2021	Net value as at 31 December 2020
Current receivables from Group companies	10,341,410	0	10,341,410	3,599,183
Current trade receivables from domestic customers	416,056	56,458	359,598	145,634
Current trade receivables from foreign customers	8,635	17	8,618	10,600
Total	10,766,101	56,475	10,709,626	3,755,417

Net adjustments to the value of current trade receivables were created as follows:

in EUR	2021	2020
Balance as at 1 January	56,972	83,755
• Reduction for written-off receivables	-2,006	-32,858
• Reversal of value adjustments	-5,760	0
• Creation of value adjustments	7,269	6,075
Balance as at 31 December	56,475	56,972

Maturity breakdown of receivables:

in EUR	31 December 2021	31 December 2020
Non-past-due receivables	10,421,581	3,587,010
Past-due receivables	344,520	225,379
• up to 30 days	244,360	83,020
• from 31 to 90 days	46,597	88,863
• from 91 to 365 days	5,218	14,830
• more than 365 days	48,345	38,666
Total	10,766,101	3,812,389

6.6.1.13 Other current operating receivables

in EUR	31 December 2021	31 December 2020
Receivables from government and other institutions	296,630	182,330
Receivables from employees	145,526	362,597
Other receivables associated with finance income	23,120	7
Current operating receivables based on advances	1,010	104
Other current operating receivables	11,392	98,329
Receivables based on the agreement on the transfer of the benefits of negotiations in connection with the purchase of new rolling stock	23,769,200	29,996,400
Deferred costs	625,193	292,761
Accrued revenues	7,316	40,599
Securities and other current deferred costs and accrued income	0	454
Total	24,879,387	30,973,581

Receivables in the amount of EUR 23,769,200 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 were, 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 decrease in the stated receivables of Slovenske železnice, d. o. o., from the supplier of

rolling stock in 2021 arises from the first part of the implementation of Annex no. 1 to the Agreement dated 9 January 2018 on the supply of an item of rolling stock in the amount of EUR 6,227,200, which SŽ, d. o. o., transferred to SŽ-Potniški promet, d. o. o. (note 6.6.1.12).

Write-offs and impairments of current operating receivables in 2021 are disclosed in operating expenses in the amount of EUR 114,734 (EUR 16.072 in 2020). Impairments mostly relate to current receivables from employees arising from accrued bonuses in the amount of EUR 101,667 (2020: EUR 0).

6.6.1.14 Receivables for corporate income tax

in EUR	31 December 2021	31 December 2020
Receivables for corporate income tax	0	1,235,069

6.6.1.15 Cash and cash equivalents

in EUR	31 December 2021	31 December 2020
Cash on hand	500	126
Cash on bank accounts	66,982,073	17,910,725
Total	66,982,573	17,910,851

6.6.1.16 Equity

in EUR	31 December 2021	31 December 2020
Called-up capital	359,529,921	359,529,921
Share premium account	45,002,140	45,002,140
Legal reserves	3,849,575	3,778,009
Revenue reserves	47,128,047	46,448,165
Fair value reserves	-615,759	-535,726
Net profit or loss brought forward	7,208,227	7,210,236
Undistributed net profit or loss for the financial year	679,882	0
Total	462,782,033	461,432,745

Changes in equity	in EUR
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
Balance as at 1 January 2021	461,432,745
• Net profit or loss for the financial year	1,431,330
• Actuarial gains and losses	-82,042
Balance as at 31 December 2021	462,782,033

6.6.1.17 Provisions and non-current deferred income

in EUR	31 December 2021	31 December 2020
• Provisions for jubilee benefits and termination benefits	2,310,914	2,079,030
• Non-current deferred income	1,639	2,257
Total	2,312,553	2,081,287

A total of eight legal proceedings in the total amount of EUR 463,019 (labour, civil and commercial disputes) were in progress against Slovenske železnice, d. o. o., during 2021. One dispute was concluded in 2021, provisions were recognised at the subsidiary SŽ-Potniški promet, d. o. o., for two disputes in accordance with the demerger plan from 2011 and at the subsidiary SŽ-Infrastruktura, d. o. o., for one dispute.

In accordance with assessments of the possible outcomes of the other four disputes, drawn up on the bases of reports prepared by law firms, it was assessed that there is more than a 50% probability that the claim will be rejected, thus provisions were not recognised.

Changes in provisions for jubilee benefits and termination benefits

in EUR	Termination benefits	Jubilee benefits	Total
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
Balance as at 1 January 2021	1,890,593	188,437	2,079,030
Used	-7,159	-27,061	-34,220
Current employment costs	118,363	48,584	166,947
Interest (expenses)	15,662	1,452	17,114
Reversal of provisions – closure, rights, etc. (revenues)	0	0	0
Actuarial gains/losses	82,042	0	82,042
Balance as at 31 December 2021	2,099,502	211,412	2,310,914

The following material assumptions were taken into account in the calculation of provisions for termination benefits at retirement and jubilee benefits:

	2021	2020
Average monthly gross wage in Slovenia	EUR 1,990	EUR 1,850
Discount rate	0.834%	1.25%
Overall wage growth	1.0%	1.50%
Retirement conditions (age)		
• men (transitional period)	60	60
• women (transitional period)	60	60
• men	65	60
• women	65	60

6.6.1.18 Financial liabilities

in EUR	31 December 2021	31 December 2020
Non-current financial liabilities to domestic banks	78,385,417	95,677,083
Non-current financial liabilities to foreign banks	4,333,333	8,000,000
Total non-current financial liabilities	82,718,750	103,677,083
Current financial liabilities to Group companies	147,930,892	62,141,084
Current financial liabilities to Group companies from the sale of receivables	0	40,742,670
Current financial liabilities to domestic banks	17,291,667	18,208,333
Current financial liabilities to foreign banks	3,666,666	4,000,000
Other current financial liabilities to domestic entities	24,292	29,341
Total current financial liabilities	168,913,517	125,121,428
Total	251,632,267	228,798,511

Changes in financial liabilities

in EUR	2021	2020
Non-current financial liabilities to Group companies		
Balance as at 1 January	0	40,152,258
• reversal of discount	0	590,412
• transfer to current portion	0	-40,742,670
Balance as at 31 December	0	0
Non-current financial liabilities to banks and others		
Balance as at 1 January	103,677,083	95,885,417
• loans received	0	30,000,000
• transfer to current portion	-20,958,333	-22,208,334
Balance as at 31 December	82,718,750	103,677,083
Total non-current financial liabilities	82,718,750	103,677,083
Current financial liabilities to Group companies		
Balance as at 1 January	102,883,754	64,709,454
• transfer to current portion	0	40,742,670
• payment of interest	-364,768	-345,690
• repayment of the loan	-428,900,670	-279,621,000
• loan received	473,953,000	277,053,000
• calculation of interest	359,577	345,320
Balance as at 31 December	147,930,893	102,883,754
Current financial liabilities to banks and others		
Balance as at 1 January	22,237,674	34,473,827
• transfer to current portion	20,958,333	22,208,334
• payment of interest	-1,508,100	-1,996,583
• repayment of the loan	-274,208,333	-325,686,053
• calculation of interest	1,503,051	2,011,674
• drawing of the loan (loan received)	252,000,000	291,000,000
• exchange rate differences	0	226,476
Balance as at 31 December	20,982,625	22,237,674
Total current financial liabilities	168,913,518	125,121,428
Total	251,632,268	228,798,511

Non-current financial liabilities

in EUR	Date of agreement or annex	Date of maturity	Balance as at 31 December 2021	Collateral
• Financing of rolling stock purchases (SŽ-Tovorni promet)	5 April 2018	6 December 2024	4,968,750	Pledge of vehicles owned by SŽ-TP, d. o. o., bills of exchange
• Financing of measures to optimise business processes	23 December 2019	31 December 2023	16,250,000	Bills of exchange
• Refinancing of liabilities to EUROFIMA – purchase of 20 locomotives	5 September 2019	5 September 2029	61,500,000	Pledge of vehicles owned by SŽ-TP, d. o. o., bills of exchange
Total			82,718,750	

Slovenske železnice, d. o. o., discloses current and non-current liabilities to creditors (banks) and at the same time current and non-current receivables from the subsidiary SŽ-Tovorni promet, d. o. o., for the loan intended to finance the purchase of rolling stock and refinance the loan of EUROFIMA (EUR 66,468,750) (notes 6.6.1.11 and 6.6.1.6).

Current financial liabilities to Group companies comprise liabilities to Group companies under the cash-pooling agreement in the amount of EUR 147,901,000 as at 31 December 2021 (EUR 62,106,000 at the end of 2020). At the

beginning of January 2022, the parent company Slovenske železnice, d. o. o., converted its current liability to SŽ-Tovorni promet, d. o. o., under the cash-pooling agreement in the amount of EUR 40 million into a long-term loan.

Current financial liabilities to Group companies arising from the sale of receivable (EUR 40,742,670 as at 31 December 2020) were paid in full by banks in 2021 (note 2.3.1.11). At the same time, Slovenske železnice, d. o. o., settled its obligation to SŽ-Potniški promet, d. o. o.

6.6.1.19 Lease liabilities

in EUR	31 December 2021	31 December 2020
Non-current lease liabilities	283,187	348,808
• Of which within the Group	102,344	118,510
Current lease liabilities	56,401	66,261
• Of which within the Group	23,090	25,434
Total	339,588	415,069

Changes in lease liabilities

in EUR	2021	2020
Balance as at 1 January	415,068	486,614
increases	21,467	41,976
decreases	-41,412	-45,582
lease concession	0	-471
payments	-64,611	-78,820
interest	9,076	11,351
Balance as at 31 December	339,588	415,068

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	2021	2020
Balance as at 1 January	229,213,579	235,707,570
Inflows from loans raised	725,953,000	598,053,000
Outflows from loans raised	-703,109,003	-605,307,053
Outflows for the repayment of lease liabilities	-55,535	-67,469
Liabilities to SŽ-Potniški promet, d. o. o. – sale of receivables to SID banka	0	590,411
Changes in lease liabilities	-19,945	-4,076
Changes in liabilities for interest	-10,241	14,720
Exchange rate differences	0	226,476
Balance as at 31 December	251,971,855	229,213,579

6.6.1.20 Operating liabilities

in EUR	31 December 2021	31 December 2020
Non-current liabilities	1,472,284	2,685,561
Liabilities to Group companies	1,472,284	2,684,150
Other operating liabilities	0	1,411
Current liabilities	2,645,505	4,986,948
Liabilities for advances received	225,943	68,599
Liabilities to employees	1,201,629	3,194,773
Liabilities to the state and government institutions	328,108	654,268
Liabilities to others	330,846	350,308
Deferred revenues	144,289	6,268
Accrued costs and expenses	414,690	712,732
Total	4,117,789	7,672,509

Liabilities to employees as at 31 December 2021 decreased compared to the end of December 2020, mainly due to severance pay accounted for under the redundancy programme in December 2020 and paid in January 2021.

Non-current operating liabilities

Non-current liabilities to Group companies in the amount of EUR 1,458,059 (EUR 2,665,563 in 2020) 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 1,288,852 (EUR 2,356,239 as at 31 December 2020) and to SŽ-Potniški promet, d. o. o., in the amount of EUR 169,207 (EUR 309,324 as at 31 December 2020). 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 2021 by accrued interest in the amount of EUR 16,828 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 1,224,332, which falls due for payment in 2022.

Current operating liabilities

Accrued costs and expenses primarily comprise the accrued costs of unused annual leave in the amount of EUR 389,664 (EUR 394,103 as at 31 December 2020).

6.6.1.21 Trade payables

in EUR	31 December 2021	31 December 2020
Liabilities to Group companies	2,123,327	14,818,098
Domestic trade payables	1,238,217	1,278,183
Foreign trade payables	136,637	122,525
Total	3,498,181	16,218,806

The significantly lower balance of liabilities to Group companies as at 31 December 2021 compared to the end of 2020 was the result of

liabilities to two Group companies arising from covering of loss in accordance with Article 542 of the ZGD-1 (as at 31 December 2020).

in EUR	31 December 2021	31 December 2020
Non-past-due liabilities	3,421,246	16,106,164
Past-due liabilities	76,935	112,642
• up to 30 days	73,654	105,818
• from 31 to 90 days	0	619
• 91 to 365 days	884	6,205
• more than 365 days	2,397	0
Total	3,498,181	16,218,806

Contingent receivables and contingent liabilities

in EUR	31 December 2021	31 December 2020
Mortgages and liens received	3,166,559	3,424,512
Bank guarantees received	585,040	484,474
Merchandise on consignment	205	205
Total contingent receivables	3,751,804	3,909,191
Liabilities for merchandise on consignment	205	205
Contingent liabilities for lawsuits	345,918	406,246
Bank guarantees issued	739,418	0
Total contingent liabilities	1,085,541	406,451

6.6.2 Notes to the statement of profit or loss

6.6.2.1 Sales revenues

in EUR	2021	2020
Revenues on the domestic market	21,100,505	21,263,729
Services and products	21,100,505	21,263,729
• services and products in connection with Group companies	19,685,242	19,604,170
• services and products in connection with others	1,415,263	1,659,559
Revenues on the foreign market	79,612	90,706
Services and products	79,612	90,706
• services and products in connection with Group companies	79,363	90,330
• services and products in connection with others	249	376
Total	21,180,117	21,354,435

Sales revenue primarily comprises revenues from transactions with Group companies. A total of 82% 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 16,219,356 (EUR 15,888,665 in 2020).

6.6.2.2 Other operating revenues

in EUR	2021	2020
Gains on the sale of property, plant and equipment	1,674,622	1,408,677
Reimbursement of the costs of termination benefits for rehired employees under agreements on the reassignment of workers within the Slovenske železnice Group	81,659	1,049,174
Revenues from assigned contributions for the employment of disabled persons	37,491	39,301
Revenue from state aid – COVID-19 (under the Act Determining the Intervention Measures to Contain the Covid-19 Epidemic and Mitigate its Consequences for Citizens and the Economy – ZIUZEOP)	28,656	1,759,564
Acquisition of property on the basis of a judicial decision	11,479	25,181
Compensation	2,748	3,110
Revenues from the reversal of provisions and accrued costs	5,097	487,574
Other revenues	25,647	4,936
Total	1,867,399	4,777,517

6.6.2.3 Costs of goods, materials and services

in EUR	2021	2020
Historical cost of goods and materials sold and costs of materials used	106,139	104,734
Energy costs	174,186	160,980
Other material costs	298,618	748,069
Total cost of goods and materials sold and cost of materials used	578,943	1,013,783
Transport services	163,771	165,899
Maintenance services	2,211,483	1,853,304
Reimbursement of employee expenses	362,597	350,868
Payment transaction and banking services	148,332	117,885
Intellectual and personal services	1,173,007	1,300,504
Insurance premiums	231,996	137,205
Advertising, publicity and representation	1,079,224	1,021,803
Costs of other services	2,183,188	1,785,793
• membership fees for international organisations and other associations	292,460	331,880
• municipal services	231,434	185,606
• services associated with contracted work	366,249	237,596
• property surveillance services	183,719	161,970
• cleaning of premises and outside areas	198,698	146,748
• costs of providing ancillary administrative and technical services (SŽ-ŽIP, d. o. o.)	84,584	48,539
• rental costs	75,346	41,756
• of which: low-value leases	16,326	12,501
• short-term leases	58,048	0
• costs of labour of officials on the works councils of companies linked through capital investments	103,212	69,839
• other	647,486	561,859
Total costs of services	7,553,598	6,733,261
Total	8,132,541	7,747,044

Costs of auditor

in EUR	2021	2020
Auditing of financial statements	19,100	18,100
• for the company	16,100	15,100
• for consolidation	3,000	3,000
Other assurance services	1,500	500
Total	20,600	18,600

6.6.2.4 Labour costs

in EUR	2021	2020
Costs of wages and salaries	11,614,844	11,924,234
Pension insurance costs	1,184,168	1,360,044
Other social security costs	853,118	995,379
Other labour costs:	1,861,181	4,438,855
• reimbursements	828,261	717,740
• annual leave allowance	776,093	588,752
• termination benefits	70,899	2,933,676
• provisions for jubilee benefits and termination benefits (actuarial calculation)	166,947	109,991
• crisis bonus (COVID-19 measure)	0	76,174
• other labour costs	18,981	12,522
Total	15,513,311	18,718,512

6.6.2.5 Write-downs

in EUR	2021	2020
Amortisation of intangible assets and depreciation of property, plant and equipment	2,758,869	1,870,848
Depreciation of right-of-use assets	58,158	72,136
Operating expenses for intangible assets and property, plant and equipment	98,552	123,028
Operating expenses for working capital	114,734	16,072
Total	3,030,313	2,082,084

6.6.2.6 Other operating expenses

in EUR	2021	2020
Coverage of the annual losses of SŽ-VIT, d. o. o., and SŽ-ŽIP, d. o. o., for 2020 (Article 542 of the ZGD)	0	13,111,287
Reimbursement of SŽ-Tovorni promet, d. o. o., Fersped, d. o. o., and VV LOG, d. o. o., for costs arising from performance-related pay in 2021 – according to the resolution of the management of Slovenske železnice, d. o. o.	863,007	0
Donations (for sporting, cultural and humanitarian activities)	240,720	220,089
Fees for the use of building land, and other taxes and levies	155,908	93,236
Scholarships and awards for pupils and students on compulsory job training	17,166	15,397
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	91,380	90,171
Other expenses	86,377	178,670
Total	1,454,558	13,708,850

6.6.2.7 Finance income

in EUR	2021	2020
Finance income from participating interests in Group companies	0	1,597,937
Finance income from participating interests in associates	414,756	472,080
Finance income from participating interests in other companies	77,531	42,255
Finance income from other investments	6,574,583	0
Total finance income from participating interests	7,066,870	2,112,272
Finance income from loans to Group companies	5,292,379	2,201,408
Finance income from loans to others	72,929	1,793,080
Total finance income from loans granted	5,365,308	3,994,488
Finance income from other operating receivables	2,363	612,274
Total finance income from operating receivables	2,363	612,274
Total	12,434,541	6,719,034

Finance income from participating interests comprises:

- income from participation in the profit of subsidiaries, associates and other companies in the amount of EUR 441,996 (EUR 2,112,272 in 2020); and
- income from the increase in the investment in EUROFIMA based on valuation in the amount of EUR 50,291 (EUR 0 in 2020);
- income comprising the difference between the non-cash contribution and the carrying amount of equity stakes of Slovenske železnice, d. o. o. in SŽ-Tovorni promet, d. o. o., and Fersped, d. o. o., for the purpose of increasing the capital of SŽ-EP Logistika, d. o. o., in the amount of EUR 6,574,583 (note 6.6.1.5).

Finance income from loans granted primarily comprises income from relationships within the Group and relates to the following in terms of content:

- interest on loans charged to Group companies in the amount of EUR 1,204,445 (EUR 1,788,709 in 2020); and

- charged discount of SŽ-Potniški promet, d. o. o., upon payment of the last six instalments under the agreement on the assignment of claims for consideration in the amount of EUR 4,002,370 (EUR 0 in 2020) (notes 2.3.1.11, 6.6.1.11 and 6.6.2.8);
- fees charged for the reservation of funds for SŽ-Potniški promet, d. o. o., on the basis of the agreement on the assignment of claims in the amount of EUR 50,564 (EUR 165,687 in 2020).

The majority of finance income from loans to others relates to interest on loans for the purchase of apartments. In 2020, finance income from loans also includes exchange rate differences arising on repayment of a foreign-currency loan in the amount of EUR 1,729,126.

6.6.2.8 Finance costs

in EUR	2021	2020
Finance costs from loans from Group companies	362,978	939,773
Finance costs from bank loans	1,489,395	1,561,961
Finance costs from leases	5,674	7,309
Finance costs from other financial liabilities	4,019,484	2,233,598
Total finance costs from financial liabilities	5,877,531	4,742,641
Finance costs from operating liabilities to Group companies	16,828	34,249
Finance costs from trade payables and liabilities from bills of exchange	898	1,237
Finance costs from other operating liabilities	12,933	34,111
Total finance costs from operating liabilities	30,659	69,597
Total	5,908,190	4,812,238

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 359,577 (EUR 935,732 in 2020); and
- expenses vis-a-vis banks and others, which in terms of content comprise:
 - interest on loans from banks in the amount of EUR 1,489,395 (EUR 1,561,961 in 2020);
 - interest as the result of an actuarial calculation in the amount of EUR 17,114 (EUR 27,303 in 2020);

- interest on leases in the amount of EUR 5,674 (EUR 7,309 in 2020); and
- expenses from the discount upon payment of the last six instalments by banks in 2021 under the agreement on the assignment of claims for consideration in the amount of EUR 4,002,370 (EUR 0 in 2020) (notes 2.3.1.11, 6.6.1.11 and 6.6.2.7);
- expenses arising from fees charged for the reservation of funds on the basis of the agreement on the assignment of claims in the amount of EUR 50,564 (EUR 165,687 in 2020).

6.6.2.9 Corporate income tax

in EUR	2021	2020
Current tax	0	0
Deferred tax	11,813	-4,387
Total taxes	11,813	-4,387
Earnings before tax	1,443,144	-14,217,742
Tax calculated at effective tax rate	274,197	-2,701,371
Tax from decrease in revenues	-704,882	-466,724
Tax from decrease in expenses	216,692	143,476
Tax from increase in expenses	-4,686	-9,572
Tax from change in tax base	35,011	20,859
Tax from tax allowances	0	0
Tax credits	183,668	3,013,332
Total taxes	11,813	-4,387
Effective tax rate	0.82	0.00

The valid corporate income tax rate was 19% in Slovenia in 2021 and 2020.

6.6.3 Transactions with related parties

The table below presents transactions with Group companies and associates:

2021 in EUR	Sales	Purchases	Loans received	Loans granted
SŽ-Tovorni promet, d. o. o.	5,658,685	1,173,685	7,242,260	4,860,046
SŽ-Potniški promet, d. o. o.	14,713,352	265,864	928	33,533,941
SŽ-Infrastruktura, d. o. o.	9,618,767	411,834	27,656	8,195,129
SŽ-VIT Ljubljana, d. o. o.	4,193,394	313,362	1,723,965	1,186
SŽ-ŽIP, storitve, d. o. o.	904,146	882,354	668,855	731,803
SŽ-ŽGP Ljubljana, d. d.	959,813	1,446	12,634	100
Prometni institut Ljubljana, d. o. o.	119,877	110,349	103	246,444
SŽ-Železniška tiskarna Ljubljana, d. d.	21,424	71,682	413	17,909
Fersped, d. o. o.	163,298	63,133	103	2,691,712
VV-LOG, d. o. o.	52,126	20,989	103	1,047,512
Kamnolom Verd, d. o. o.	15,539	0.00	103	949
SŽ-ŽIP, d. o. o., Croatia	79,362	6,071	0	0
Group companies	36,499,783	3,320,769	9,677,123	51,326,731
Terme Olimia, d. d.	0	1,550	0	0
Associates	0	1,550	0	0
Total associates	36,499,783	3,322,319	9,677,123	51,326,731

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

Balance as at 31 December 2021 (in EUR)	Customers	Suppliers	Financial receivables	Financial liabilities
SŽ-Tovorni promet, d. o. o.	594,183	191,336	73,708,064	42,373,995
SŽ-Potniški promet, d. o. o.	7,873,299	160,380	26,846	80,619,565
SŽ-Infrastruktura, d. o. o.	1,294,075	62,888	62,910	26,005,329
SŽ-VIT Ljubljana, d. o. o.	358,530	142,579	24,970,573	1,186
SŽ-ŽIP, storitve, d. o. o.	76,611	217,832	1,344,871	953,496
SŽ-ŽGP Ljubljana, d. d.	66,123	1,445	9,003	3,182
Prometni institut Ljubljana, d. o. o.	5,547	11,357	10,040	506,444
SŽ-Železniška tiskarna Ljubljana, d. d.	-1,037	33,628	0	178,022
Fersped, d. o. o.	11,680	54,166	3,232	949
VV-LOG, d. o. o.	2,979	20,990	0	237
Kamnolom Verd, d. o. o.	-1,199	0	0	949
SŽ-ŽIP, d. o. o., Croatia	49,253	5,402	0	0
Group companies	10,330,044	902,003	100,135,539	150,643,354
Terme Olimia, d. d.	0	1,550	0	0
Associates	0	1,550	0	0
Total associates	10,330,044	903,553	100,135,539	150,643,354

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	0
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.	0	0	0	0
Associates	0	0	0	0
Total associates	3,536,008	474,680	106,362,878	106,803,792

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 2021	31 December 2020
Balance of current trade and other operating receivables	3,587	2,203
Balance of current trade and other operating liabilities	31,652	66,075

in EUR	2021	2020
Revenues	25,848	16,471
Expenses (costs)	4,866,831	419,961

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%.

6.6.4 Events after the accounting period

Slovenske železnice, d. o. o., continued with measures and activities in connection with COVID-19.

In 2021, Slovenske železnice, d. o. o., first founded SŽ EP Logistika, d. o. o., and in December 2021 increased its capital with a non-cash contribution, i.e. 100% equity stake in SŽ-Tovorni promet, d. o. o. As at 31 December 2021, Slovenske železnice, d. o. o., owned 100% of the capital of SŽ EP Logistika, d. o. o., which in turn is a 100% owner of SŽ-Tovorni promet, d. o. o.

Based on the implementation of the Investment and Shareholder's Agreement concluded between Slovenske železnice, d. o. o. and EP Logistics International, a. s., the capital increase of SŽ EP Logistika, d. o. o., was entered in the Court Register on 13 January 2022, on the basis of which Slovenske železnice, d. o. o., retained a 51% ownership stake in SŽ EP Logistika, d. o. o., while the member EP Logistics International, a. s., acquired a 49% stake in SŽ EP Logistika, d. o. o.

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.

This entry in the Court Register marked the completion of the legal procedures related to the entry of the strategic partner into SŽ-Tovorni promet, d. o. o., and Fersped, d. o. o.

On 6 April 2022, the Management Board of Slovenski državni holding, d. d. passed a resolution to increase the capital of Slovenske železnice, d. o. o., through a cash contribution of EUR 150 million, which was transferred on 9 May 2022. The controlling company Slovenske železnice, d. o. o., must use all the funds to increase the share capital of SŽ-Potniški promet, d. o. o. The funds are earmarked exclusively for the purchase of new passenger multiple units.

Slovenske železnice, d. o. o., and Adventura Investments, d. o. o., signed a sale and purchase agreement in April 2022, whereby Slovenske železnice, d. o. o., will acquire a 50% equity stake in Nomago, d. o. o. The transaction has yet to be approved by the competent competition protection agencies.

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 2021, as the Company adopted measures in a timely manner to deal with the situation.

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 2021	Balance as at 31 December 2020
• Financial receivables		102,287,783	149,161,089
• Financial liabilities		-251,971,855	-229,213,579
Net financial instruments		-149,684,072	-80,052,490

Financial receivables	in EUR	Balance as at 31 December 2021	Balance as at 31 December 2020
• Financial receivables from Group companies		99,886,743	106,017,417
• Financial receivables from others		2,401,040	43,143,672
Total financial receivables		102,287,783	149,161,089

Financial liabilities	in EUR	Balance as at 31 December 2021	Balance as at 31 December 2020
• Financial liabilities to Group companies		148,056,326	102,848,670
• Liabilities to banks from credit transactions (principal)		103,677,083	125,885,416
• Other financial liabilities		238,446	479,493
Total financial liabilities		251,971,855	229,213,579

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 2021	Balance as at 31 December 2020
Total loans (principal)	103,677,083	125,885,416

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. The entire credit portfolio of Slovenske železnice, d. o. o., is likewise denominated in euros.

As at in EUR		Trade receivables	Loan liabilities (short- and long-term – principal)	Trade payables
31 December 2021	EUR	10,759,721	103,677,083	3,484,288
	HRK	6,380		13,893
31 December 2020	EUR	3,806,040	125,885,416	16,213,840
	HRK	6,350		4,966

Liquidity risk

With the aim of managing liquidity risk, Slovenske železnice, d. o. o., implemented a policy in 2021 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.

Maturity breakdown of liabilities:

in EUR		Contractual cash flows				
	Carrying amount of liabilities	Liabilities	From 0 to 6 months	From 6 to 12 months	From 1 to 3 years	More than 3 years
Non-current borrowings received	82,718,750	86,857,278			32,863,725	53,993,553
Non-current liabilities within the Group	1,472,284	1,472,284			1,472,284	
Non-current lease liabilities	283,187	312,246			166,054	146,192
Current borrowings received	20,958,333	23,306,049	11,672,873	11,633,176		
Current financial liabilities within the Group	147,930,893	148,294,445	211,669	148,082,776		
Current lease liabilities	56,401	57,243	28,887	28,356		
Other current financial liabilities	24,292	24,292	24,292			
Current operating liabilities (excluding liabilities to the state and employees, and liabilities from advances)	3,498,181	3,498,181	3,498,181			
Balance as at 31 December 2021	256,942,321	263,822,018	15,435,902	159,744,308	34,502,063	54,139,745

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 2021, and that liquidity risk was well-managed. This also applies to Slovenske železnice, d. o. o.

in EUR		Contractual cash flows				
	Carrying amount of liabilities	Liabilities	From 0 to 6 months	From 6 to 12 months	From 1 to 3 years	More than 3 years
Non-current borrowings received	103,677,083	108,759,618			54,766,065	53,993,553
Non-current liabilities within the Group	2,684,150	2,745,865			2,745,865	
Non-current lease liabilities	348,808	382,200			169,967	212,233
Current borrowings received	22,208,333	23,465,773	9,386,309	14,079,464		
Current financial liabilities within the Group	102,848,670	103,465,762	103,465,762			
Current lease liabilities	66,261	67,729	35,635	32,094		
Other current financial liabilities	64,424	64,424	64,424			
Current operating liabilities (excluding liabilities to the state and employees, and liabilities from advances)	16,218,806	16,218,806	16,218,806			
Balance as at 31 December 2020	248,116,535	255,170,177	129,170,936	14,111,558	57,681,897	54,205,786

Credit risk

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.

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 the system for monitoring the credit ratings of the Group's partners will reduce 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.

Credit risks were appropriately managed in 2021, and there were no material credit-related events that had a significant impact on operations. A great deal of attention is devoted to the development of a system for monitoring business partners by means of a credit rating agency based on publicly accessible information and internal experiences in operations with those partners.

Domestic and foreign customers were verified in 2021 by a credit rating agency and based on 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 6.6.1.12).

Maturity of trade receivables (gross amount):

in EUR		Maturity				
As at	Non-past-due	Past-due				Total
		up to 30 days	31 to 90 days	91 to 365 days	more than 365 days	
31 December 2021	10,421,581	244,360	46,597	5,218	48,345	10,766,101
31 December 2020	3,587,010	83,020	88,863	14,830	38,666	3,812,389

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	2021	2020
Non-current financial liabilities	83,001,937	104,025,891
Current financial liabilities	168,969,919	125,187,688
Total financial liabilities	251,971,856	229,213,579
Total equity	462,782,033	461,432,744
Debt/equity	0.54	0.50
Cash and cash equivalents	66,982,573	17,910,851
Net financial liabilities	184,989,283	211,302,728
Net debt/equity	0.40	0.46

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 2021				
	Carrying amount	Fair value	Level 1	Level 2	Level 3
Non-current financial assets					
Non-current financial receivables from Group companies	68,802,070	68,802,070			68,802,070
Investments in shares and participating interests measured at fair value through profit or loss that are not quoted on a regulated market	2,140,782	2,140,782			2,140,782
Other non-current financial assets	2,401,003	2,401,003			2,401,003
Operating receivables	3,473,819	3,473,819			3,473,819
Cash and cash equivalents	66,982,573	66,982,573	66,982,573		
Current financial assets					
Current financial receivables from Group companies	31,084,673	31,084,673			31,084,673
Financial receivables from others	37	37			37
Non-current financial liabilities					
Liabilities from loans	82,718,750	82,718,750			82,718,750
Lease liabilities	283,187	283,187			283,187
Current financial liabilities					
Current financial liabilities to Group companies	147,930,893	147,930,893			147,930,893
Liabilities from loans	20,958,333	20,958,333			20,958,333
Lease liabilities	56,401	56,401			56,401
Other financial liabilities	24,292	24,292			24,292
Operating liabilities	3,498,181	3,498,181			3,498,181

in EUR	31 December 2020				
	Carrying amount	Fair value	Level 1	Level 2	Level 3
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

Slovenske železnice, d. o. o., did not record any transitions between fair value levels in 2021.

10. AUDIT REPORT OF SLOVENSKE ŽELEZNICE, d.o.o., AND THE SLOVENSKE ŽELEZNICE GROUP



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INDEPENDENT AUDITOR’S REPORT to the owner 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 the financial position as at 31 December 2021, 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 2021, and their financial performance 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 (including International Standards of Independence) issued by the International Ethics Board for Accountants (IESBA Code) and the ethical requirements relating to the auditing of financial statements in Slovenia, we hereby confirm our independence from the 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 2021. 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 413,992 thousand in its statement of profit or loss for the year ending 31 December 2021 (2020: EUR 407,211 thousand) and other operating revenues in the amount of EUR 110,274 thousand (2020: EUR 119,700 thousand). The Company recognised net sales revenue in the amount of EUR 21,180 thousand in its statement of profit or loss for the year ending 31 December 2021 (2020: EUR 21,354 thousand).

Key audit matter	How did we handle the matter in our audit?
As explained in section 2.2 <i>Significant accounting policies – Revenues from contracts with customers</i> , 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.	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: <ul style="list-style-type: none"> - 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 related parties, we reconciled those revenues with the turnover of subsidiaries (<i>Note 6.6.2.1</i>); - 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 (performance of the public utility service), we verified payments from the government according to monthly calculations (<i>Note 2.3.2.3</i>).
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.	

	We also reviewed information in the financial statements in order to assess whether disclosures in connection with revenues from contracts with customers are appropriate.
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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 2021 was EUR 433,392 thousand (2020: EUR 426,810 thousand).

Key audit matter	How did we handle the matter in our audit?
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 as the recoverable amount, and an estimate is 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, SŽ-ŽIP and SŽ-VIT for the year ending 31 December 2021.	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: <ul style="list-style-type: none"> - 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 <i>Impairments of Assets</i>; - 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 reasonable and whether they can be supported by the current macroeconomic conditions and expected future performance; - an assessment of whether the information disclosed in the notes to the financial statements meets the requirements of the applicable financial reporting standards.
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 <i>Significant accounting policies – Subsidiaries</i> and in Note 6.6.1.5 <i>Investments in subsidiaries</i> .	

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 separate and consolidated financial statements does not relate to the other information, and we do not give 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 separate and consolidated 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 the management's application of the assumption of the Company and Group as going concerns on 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 guidance, overseeing and conducting the audit of the Group. We are solely responsible for our audit opinion.

We communicate with governance bodies, inter alia, about the planned scope and timing of the audit, and about significant audit findings, including the major deficiencies in internal controls 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, where necessary.

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

Report on requirements of Regulation (EU) No 537/2014 of the European Parliament and of the Council

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 held on 26 August 2019. We were engaged to provide audit services for a continuous period of seven 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 26 May 2022 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, 26 May 2022



**For signature please refer
to the original Slovenian version**

TRANSLATION ONLY - SLOVENIAN ORIGINAL PREVAILS

List of abbreviations

Abbreviation	Meaning
AC	Audit Committee
ASI	ASI project (aimed at strengthening core competencies in older employees)
AWB RFC	Alpine-Western Balkan Corridor
BIS	Business information system
CER	The Community of European Railway and Infrastructure Companies
CO ₂	Carbon dioxide
d. d.	Public limited company
d. o. o.	Limited liability company
Di	Divača
Do	Dobova
DRSI	Slovenian Infrastructure Agency
E	Net earnings
EBIT	Earnings before interest and taxes
EBITDA	Earnings before interest, taxes, depreciation and amortisation
EBT	Earnings before tax
ECB	European Central Bank
EFQM	European Foundation for Quality Management
EMS	environmental management system
EnMS	energy management system
EN	European Normative/European Standard
EPH	Energetický a průmyslový holding – Energy Industrial Holding
EPLI	EP Logistics International
ERA	European Union Agency for Railways
ERTMS	European Railway Traffic Management System
ETCS	European Train Control System
EU	European Union
EUR	Euro
GSM-R	Digital radio system
GTKM	Gross tonne kilometres
HR	Human Resources
HRK	Croatian kuna
IAS	International Accounting Standards
IASB	International Accounting Standards Board
ICT	Information and communication technology
IFRIC	International Financial Reporting Interpretations Committee

Abbreviation	Meaning
IFRS	International Financial Reporting Standards
IMAD	Institute of Macroeconomic Analysis and Development
IPPT	Integrated public passenger transport
ISO	International Organisation for Standardization
ISRTM	Information system for rail transport monitoring
IT	Information technology
Kg	Kilogram
Km	Kilometre
kWh	Kilowatt hour
Lj	Ljubljana
LPC	Ljubljana Passenger Centre
MB	Maribor
Mio	Million
NIJZ	National Institute of Public Health
Nm	Novo mesto
NTKM	Net tonne kilometre
P+R	Park and ride
PKM	Passenger kilometre
PRI	Public rail infrastructure
PSO	Public service obligation
Pt	Ptuj
RFC	Rail freight corridor
RIC	Agreement on exchange and use of passenger coaches in international traffic
RIV	International Wagon Regulations – Regulations governing the exchange and use of wagons between railway undertakings
ROA	Return on assets
ROE	Return on equity
RS	Republic of Slovenia
RSD	Serbian dinar
SAP	Systems Applications and Products in Data Processing
SAP BW	SAP Business Warehouse
SARS-COV-2	Coronavirus
SDH	Slovenski državni holding, d. d. (Slovenian Sovereign Holding)
SEESARI	South East Europe Strategic Alliance for Rail Innovation
SIC	Strategic investments committee

Abbreviation	Meaning
SIST	Slovenian Institute for Standardisation
SIST	Slovenian Standard
SLA	Service level agreement
SWG	Special working group for the coronavirus
SŽ	Slovenske železnice
SŽ-INF	SŽ-Infrastruktura, d. o. o.
SŽ-PP	SŽ-Potniški promet, d. o. o.
SŽ-TP	SŽ-Tovorni promet, d. o. o.
UIC	International Union of Railways
UN	United Nations
USD	US dollar
VAT	Value added tax
Wi-Fi	Wireless local network
ZGD	Companies Act
ZIUZEOP	Act Determining the Intervention Measures to Contain the Covid-19 Epidemic and Mitigate its Consequences for Citizens and the Economy

Annual report for 2021

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