

FINANCIAL STATEMENTS 2007



ŽELEZNIČNÁ SPOLOČNOSŤ SLOVENSKO



ŽELEZNIČNÁ SPOLOČNOSŤ SLOVENSKO

Individual Financial Statements pursuant to the International Financial Reporting Standards as on 31 December 2007

In Bratislava, 23 April 2008

Ing. Milan Chúpek, PhD.
Chairman of the Board of Directors

Ing. Pavol Gábor
Vice-Chairman of the Board of Directors

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Balance Sheet

(In thousand SKK)

Text	Note	as on 31 December 2007	as on 31 December 2006
Total assets		14,860,514	14,499,932
Non-current assets		13,374,169	12,655,869
Intangible assets – IAS 38	5	236,267	236,352
Tangible assets – IAS 16	5	12,862,074	12,153,760
of which: Real estate	5	65,661	76,255
Buildings and constructions	5	125,042	107,902
Machinery and equipment	5	12,240,359	11,704,425
of which: transport vehicles		11,982,078	11,655,068
Assets held for sale – IFRS 5	5.3	151,648	123,485
Investment property – IAS 40	5.4	849	10,980
Long-term financial assets	6.2	123,331	131,292
Current assets		1,486,345	1,844,063
Long-term receivables	7	167,380	329,617
of which: Deferred tax receivable		0	0
Financial derivatives	7	167,380	329,584
Inventories	8	58,792	176,596
Trade receivables and other assets	7	510,825	728,857
of which: Trade receivables		486,840	720,385
Tax receivables	7	297,313	236,843
Asset money and financial equivalents	9	452,035	372,150

Continuation of the Balance Sheet

(In thousand SKK)

Text	Note	as on 31 December 2007	as on 31 December 2006
Equity and liabilities		14,860,514	14,499,932
Equity and funds		7,370,747	7,495,975
Shareholders' equity	10	6,400,000	6,400,000
Capital funds	10	2,051,358	2,126,121
of which: Differences in assets revaluation	10	628,234	713,729
Business results of previous years	11	-944,721	-1,265,992
Business result of the current accounting period	23	-135,890	235,846
Long-term liabilities		4,349,983	4,554,281
Credits	6.1	879,256	1,667,225
Financial lease liabilities	12a	49,035	522
Long-term financial assistance	6.1	3,178,844	2,696,694
Long-term reserves	16.	189,218	189,658
of which: Reserves for fringe benefits	12b,2,14	189,218	189,658
Other long-term liabilities	12a	53,630	182
of which: Deferred tax liability			
Financial derivatives	12a	34,804	0
Short-term liabilities		3,139,784	2,449,676
Credits	6.1	1,253,806	698,886
Financial lease liabilities	12a	26,568	364
Trade liabilities	12a	1,011,315	843,092
Liabilities towards employees	12b.1	95,257	87,768
Tax liabilities	12a	11,030	9,369
Short-term reserves	14	0	23,342
Other state liabilities and other liabilities	12a	741,808	786,855

Profit and Loss Statement

(In thousand SKK)

Classification by type

Text	Note	as on 31 December 2007	as on 31 December 2006
Income from transport	17.1	2,519,830	2,571,903
State compensation to cover costs on services in public interest	17.3	5,400,000	5,206,000
Other income	17.1-17.5	914,869	2,230,874
Total income:		8,834,699	10,008,777
Costs on sold goods	18.1	1,110	917
Consumed purchases and services	18.1	5,688,082	5,563,987
Costs of fringe benefits	18.2	1,826,377	1,730,482
Depreciation and amortisation	18.3	850,379	701,475
Financial costs	18.4	566,081	493,043
Other costs	18.3	33,551	1,277,685
Charges and taxes	18.3	5,009	5,342
Total costs		8,970,589	9,772,931
Business results in the current accounting period		-135,890	235,846

Statement of Changes in the Equity

(In thousand SKK)

Text	Equities	Capital funds	Statutory reserve fund	Evaluation differences from re-valuation of assets and liabilities	Business result of previous years	Total
Opening balance as on 31 December 2006	6,400,000	782,392	630,000	713,729	-1,265,992	7,260,129
Change in business results of previous periods	0	0	0	0	0	0
Change in accounting rules	0	0	0	0	0	0
Opening balance as on 1 January 2007	6,400,000	782,392	630,000	713,729	-1,265,992	7,260,129
Surplus after re-valuation of assets	0	0	0	-85,495	85,425	-70
Surplus after re-valuation of financial investments	0	0	0	0	0	0
Settlement of business results of previous years	0	0	0	0	235,846	235,846
Business result – not stated in the profit and loss statement	x	x	x	x	x	x
Business result of the current accounting period – stated in the profit and loss statement	0	0	0	0	-135,890	-135,890
Other allocation/distribution of the equity	0	10,732	0	0	0	10,732
Final balance as on 31 December 2007	6,400,000	793,124	630,000	628,234	-1,080,611	7,370,747

Cash Flow Statement

(In thousand SKK)

Text	Note	As on 31 December 2007	As on 31 December 2006
Business result of the current accounting period	11,23	-135,890	235,846
Cash flows from operating activity. Net:		1,400,847	1,563,056
of which – impact of write-offs	5	830,720	685,141
– impact of non-monetary transactions	7	341,672	555,835
– other impacts	12	228,455	322,080
Cash flows received / (used) out of investment activity		-1,568,363	-1,406,730
of which – income from investment assets sale	5	545	17,403
– other income from investment activity	5	7,961	16,804
– expenses on procurement of investment assets	5	-1,576,869	-1,440,937
Cash flows from financial activities		115,817	770,763
of which – credits	6	-261,271	194,214
– financial assistance	6	482,150	879,990
– other	6,17	-105,062	-303,441
Net increase/decrease of financial means		51,700	927,089
Financial means at the beginning of the period	9	-146,159	-1,072,486
Impact of exchange rate changes	17	-37	-763
Financial means at the end of the period	9	-94,496	-146,159

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1 General information

1.1 Company description

Železničná spoločnosť Slovensko, a.s. (hereinafter the Company) as an operator of transport by rail provides for transport services in compliance with the interests of the State transport policy and market demand. The services in passenger transport are delivered in accordance with the State transport policy of the Slovak Republic and are based on the Contract on provision of services in public interest concluded pursuant to § 30 and the subs. of Act of the Slovak National Council no. 164/1996 Coll. on railways as amended, between Železničná spoločnosť Slovensko, a.s. as a contractor and the State (represented by the Ministry of Transport, Post and Telecommunications) as a customer.

The Company is a joint-stock company with the registered office in the Slovak Republic, established on 13 December 2004 and registered in the Companies' Register as of 1 January 2005, when it was allocated the company identification number 35914939. Its seat is at Rožňavská 1, 832 72 Bratislava.

1.2 Members of the company bodies

Statutory body: Board of Directors

Name	Position	From:	To:
Ing. Milan Chúpek, PhD.	Chairman	11 October 2006	31 December 2007
Ing. Pavol Gábor	Vice-Chairman	16 October 2006	31 December 2007
Ing. Igor Krško	Member	11 October 2006	31 December 2007
Ing. Ján Kováčik	Member	11 October 2006	31 December 2007
Ing. Michal Vereš	Member	11 October 2006	31 December 2007

Supervisory body: Supervisory Board

Name	Position	From:	To:
Ing. Stanislav Bořuta	Chairman	24 October 2006	31 December 2007
Ing. Milan Mojš	Vice-Chairman	12 December 2006	31 December 2007
Mgr. Matej Augustín	Member	24 October 2006	31 December 2007
JUDr. Miroslav Baláž	Member	24 October 2006	31 December 2007
Mgr. Jozef Schmidt	Member	1 January 2005	31 December 2007
Ján Grieč	Member	1 January 2005	31 December 2007

Other bodies of the company: Director General
Ing. Milan Chúpek, PhD. (from 11 October 2006)

1.3 Structure of partners and shareholders

In terms of the Statutes of the joint-stock company, Železničná spoločnosť Slovensko, a.s., of 13 December 2004, the sole shareholder of the company is the Slovak Republic. The rights of the shareholder are executed by the Ministry of Transport, Posts and Telecommunications of the Slovak Republic at the General Assembly.

1.4 Date of approval of the Financial Statements for the previous year

Železničná spoločnosť Slovensko, a.s. approved the Financial Statements for 2006 pursuant to the Slovak Accounting Standards on 29 June 2007. The effective legislation did not oblige the Company to adopt the Financial Statements according to the International Financial Reporting Standards.

1.5 Legal reason for reporting of the Financial Statements pursuant to IFRS

These Financial Statements are regular financial statements of the Company. They were elaborated for the accounting period starting on 1 January 2007 and ending on 31 December 2007 pursuant to the International Financial Reporting Standards as adopted by the EU and pursuant to Slovak accounting regulations - Article 17a of Act no. 431/2002 Coll. on Accounting as amended.

These are the first Financial Statements to be reported pursuant to IFRS for the year ended on 31 December 2007.

The Financial Statements are based on the accounting records kept pursuant to Slovak legislation and take into consideration certain modifications and re-classification in order to align the financial statements with IFRS. The accounting rules presented below were applied in a consistent manner during all periods presented in the Financial Statements and in the opening balance sheet pursuant to IFRS elaborated as on 1 January 2006 for the purposes of transformation to IFRS. These rules were applied consistently in the accounting periods of 2007 and 2006

1.6 Accounting basis

The Financial Statements were elaborated on the assumption that the Company will continue its activities as a sound and functional business entity, and will observe the business plan as adopted by the shareholder.

2 Summary of significant accounting principles

2.1 Basis for preparation of the Financial Statements

The Individual Financial Statements were prepared in accordance with the International Financial Reporting Standards and their interpretations as adopted by the European Union ("IFRS-EU"). These are the first Financial Statements of the Company prepared in accordance with the standard IFRS 1 - First Time Adoption of International Financial Reporting Standards.

The accounting methods and principles were used thoroughly for all periods presented in the Financial Statements.

Certain comparable data was modified to comply with the requirements on presentation of the current period.

Non-current asset items were revaluated as on the day of transformation to IFRS on 1 January 2006. The revaluation as on 31 December 2007 resulted in the conclusion that it is no longer necessary to revalue them since they are reported in their fair value.

2.2 Conversion of foreign currencies

Functional and presentation currency

These Individual Financial Statements are presented in Slovak koruna (SKK), i.e. in the functional currency of the Company and also the presentation currency of the Financial Statements. All financial data presented in Slovak koruna were rounded to the nearest thousand SKK.

Foreign currency – transactions in the foreign currency

Foreign currency transactions are translated into the respective functional currency according to the exchange rate on the transaction day, i.e. the exchange rate of the National Bank of Slovakia ("NBS") as on the day of the given accounting case.

Exchange rate yields and losses after settling these transactions and resulting from conversion of assets and liabilities in foreign currency by the exchange rate at the end of year are reported in the Profit and Loss Statement, except when reported as the equity. At the date of the Financial Statements, the financial assets and liabilities in a foreign currency are translated into the functional currency using the NBS exchange rate prevailing on the given date.

2.3 Property, plant and equipment

Newly purchased property, plant and equipment are revaluated as on the day of transaction by their acquisition price. As on the day of transfer to IFRS, property, plant and equipment were evaluated in their fair value, excluding any adjusting entries. The revaluation is carried out with sufficient regularity (at minimum each 3-5 years), in order not to cause significant differences between the carrying amounts and values calculated as fair value as on the day of book closing.

Property, plant and equipment as on the day of Company establishment present assets purchased in the process of the split-up of Železničná spoločnosť, a. s. into two independent legal entities. These assets were entered into the books in the value of an expert's evaluation as on 1 January 2005.

Increase in the carrying amount of assets due to their revaluation as on 1 January 2006 is entered into the equity under revaluation differences. Impairment of the same asset carried out in the future will be reported as revaluation differences in the equity, in the maximum amount of the established evaluation difference. Further impairment of the same asset will be reflected in the Profit and Loss Statement.

Impairment of the carrying amount of assets due to revaluation as on 1 January 2006 was reflected in the business results of past periods, i.e. 2005.

The most significant item under IAS 16 Property, Plant and Equipment is rolling stock included in the category of transport vehicles. A component reporting approach was applied to this category, divided into: motor part, interior, and other parts.

In respect of rolling stock, strategic spare parts were reclassified from inventories to long-term assets, in compliance with IAS 16 Property, Plant and Equipment.

Expenses related to property, plant and equipment after being put into use, including replacement of a part of assets, are capitalised (i.e. their carrying amount is increased) in case the Company may expect future economic profit above the original use and it is possible to estimate the acquisition price in a reliable manner.

Other costs on repairs and maintenance are reported in the Profit and Loss Statement as costs of the accounting period, in which the given work was carried out. All other costs are expensed as repairs and maintenance under the costs of the relevant period.

The carrying amount and lifespan of assets are revaluated and if necessary, modified as on each balance sheet date. In case the carrying amount of assets is higher than their estimated recoverable value, the carrying amount of such asset is immediately reduced down to its recoverable value.

Profit or loss resulting from disposal or discarding of an asset are established as the difference between the profit and the carrying amount of the asset and are reported in the Profit and Loss Statement. When these revaluated assets are sold, the amounts reported as revaluation differences in equity are transferred into undivided profit, or unsettled loss.

Depreciation

Lands are not depreciated. Depreciation of the remaining assets is calculated as a linear function, starting from the difference between the acquisition price of an asset, or its value after revaluation, and the residual value during the following period of anticipated economic lifespan. The estimated useful life of buildings and equipment in individual categories are as follows:

Buildings, halls and constructions	20 to 50 years,
Machinery, devices and equipment	4 to 20 years,
Transport vehicles	5 to 34 years,
Inventory	6 to 25 years,

Depreciation of property, plant and equipment is reported in the Profit and Loss Statement evenly during the estimated period of use of each item of assets. The depreciation value is also affected by a component approach to the way the record on assets is kept.

2.4 Intangible assets

Similarly to the case of property, plant and equipment, increase in the carrying amount of intangible assets due to revaluation as on 1 January 2006 is reported into equity, credited as revaluation differences. Impairment of assets, which compensated previous increase in the carrying amount of the same asset, is recognised in revaluation differences within equity. Further impairment is reported in the Profit and Loss Statement.

2.4.1 Intangible assets – depreciated

Assessable rights, licences and software are recognised in their acquisition prices reduced by adjusting entries. Trademarks and licences have a limited duration. Depreciation is calculated as a linear function during the anticipated duration of use.

The estimated useful life of intangible assets in individual categories is as follows:

Assessable rights	3 to 5 years,
Software	2 to 10 years,
Other intangible assets	2 to 10 years.

2.4.2 Intangible assets – non-depreciated

Assets with uncertain useful life (such as e.g. symbol/logo of the Company) are not depreciated, however, each year they are tested for impairment. Impairment test is carried out when circumstances imply that the carrying amount might not be feasible. Loss due to impairment is reported in the amount, by which the carrying amount exceeds the recoverable value. The recoverable value is the higher of fair value reduced by costs on potential sale and useful value.

2.5 Financial assets

The Company classifies the financial assets into the following categories: financial assets in fair value reported in the Profit and Loss Statement, loans and receivables.

The classification depends on the purpose of acquisition of the given financial asset. The classification of financial assets is determined by the management when initially recognised.

2.5.1 Derivative financial instruments

As on the day of book closing, financial derivatives are evaluated by the interest rate of 3M EURIBOR and 6M EURIBOR published on 31 December 2007, based on official quoted exchange rates and interest rates. Until signing of the contract the value of a financial derivative equals zero.

Forward contracts on interest rates are carried out in order to eliminate unfavourable impacts of cash flow variability due to the level of interest payments for financial loans and financial aid due to the risk of increased interest rates. Derivatives are not classified as hedging and the Company does not keep hedge accounting. Derivatives are reported off balance sheet within liabilities and receivables, and changes in fair value as on the day of book closing are recognised in the Profit and Loss Statement.

Derivatives were evaluated on the basis of a qualified estimate prepared by the Financial Management Division as on the day of book closing. Change of fair value based on this data was reported in the Balance Sheet as IAS 39 Financial Instruments: Recognition and Measurement.

2.5.2 Trade receivables

Trade receivables are initially recognised in their fair value and long-term receivables are reported in carrying amounts established by the method of effective interest rate.

Adjustment entry to impairment of trade receivables is created when there is an objective evidence that the Company will not be able to enforce all due amounts pursuant to the original maturity conditions. Serious financial problems of the debtor, probability of bankruptcy proceedings against the debtor or financial reorganisation and delay in payments (of more than 30 days after maturity date) are deemed as indicators of impairment of receivables. The amount of adjusting entry is the difference between the carrying amount of the asset and the present value of estimated future cash flows discounted by effective interest rate. The carrying value of asset is reduced by the use of an adjusting entry, and the level of loss is reported in the Profit and Loss Statement.

In case the receivable becomes irrecoverable, it is debited from the adjusting entry to trade receivables. Amounts

gained from enforced receivables, which were already written off, will be reported in the Profit and Loss Statement. Trade receivables are classified in the Balance Sheet as short-term receivables; and in case the maturity of a receivable is longer than 12 month, it is reported as long-term receivables.

2.5.3 Financial means and financial equivalents

Financial means and financial equivalents include cash in hand, deposits on current accounts, other highly liquid investments and bank current accounts. The Balance Sheet includes bank overdrafts under the heading of loans, within the short-term liabilities.

2.5.4 Trade liabilities

Long-term trade liabilities are initially recognised in their fair value and subsequently are revaluated to the amount estimated by the use of effective interest rate method. Trade receivables are classified in the Balance Sheet as short-term liabilities and in case the maturity of a liability is longer than 12 month, it is reported as long-term liabilities.

2.5.5 Loans

Loan liabilities are evaluated in their fair value at initial recognition, reduced by the costs on transaction. Loans are reported in the following periods in their carrying amount assessed by use of effective interest rate method. Accruals and deferrals related to the difference between the initial amount of a loan and its nominal value are reported in the Profit and Loss Statement for the duration of maturity.

Loans are classified as short-term liabilities if the Company has no unconditional right to postpone settlement of the liability for the duration of a minimum of 12 month from the balance sheet date.

2.6 Share capital

The share capital of the Company is divided into 64 ordinary shares in the nominal value of one share of SKK 100,000,000. All company shares are registered shares and are in the form of book-entry securities. The issuing price of one share equals the nominal value of the share. Železničná spoločnosť Slovensko, a.s. has not issued any shares based on a public call for share subscription and its shares are not tradable publicly and are not listed on the stock exchange.

2.7 Inventories

Inventories are reported in the lower of the acquisition price or net realisable value. The acquisition price of inventories includes acquisition price and other costs related to the acquisition. When estimating costs on consumption or when selling inventories, the method of weighted arithmetic mean is used.

2.8 Taxes

The tax system of the Slovak Republic includes value added tax, legal entities income tax (profit tax), natural persons' income tax (wage tax), vehicle tax, property tax and other consumption taxes.

Tax return remains open and may be subject to an inspection for the duration of five years. The fact that a certain period or the tax return related to that period has been inspected does not exempt this period from other inspections during these five years.

Payable and deferred income tax

Payable income tax is calculated in accordance with the tax laws effective as on the balance sheet date. Deferred tax is calculated by the use of rate pursuant to adopted tax regulations or tax rules in the process of adoption, which will be effective at the time of temporary differences realisation.

Deferred tax receivable is brought into book only when it is likely that the future tax basis, that would enable to settle temporary differences, is reachable. Deferred tax receivables are checked at each book closing. In the near future the Company does not expect to generate sufficient profit to apply deferred tax receivable from redemption of tax losses of previous years.

2.9 Employee benefits

According to the International Standards, the employee fringe benefits are rights of employees to have financial or non-financial compensation for rendered services (performing of work tasks) during a certain time period.

A certain level of employee benefits is stipulated by laws (e.g. Labour Code). It means that all employees are entitled to some benefits regardless the place of their employment. Other employee benefits are stipulated by the Collective Agreement.

When applying IAS/IFRS for the first time as of 1 January 2006, the Company reported all cumulative insurance and mathematic profit or loss pursuant to IAS 19 Employee Benefits.

Employee benefits granted to employees are divided into two main categories:

- short-term employee benefits,
- long-term employee benefits.

They differ in several aspects – besides different causes of their provision, these include in particular:

- a) differences in period of their impact on the financial situation and business results of the company,
- b) differences in the way the potential of these future effects is reflected already during the current accounting period.

Short-term employee benefits

Pursuant to IAS 19 Employee Benefits, this category includes benefits payable at the latest within 12 month from the end of the period in which the employee rendered the service, for which the benefit is recognised – i.e. they do not have to be discounted (cleared off impacts of interests resulting from time effects). In respect of their short-term duration, probability models do not have to be applied and these benefits are undiscounted.

Železničná spoločnosť Slovensko, a.s. has its short-term employee benefits stipulated and adopted by trade union bodies of the trade unions representing employees in the Collective Agreement, which is concluded usually for 1 – 2 years. Employee benefits are further set down in individual internal documents:

- Directive on benefits to individual work positions,
- Directive on tangible and intangible motivation factors,
- Directive on health capability of employees of ZSSK,
- Directive on alimentation and provision of free refreshments to employees,
- Directive on training and education of employees of ZSSK,
- Directive on provision of regeneration stays of employees of ZSSK,

- on the Social Fund of ZSSK,
- Directive on awarding and lending of state awards,
- Regulation Ok 10, Employees' travelling benefits provided by ZSSK,
- Directive regulating the work time of ZSSK employees.

ZSSK provides the following short-term employee benefits:

1. Non-financial (tangible and intangible)

- employees' travelling benefits,
- employer's guaranties (work consultancy, precisely stipulated conditions for organisational changes, inclusion of worked years),
- work time and pauses (a weekly fund of work time in chosen professions reduced to 36 hours per week, including pauses for food and relaxation),
- refreshments under hard weather conditions,
- relaxation stays,
- language education,
- education,
- training,
- working environment (office furnishing, computers, telecommunication equipment, social facilities at workplaces, occupational safety, protection instruments),
- healthcare (vaccination of employees against virus diseases, medical checks, psychological consultations),
- participation in projects,
- function benefits (mobile phones, service cars, laptops).

2. Financial

- remunerations,
- Social Fund,
- wage compensation during temporary inability to work,
- severance pay,
- compensation in case of loss of physical capability,
- wage advantage under hard working regime for selected professions,
- wage compensation for performance of working tasks under harder conditions,
- supplementary pension insurance saving,
- Award of the Ministry of Transport, Post and Telecommunication,
- wage compensation at obstacles for work exceeding the framework stipulated by Art. 141 of the Labour Code,
- leave in order to look for a new job after termination of work contract (granted leave of maximum one half day per week for the purposes of job finding),
- social compensations and redundancy pay (when meeting the conditions, paid when the work contract is terminated),
- granted leave for employees in order to allow them to take care of their families (when taking care of a handicapped child younger than 15, and in case of single employees taking care of a child younger than 6 - leave with wage compensation; leave without wage compensation - when taking care of a child younger than 15 years of age),
- boarding contributions,
- Award of the Director General.

Long-term employee benefits

Long-term employee benefits are the liabilities of an employer towards the employees, stipulated by law. The accounting methods set different rules for reporting of costs and liabilities stemming from employee benefits, which

in general require creation of a reserve in the respective amount also for all long-term employee benefits, to which the Company is committed. Payments of cash costs in the current period thus present only drawing of the reserve. The priority is to create reserves covering long-term liabilities of the employer towards employees. ZSSK provided for calculation of the reserve covering the long-term employee benefits by means of a certified actuary.

Quantification of the long-term liabilities of Železničná spoločnosť Slovensko, a.s., to which long-term reserves were created:

- severance pay (in accordance with Art. 76 (6) of the Labour Code, in the amount of 1 multiple of an average monthly salary),
- bonus paid at retirement (pursuant to the conditions of work contract termination and years worked for the Company),
- bonuses paid at anniversaries (pursuant to the number of years worked for the Company).

When establishing long-term reserves covering employee benefits, it is important to have statistical data on employees, therefore the system of collection and recording of necessary data is also crucial (such as age, date of work contract beginning, date of benefit payment, wage), which applies also to the data on statistical estimates (used discount rates, level of future wages and benefits, mortality rate, expected duration of life, rate of reduction in employees), which are necessary for the calculations..

2.10 Reserves

A reserve is established in case the Company has an outstanding legal or implicit liability due to a past event, the liability may be reliably estimated, and it is likely that meeting the liability will lead to a reduction of economic benefits. Long-term reserves are evaluated in the present value of costs assumed for settlement of the liability by the use of a discount rate, which reflects present market cost-of-money estimates and risks specific for the given liability.

Environmental restoration (a reserve for environmental costs)

In compliance with the environmental policy of the Company and with the effective legal requirements, the reserve for environmental restoration related to contaminated soil and related costs is established when the soil is contaminated. The company concluded that as on the day of the book closing there are no such liabilities.

2.11 Reporting of income

Yields are fair values resulting from sale of services and goods within the ordinary activities, after deduction of value added tax and discounts.

Income is reported as follows:

The Company reports income at the time when it is possible to establish the yield amount in a reliable manner, it is probable that the Company will have future economic benefits, and if specific criteria for individual activities of the Company are met. The amount of income may not be reliably established, if all conditions related to the sale are not met. The Company bases its estimates on the results achieved in the past, taking into consideration the type of customer, transaction and specific features of the given agreement.

Yields of services

Yields of delivered services are recognised in the Profit and Loss Statement proportionately to the degree of transaction execution as on the day of book closing. The degree of execution is assessed by inspections of work carried out. As on 31 December 2007 the Company does not report any unsettled yields.

Yields of lease

Yields of lease are reported in the Profit and Loss Statement evenly for the duration of the lease.

Financial income

Financial income includes exchange rate profit and profit resulting from financial instruments reported in the Profit and Loss Statement. Income interests are reported on the basis of accruals and deferrals.

2.12 Lease

Based on an agreement, the right to use property during the agreed leasing period is transferred to the lessee against payment. Lease is divided into financial and operating.

Lease, whereby a substantial part of risks and potential profit related to ownership is borne by the lessee, is classified as financial lease.

Any other leasing type is classified as operating lease. Payments executed within operating lease (after deduction of any discounts by the lessor) are differentiated in time as costs in the Profit and Loss Statement for the lease duration.

If the Company is a lessee, the leased property is not included in the Balance Sheet and is reported in the Notes. In case the Company is the lessor, the rented assets are evaluated in the amount equal to the lower of their fair value or present value of the minimum leasing instalments.

Company as a lessee

Financial lease

Assets acquired in the form of a financial lease are reported as Company assets in their fair value at the time of leasing commencement, or in the actual value of minimum leasing instalments, applying the lower amount of the two. The respective liability towards the lessor is included in the Balance Sheet as a liability from financial lease and is reported under loans.

Pursuant to the revised accounting principle the acquisition price will include also unexercised VAT and service fees. Minimal leasing instalments paid in case of a financial lease are divided into financial cost and a reduction of due liability. The financial cost is allocated to each period during the lease period, so as to gain a constant interest rate for the remaining part of the liability.

Operating lease

The rental payable in case of an operating lease is reported in the Profit and Loss Statement for the duration of the given lease.

Company as the lessee

Operating lease

The rental resulting from an operating lease is reported evenly as yields for the duration of the given lease.

3 Financial risk management

3.1 Financial risk factors

Activities carried out by the Company put it under the following financial risks: market risk (including exchange rate risk, interest rate risk) and credit risk. The overall scheme for risk management focuses on unpredictability of situations on financial markets and strives to minimise possible unfavourable impacts on the financial results of the Company. Within its activities, the Company executes transactions of financial derivatives in order to eliminate impacts of risks related to changes in interest rates.

Exchange rate risk

The Company has liabilities in various countries and is thus exposed to exchange rate risks due to changes in foreign currency exchange rates, especially as regards CHF and EUR. An exchange rate risk may result from future trade transactions, existing assets and liabilities, if these transactions, assets and liabilities are kept in a foreign currency, i.e. in a currency, which is not the functional currency of the Company.

Risk resulting from change in interest rates

The Company is exposed to a risk resulting from change in interest rates (3M EURIBOR and 6M EURIBOR) due to settlement of interest on financial loans and aid. The amount of interests is established either by a fixed or variable interest rate, and is presented in a foreign currency. Interest instalments may not be flexibly changeable due to changes in the market interest rate. The Company management, therefore, decided to eliminate unfavourable impacts resulting from changes in interest rates of anticipated interest instalments tied to interest rates: 3M EURIBOR and 6M EURIBOR for the loan maturity period, i.e. for the whole period of the loan maturity.

Železničná spoločnosť Slovensko, a.s. makes use of derivatives in order to cover the risks resulting from change in interest rates of interest instalments for financial loans and financial aid in foreign currency.

Interest risk

An interest risk may result in relation to financial means and equivalents, financial derivatives and deposits in banks and financial institutions, including unsettled receivables and future agreed transactions.

3.2 Estimate of the fair value

Determination of fair values

Non-current assets are reported in fair values.

The market asset value is an estimated amount, i.e. an amount for which the asset might be exchanged on the evaluation day between a willing buyer and a willing seller during a transaction based on a usual price after a due marketing, with both parties acting knowingly, prudently and without duress. The market value of land and buildings is based on quoted market prices of similar items.

Evaluation in depreciated reproduction purchase price takes into account how much purchase of such asset would cost, after being modified by write-offs and losses due to impairment. Adjustments and write-offs take into consideration the asset age in relation to the period of use and residual value.

The fair value of **trade and other receivables** is estimated as the present value of future cash flows discounted according to market interest rate as on the day of book closing. The carrying amount of trade receivables and liabilities, reduced by adjusting entries, equals approximately their fair value.

The fair value of interest **derivatives – swaps** is based on a qualified estimate as on 31 December 2007. It is calculated as the present value of anticipated future cash flows.

Impairment

The **financial assets** are impaired when, due to objective reasons, one or two events had negative impact on the assumed future cash flows resulting from these assets. Items of the financial assets are tested individually for impairment.

The residual value of **non-financial assets** of the Company, excluding inventories and deferred tax liabilities, are tested on each day of book closing for factors indicating possible impairment. In case such factors are determined the recoverable asset value is estimated. An impairment loss is recognised when the carrying asset amount is higher than the recoverable amount. Impairment losses are reported in the Profit and Loss Statement. The Company has appraised impairment on the basis of one centre generating financial means that comprises the Company as a whole.

4 Significant accounting estimates and decisions on accounting methods

Estimates and considerations are continuously revaluated and are based on experience as well as on other factors, including expectations of future events, which may be anticipated under given circumstances.

4.1 Significant accounting estimates and assumptions

Critical accounting estimates and key sources of uncertainty

When applying the accounting methods and principles, the best estimate was used. The estimate affects the balance amounts in the financial statements. The data in the future financial statements may differ from the current estimates due to changes of these estimates and of the economic conditions.

This part states the main areas affected by estimates:

The Company reports a significant amount as a reserve for long-term benefits for the actual and former employees. The evaluation of the reserve is sensitive to estimates applied to calculations, for instance as regards future wages and benefits levels, discount rates, extent of decrease in employees number, extent of later retirement, mortality rate and average life length.

The estimate of receivables and liabilities for cross-border transport and transport on foreign infrastructure as regards traction units' performance, work of locomotive and train crews in 2007 was elaborated on the basis of data supplied from the operation division. At the time of data submission, they had not yet been approved by foreign railways. There is, therefore, a risk that approved performance will differ from the estimate.

The estimate of income from performance of passenger coaches on the territory of foreign states as on 31 December 2007 was prepared on the basis of data of the past months available at the given date (10 month on average for individual states).

Risks of inaccuracies lie in particular in change of plan in the course of the year caused by reduction of transport services and a change in EUR exchange rate.

4.2 Significant decisions on accounting methods

Change of accounting methods

As on the date of the opening balance, 1 January 2007, the Company reconsidered its accounting methods as regards evaluation of non-current assets after initially recognised, and changed the method from acquisition price model to revaluation model for all types of long-term tangible and intangible assets.

Revaluation of all types of non-current assets took place between April and June 2007, applying a method based on market value or written-off reproduction acquisition prices to estimate the fair value of assets.

Evaluation at fair price takes into consideration how much the asset reproduction would cost, after being modified by write-offs and impairment loss (i.e. it presents an estimate of the reproduction acquisition price of the needed and not actual asset capacity). Adjustments by write-offs take into consideration the asset age in relation to the period of use and residual value. Adjustments by impairment loss take into consideration situations when the assets are obsolete, over equipped or have larger capacity than necessary. Evaluation was carried out by a qualified employee, the administrator of the given asset.

5 Property, plant, equipment and intangible assets (In SKK)

Title	As on 1 January 2007	Adjustments as on 31 December 2007	Additions as on 31 December 2007	Disposals as on 31 December 2007	Adjusting entry	Residual value as on 31 December 2007	Residual value as on 31 December 2006
Purchased software	239,906,080.00	-52,736,859.00	22,054,700.00	0.00	0.00	209,223,921.00	227,634,753.00
Trademark, logo	667,047.00	-8,650,119.00	15,900,036.00	0.00	0.00	7,916,964.00	667,047.00
Technical documentation	60,000.00	-29,700.00	0.00	0.00	0.00	30,300.00	50,100.00
Total intangible assets	240,633,127.00	-61,416,678.00	37,954,736.00	0.00	0.00	217,171,185.00	228,351,900.00
Procurement of intangible assets						19,096,148.00	8,000,000.00
TOTAL INTANGIBLE ASSETS						236,267,333.00	236,351,900.00
Real estate/lands	100,698,721.00	0.00	0.00	0.00	0.00	100,698,721.00	100,698,721.00
Buildings	186,649,179.00	-5,160,223.00	4,778,287.00	0.00	0.00	186,267,243.00	183,768,194.00
Constructions	32,927,403.00	-2,722,186.00	15,904,900.00	0.00	0.00	46,110,117.00	31,699,472.00
Total buildings and constructions	219,576,582.00	-7,882,409.00	20,683,187.00	0.00	0.00	232,377,360.00	215,467,666.00
Spare parts IAS	0.00	0.00	105,292,903.00	0.00	5,009,627.72	100,283,275.28	0.00
Total spare parts	0.00	0.00	105,292,903.00	0.00	5,009,627.72	100,283,275.28	0.00
Energy machines	8,431,376.00	-1,928,487.00	135,886.00	-22,387.00	0.00	6,616,388.00	7,590,100.00
Working machines	4,724,347.00	-888,506.00	24,139,601.00	-1,596.00	0.00	27,973,846.00	4,352,913.00
Devices	50,451,637.60	-53,935,162.00	153,610,926.00	-28,811,577.60	0.00	121,315,824.00	35,833,042.60
Total machinery and devices	63,607,360.60	-56,752,155.00	177,886,413.00	-28,835,560.60	0.00	155,906,058.00	47,776,055.60
Transport vehicles	12,304,946,849.00	-1,379,360,204.76	1,070,991,386.00	-6,517,570.00	0.00	11,990,060,460.24	11,655,068,343.00
of which: capitalisation						160,751,799.00	147,536,447.00
Inventory	4,464,382.00	-981,576.00	779,005.00	-28,669.00	0.00	4,233,142.00	4,035,835.00
Total non-current assets						12,250,482,935.52	11,706,880,233.60
Procurement of non-current assets	-	-	-	-	-	253,111,993.45	212,977,901.00
Advance payments for non-current assets	-	-	-	-	-	177,900,000.04	52,199,984.00
TOTAL machines, devices and equipment	-	-	-	-	-	12,681,494,929.01	11,972,058,118.60
TOTAL NON-CURRENT ASSETS	12,933,927,021.60	-1,506,393,022.76	1,413,587,630.00	-35,381,799.60	5,009,627.72	13,014,571,010.01	12,288,224,505.60

5.1 IAS 16 Property, Plant and Equipment

The most significant items under IAS 16 Property, Plant and Equipment as on 31 December 2007 is rolling stock at the residual value of SKK 11,979,569 thousand included in the category of transport vehicles. A component reporting approach was applied to this category, divided into: motor part, interior, and other parts.

In 2007 the asset value was increased by capitalisation. Capitalisation in the category 60 – Transport vehicles - rolling stock, resulted from the costs on inspections and replacement of spare parts in the total amount of SKK 160,752 thousand. Inspections and examinations accounted for SKK 115,480 thousand out of the total amount, while replacement of spare parts accounted for SKK 45,272 thousand.

In 2007 the category 50 – Devices, hardware and software purchased through financial lease (rented from ZSSK CARGO) was included in the amount of SKK 113,847 thousand.

In terms of IAS 16 Property, Plant and Equipment, as on the 1 January 2007 the Company decided to allocate strategic spare parts from the inventories on store in the acquisition price amounting to SKK 105,293 thousand. Selection of these spare parts was carried out individually after taking into consideration their importance and specific features on the available rail transport market. After having considered an adjusting entry to the strategic spare part in the amount of SKK 5,010 thousand, the spare parts amount to SKK 100,283 thousand as on 31 December 2007.

As regards motor vehicles (except for vehicles procured through a lease), the Company established the residual value of each vehicle. The residual value presents the anticipated selling price at the end of its lifespan (in case of motor vehicles it is assumed to last 5 years). The assets are depreciated only until their residual price is higher than the residual value.

As on 31 December 2007 the amount of SKK 272,208 thousand was reported as unfinished construction, which comprises: SKK 5,967 thousand for construction of Customer Centres, SKK 14,070 thousand for the project of station yard reconstruction in Poprad - Tatry, SKK 22,854 thousand for refurbishment of portable cash registers, SKK 179,267 thousand for rolling stock reconstruction, SKK 15,214 thousand for energy dispatching and SKK 23,036 thousand for an information system for operative traffic management and others.

As on 31 December 2007 the total amount of advance payments for investment procurement was SKK 177,900 thousand, which contained the settled advance payments: SKK 137,500 thousand for rolling stock reconstruction, SKK 400 thousand for procurement of a motor vehicle, SKK 6,000 thousand for upgrading of coaches of 810 and 011 series to 813 and 913 series, and SKK 34,000 thousand for modernisation of series 736 rolling stock.

The amount of unused assets as on 31 December 2007 amounted to SKK 117,085 thousand. The given assets are not available for sale, as they are specific for railway transport and are not normally available on the market. The company continues to write off these assets, while they were tested for impairment.

Strategic spare parts form a significant part of the unused assets, and are written off only from the moment of their use.

in thousand SKK

Class	Asset	As on 31 December 2007	As on 31 December 2006
20	Constructions	2,196	2,263
30	Energy machines	0	14
40	Working machines	0	1
50	Devices	0	4
60	Transport vehicles	9,596	8,475
61	Spare parts	105,293	0
70	Inventory		41
	Total	117,085	10,798

5.2 IAS 38 Intangible Assets

IAS 38 Intangible Assets include the IKVC software (electronic system of passenger care and ticketing) as the most significant item, amounting to SKK 184,477 thousand, providing for sale and reservation of train tickets for passengers. The logo of Železničná spoločnosť Slovensko, a.s is reported as an intangible asset with a limited period of use, in the amount of SKK 667 thousand, which was tested for impairment at the end of the accounting period, without any resulting change to the value.

5.3 IFRS 5 Non-Current Assets Held for Sale

On the basis of a resolution of the Board of Directors of the Company of 7 March 2006 and pursuant to IFRS 5, Non-Current Assets Held for Sale include the real estate in Žabotova Street and Železničiarska Street in Bratislava together with the lands and equipment. Based on a decision of the Ministry of Transport, Post and Telecommunications as of 6 July 2006, the sale of these real estates was postponed. An agreement to sell these assets was again granted on 2 July 2007. The value of the real estates as on 31 December 2007 amounts to SKK 123,172 thousand.

The agreement for sale of real estates located in Podkolibská Street no. 1 in Bratislava, including lands, in the value of SKK 20,450 thousand, was granted by a resolution of the Board of Directors of the Company on 27 August 2007, followed by an agreement of the Ministry of Transport, Post and Telecommunications of 4 October 2007.

On 30 July 2007 the Board of Directors agreed upon sale of rolling stock, in the carrying amount of SKK 7,982 thousand as on 31 December 2007.

The assets held for sale are no longer depreciated. These assets are evaluated in the lower amount of the carrying amount and the fair value, reduced by costs related to the sale:

in thousand SKK

Class	Title	As on 31 December 2007	As on 31 December 2006
1	Buildings	106,401	96,586
2	Constructions	85	-
3	Energy machines	1,428	1,428
4	Working machines	-	58
6	Transport vehicles	7,982	-
7	Inventory	714	969
9	Real estate/lands	35,038	24,444
	Total	151,648	123,485

5.4 IAS 40 Investment Property

IAS 40 Investment Property as on 31 December 2007 includes the real estate in Jesenského street in Zvolen in the total amount of SKK 849 thousand held for rent. The rental shall cover the write-offs. Assets, reported in 2006 under IAS 40 Investment Property, were recognised in 2007 under IFRS 5 Non-Current Assets Held for Sale, based on the agreement of MTPT of 4 October 2007. In case the fair value changes during subsequent evaluation, changes in fair value shall be credited directly to the Profit and Loss Statement. In 2007 no changes in evaluation occurred.

in thousand SKK

Assets	As on 31 December 2007	As on 31 December 2006
Jesenského Zvolen no 1054	849	904
Hygienic facility, Bratislava, Podkolibská 1 – UNIREST no. 3532	-	4,907
Representative premises „Valčík“ – Bratislava No. 3532	-	5,083
Representative premises „Valčík“ – fence	-	86
Total	849	10,980

In relation to operation of real estates reported pursuant to IAS 40 Investment Property, the following costs arose as on 31 December 2007:

Cost item	Object	Amount in thousand SKK
Water consumption	Jesenského Zvolen – rent	2
Construction tax	Jesenského Zvolen – rent	48
Depreciation	Jesenského Zvolen – rent	24
Total		74

5.5 IAS 17 Leases

The assets under IAS 17 Leases as on 31 December 2007 include assets in the category machines, devices and equipment, procured via financial lease in the amount of SKK 1,448 thousand.

in thousand SKK

Assets	As on 31 December 2007	As on 31 December 2006
Mercedes-Benz VIANO 2,2 BA 569 NG	555	883
VW PASSAT 3C M1 BA-558 OD	893	1,155
Total	1,448	2,038

As on 31 December 2007 assets in the total amount of SKK 52,626 thousand were rented under operating lease. As on 31 December 2007 the value of assets within the operating lease, where the Company is the lessee, totals SKK 689,505 thousand and EUR 6,469 in case of selected objects.

5.5.1 Financial lease

The company has contracts on financial lease for two automobiles, Passat and Mercedes. The liability resulting from the lease of Mercedes is reported as short-term, as the liability balance is payable within 1 year. ZSSK has concluded an operating lease contract on hardware and software with ZSSK CARGO, which is reported as financial lease under IAS 17 Leases.

The acquisition price of the vehicle Passat within the financial lease was not adjusted by the VAT amount, as it is insignificant.

The carrying amount of hardware and software at the same time presents the present value of liabilities resulting from lease, discounted through the NBS interest rate effective at the time the contract was concluded.

In thousand SKK

Liabilities resulting from financial leasing	Carrying amount as on 31 December 2007	Present value as on 31 December 2007
Passat, motor vehicle	285	285
Hardware and software	75,318	75,318

Liabilities resulting from the financial lease as on 31 December 2006 (in thousand SKK) are as follows:

	Minimal leasing instalments	Present value of minimal leasing instalments
Payable up to 1 year	29,376	27,125
Payable after 1 year	51,159	44,557

The instalments payable after 1 year include also the purchase price of hardware and software after termination of lease in the amount of SKK 3 thousand.

The interest on hardware and software in 2007 amounted to SKK 4,063 thousand, while in 2006 it amounted to SKK 1,220 thousand and was reported in the business results of 2006.

5.5.2 Operating lease

5.5.2.1 Company as a lessee

The Company keeps record of the following operating lease:

Leased assets	Assets (in thousand)	
	As on 31 December 2007	As on 31 December 2006
Assets rented from ŽSR – buildings	217,675 SKK	214,334 SKK
Assets rented from ZSSK CARGO – buildings	220,002 SKK	58,255 SKK
Assets rented from ZSSK CARGO – tracks	44,974 SKK	–
Apartments for the members of the statutory bodies	469 SKK	463 SKK
Land estate of the vehicle-ramp in Petržalka, Bratislava	1,210 SKK	1,210 SKK
Office premises, Bratislava, Rožňavská 1	6,377 EUR	7,085 EUR
Apartment for the representative at the UIC, Paris	92 EUR	116 EUR
Office premises, Trnava	1,004 SKK	1,004 SKK
Topoľčany – apartments for train crews	8,160 SKK	5,280 SKK
TOTAL	493,494 SKK	280,546 SKK
	6,469 EUR	7,201 EUR

The following future leasing instalments are payable in the given currency pursuant to lease contracts for limited period:

Rental	in thousand SKK	in thousand EUR
Payable in the 1st year	469	739
Payable in the 2nd to 5th year (including)	–	2,896
Payable after 5 years	–	2,834
Total	469	6,469

The major part of the future leasing instalments comprises rental for the office premises in Rožňavská 1, Bratislava.

In 2007 rental for operating lease was paid in the amount of SKK 10,884 thousand to ŽSR, SKK 48,331 thousand to Železničná spoločnosť Cargo Slovakia, a.s., SKK 458 thousand for office premises, EUR 31 thousand for the apartment for the representative at the UIC in Paris, and EUR 709 thousand for office premises in Rožňavská 1, Bratislava, and SKK 61 thousand for the land under vehicle-ramp in Bratislava.

Operating leases on office premises and premises at railway stations paid to ŽSR, as well as office premises and substantial part of yards paid to ZSSK CARGO, were concluded for an unlimited period of time.

5.5.2.2 Company as the lessee

The Company rents assets, which are held for sale in 2007 and reported under IFRS 5 Non-Current Assets Held for Sale, and an asset reported under IAS 40 Investment Property.

In thousand SKK

Reported under IAS/IFRS in 2007	Rented assets	Rented assets	
		as on 31 December 2007	as on 31 December 2006
IAS 17	Locomotive hangar – Tatranská Štrba no. 1514	6,715	6,387
IAS 17	Social facility, Košice, no. 2673 (Bathroom, dressing rooms)	2,760	2,835
IAS 17	Administrative building no.2656	1,650	1,694
IAS 17	Locomotive hangar for MOTO – Rotunda Košice, no. 2654	16,633	17,082
IAS 17	Administrative building – Bratislava no. 10362	2,775	2,850
IAS 17	Administrative building – Žilina, no. 708	18,940	18,983
IAS 17	Electric locomotive hangar – Tr. Teplá, no. 274	4,536	4,661
IAS 17	Land estate 5394/1, Zvolen	761	898
IAS 17	Land estate 5394/21, Zvolen	43	43
Total IAS 17		54,813	55,433
IFRS 5	Podkolibská, Bratislava, Vinohrady 7166/1	2,219	2,219
IFRS 5	Administrative building, Žabotova 14, Bratislava, no. 3212	30,633	30,039
IFRS 5	Recreation facility, Valčík, Bratislava, no.3532	4,821	4,907
IFRS 5	UNIREST Podkolibská, no. 3532	4,994	5,086
IFRS 5	Bratislava – Staré mesto, 7302/4	11,361	11,361
Total IFRS 5		54,028	53,612
IAS 40	Betamont – Jesenského Zvolen, no. 1054	849	904
Total IAS 40		849	904
TOTAL		109,690	109,949

The Company has the following future leasing instalments in the agreed currency pursuant to lease contracts and contracts on the right to pass through a real estate, concluded for limited period:

In thousand SKK

Assets	As on 31 December 2007	As on 31 December 2006
Košice, Locomotive depot Košice	80	237
Poprad, Locomotive depot Poprad	–	36,512
Land estate, Locomotive depot Poprad	–	19,210
Total	80	55,959

The Company has the following future leasing instalments in the agreed currency pursuant to lease contracts and contracts on the right to pass through a real estate, concluded for limited period:

Rent	in thousand SKK
Payable in the 1st year	443
Payable in the 2nd to 5th year (including)	1,175
Payable after 5 years	1,077
Total	2,695

In 2007 rental for leased assets to ŽSR amounted to SKK 267 thousand, to Železničná spoločnosť Cargo Slovakia, a.s. to SKK 467 thousand, and rental to other entities amounted to SKK 790 thousand.

The Company has concluded lease contracts for unlimited period in the total amount of SKK 1,077 thousand.

6 Financial instruments

6.1 Loans

In thousand

As on 31 December 2007

Long-term loans – Bank loans	Currency	Amount in foreign currency	Amount in SKK	Maturity	Hedging
UBS AG 14	CHF	20,763	420,070	27 October 2011	SERG
UBS AG 6	CHF	14,108	285,427	31 August 2012	SERG
Dexia banka Slovensko, a.s.	CHF	16,973	343,385	22 August 2009	No hedging
Total	CHF	51,844	1,048,882		

Long-term loans are further divided according to their maturity. A part of long-term loans, payable in 2007, is reported in the Balance Sheet together with the short-term loans in the amount of SKK 169,626 thousand.

In thousand

As on 1 January 2007

Long-term loans – Bank loans	Currency	Amount in foreign currency	Amount in SKK	Maturity	Hedging
UBS AG 14	CHF	26,327	566,994	27 October 2011	SERG
UBS AG 6	CHF	16,930	364,624	31 August 2012	SERG
Dexia banka Slovensko, a.s.	EUR	10,500	363,017	22 August 2009	No hedging
Total	CHF	43,257	931,618		
Total	EUR	10,500	363,017		

In thousand

As on 31 December 2007

Short-term loans – Bank loans	Currency	Amount in foreign currency	Amount in SKK	Maturity	Hedging
Calyon Bank Slovakia, a.s.	EUR	16,000	537,648	14 September 2008	No hedging
Dexia banka Slovensko, a.s.	SKK	–	34,844	27 June 2008	No hedging
Slovenská sporiteľňa, a.s.	SKK	–	283,473	30 September 2008	No hedging
Tatra banka, a.s.	SKK	–	204,161	30 September 2008	No hedging
VÚB, a.s.	SKK	–	24,054	14 November 2008	No hedging
Total		16,000	1,084,180		

In thousand

As on 1 January 2007

Short-term loans – Bank loans	Currency	Amount in foreign currency	Amount in SKK	Maturity	Hedging
Calyon Bank Slovakia, a.s.	EUR	16,000	553,168	14 September 2008	No hedging
Calyon Bank Slovakia, a.s.	SKK	–	25,324	30 September 2007	No hedging
Slovenská sporiteľňa, a.s.	SKK	–	194,464	27 July 2007	No hedging
Tatra banka, a.s.	SKK	–	214,351	30 September 2007	No hedging
UniCredit Bank Slovakia, a.s.	SKK	–	84,169	30 June 2008	No hedging
Total		16,000	1,071,476		

In thousand

As on 31 December 2007

Long-term financial aid	Currency	Amount in foreign currency	Amount in SKK	Maturity	Hedging
Eurofima I (Contract no. 2535)	EUR	6,500	218,420	22 August 2011	Rolling stock
Eurofima II (Contract no. 2551)	EUR	6,500	218,420	22 August 2011	Rolling stock
Eurofima III (Contract no. 2574)	EUR	10,000	336,030	11 February 2013	Rolling stock
Eurofima IV (Contract no. 2593)	EUR	15,000	504,044	4 February 2014	Rolling stock
Eurofima V (Contract no. 2616)	EUR	10,000	336,030	4 February 2014	Rolling stock
Eurofima VI (Contract no. 2651)	EUR	30,000	1,008,090	6 March 2015	Rolling stock
Eurofima VII.A (Contract no. 2670)	EUR	8,000	268,824	7 April 2016	Rolling stock
Eurofima VII.B (Contract no. 2694)	EUR	8,600	288,986	3 April 2017	Rolling stock
Total		94,600	3,178,844		

In thousand

As on 1 January 2007

Long-term financial aid	Currency	Amount in foreign currency	Amount in SKK	Maturity	Hedging
Eurofima I (Contract no. 2535)	EUR	6,500	224,725	22 August 2011	Rolling stock
Eurofima II (Contract no. 2551)	EUR	6,500	224,725	22 August 2011	Rolling stock
Eurofima III (Contract no. 2574)	EUR	10,000	345,730	11 February 2013	Rolling stock
Eurofima IV (Contract no. 2593)	EUR	15,000	518,594	4 February 2014	Rolling stock
Eurofima V (Contract no. 2616)	EUR	10,000	345,730	4 February 2014	Rolling stock
Eurofima VI (Contract no. 2651)	EUR	30,000	1,037,190	6 March 2015	Rolling stock
Total		78,000	2,696,694		

The Company reports loans and long-term financial aid in the following currencies

Currency	Loans as on 31 December 2007		Loans as on 31 December 2006	
	In thousand, foreign currency	In thousand SKK	In thousand, foreign currency	In thousand SKK
CHF	51,844	1,048,882	43,257	931,618
EUR	110,600	3,716,492	104,500	3,612,879
SKK		546,532		518,308
Total	x	5,311,906	x	5,062,805

The maturity of loans and long-term financial aid is as follows:

Maturity	As on 31 December 2007 in thousand SKK	As on 31 December 2006 in thousand SKK
Payable in the 1st year	561,702	614,717
Payable in the 2nd year	522,478	817,914
Payable in the 3rd year	780,225	543,594
Payable in the 4th year	621,457	180,577
Payable in the 5th year	840,074	597,987
Mature after 5 years	1,985,970	2,308,016
Total	5,311,906	5,062,805

6.2 Financial assets

The Company holds an ownership interest with insignificant influence in the following companies:

Company	Number of shares (pieces)	Participation in the equities in %	Financial assets in thousand SKK	
			as on 31 December 2007	as on 31 December 2006
Eurofima	1,300	0.50 %	123,306	131,266
BCC	1	0.685 %	25	26
Total	x	x	123,331	131,292

6.3 Derivative financial instruments

Strategy and goal of risk management: The aim of management of risks resulting from significant interest rates

Creditor	Currency	Secured item in the respective currency	Final maturity	Note
EUROFIMA I	EUR	6,500,000	22/08/11	Long-term financial aid
EUROFIMA II	EUR	6,500,000	22/08/11	Long-term financial aid
EUROFIMA III	EUR	10,000,000	11/02/13	Long-term financial aid
EUROFIMA IV	EUR	15,000,000	04/02/14	Long-term financial aid
EUROFIMA V	EUR	10,000,000	04/02/14	Long-term financial aid
EUROFIMA VI	EUR	30,000,000	06/03/15	Long-term financial aid
EUROFIMA VII A	EUR	8,000,000	07/04/16	Long-term financial aid
EUROFIMA VII B	EUR	8,600,000	03/04/17	Long-term financial aid
CALYON 16	EUR	16,000,000	14/09/08	Medium-long credit
UBS 6	CHF	16,930,124	31/08/12	Long-term investment loan
UBS 14'I	CHF	13,388,804	28/03/11	Long-term investment loan
UBS 14'II	CHF	12,937,711	27/10/11	Long-term investment loan

Evaluation of financial derivatives

As on the day of book closing, financial derivatives are evaluated on the basis of official quoted exchange rates and interest rates. Until signing of the contract the value of a financial derivative equals zero.

Evaluation of financial derivatives – swaps						
	As on 31 December 2007 in thousand			As on 31 December 2006 in thousand		
	receivables	liability	difference	receivables	liability	difference
EUR	29,561	-27,078	2,483	21,687	-16,658	5,029
CHF	2,811	-3,745	-934	4,335	-3,593	742
Total in SKK	1,050,227	-985,690	64,537	843,168	-653,308	189,860

Evaluation of financial derivatives – forwards						
	As on 31 December 2007 in thousand			As on 31 December 2006 in thousand		
	receivables	liability	difference	receivables	liability	difference
EUR	0	0	0	5,000	-5,000	0
Total in SKK	0	0	0	190,675	-173,165	17,510

7 Trade receivables and other short and long-term receivables

Trade receivables and other short and long-term receivables consist of the following items:

Text	As on 31 December 2007 (in thousand SKK)	As on 31 December 2006 (in thousand SKK)
Total trade receivables	503,226	736,382
Minus: adjusting entries to dubious receivables	16,386	15,997
Total trade receivables, net	486,840	720,385
Other assets	23,985	8,472
Trade and other receivables	510,825	728,857
Tax receivables	297,313	236,843
Long-term receivables	167,380	329,617
of which: financial derivatives	167,380	329,584

Out of the total trade receivables, the most significant were:

- SKK 74,117 thousand for performance of traction units on the territory of foreign states,
- SKK 320,682 thousand for performance of passenger coaches on the territory of foreign states.

Trade receivables pursuant to maturity date

Text	As on 31 December 2007 (in thousand SKK)	As on 31 December 2006 (in thousand SKK)
Receivables before maturity	487,405	675,202
Receivables after maturity	15,821	61,180
Total receivables	503,226	736,382

Out of receivables after maturity date in the total amount of SKK 15,821 thousand:

- SKK 7,102 thousand is with maturity up to 3 months, when the Company decided not to create adjusting entries
- SKK 8,719 thousand with maturity above 3 months, which include the following significant items:
 - receivables enforced by law
SKK 2,696 thousand - travel agency TRAIN, Bratislava
 - the most important domestic short-term customers
SKK 354 thousand, Železničná spoločnosť Cargo Slovakia, a.s. Bratislava
SKK 251 thousand, TML Slovensko, s.r.o. Bratislava
SKK 204 thousand, ČSOB Poistovňa a.s. (insurance company) Bratislava

8 Inventories

Text	Amount	
	As on 31 December 2007 (in thousand SKK)	As on 31 December 2006 (in thousand SKK)
Stored material	53,509	170,672
Material sent for external processing	0	400
Fuels in tanks – motive power vehicles and coaches	5,198	5,023
Fuels in tanks of road motor vehicles	33	37
Stored goods and goods at sale points	52	464
Total inventories	58,792	176,596

In terms of IAS 16 Property, Plant and Equipment, as on the 1 January 2007 the Company decided to allocate strategic spare parts from the inventories on store in the acquisition price amounting to SKK 105,293 thousand. Selection of these spare parts was carried out individually after taking into consideration their importance and specific features on the available rail transport market.

No right of lien was established regarding the procured inventories.

9 Financial means and financial equivalents

Item	Amount	
	As on 31 December 2007 (in thousand SKK)	As on 31 December 2006 (in thousand SKK)
Cash counter (211)	5,484	4,474
Stamps (213)	122	158
Cash on bank accounts (221)	427,618	19,256
Cash in transit (261)	18,811	348,262
Total	452,035	372,150

Bank overdrafts form an indivisible part of cash flow management and are included into financial means and financial equivalents in 2007 in the amount of SKK 118,914 thousand.

10 Share capital, capital funds and other funds

Description of the share capital, the amount of subscribed shareholders' equity not registered in the Commercial Register:

Text	2007 In thousand SKK	2006 In thousand SKK
Total share capital	6,400,000	6,400,000
Number of shares (pieces)	64	64
Nominal value of 1 share	100,000	100,000
Value of shares per partner		
– State	6,400,000	6,400,000
Profit per share / loss pre share	-2,123	3,685
Value of subscribed shareholders' equity	6,400,000	6,400,000
Amount of paid-up share capital	6,400,000	6,400,000

The share capital of the Company as on the day of Company establishment consisted of a non-cash deposit of the founder. The financial amount, in which the non-cash deposit was entered as the issuing shares that the sole founder obtained in return for the shares of ceasing Železničná spoločnosť, a.s., and which became the property of the sole founder of ZSSK, amounts to SKK 6,300,000,000. In October 2005 the founder decided to increase the share capital of the Company by SKK 100,000,000 which represents 1 share.

Other capital funds as on 31 December 2007 amount to SKK 793,124,480, the statutory reserve fund as on 31 December 2007 amounts to SKK 630,000,000, and the asset revaluation difference as on 31 December 2007 totals SKK 628,233,563.10.

11 Business result of previous years

Business result of previous years	As on 31 December 2007 (in thousand SKK)	As on 31 December 2006 (in thousand SKK)
Retained earnings of previous years (428) of which:	129,964	44,629
– Asset revaluation difference	129,964	44,629
Unsettled loss of previous years (429) of which:	-1,074,685	-1,310,621
– Unsettled loss of previous years	-307,472	-543,317
– Asset revaluation difference	-767,213	-767,304
Total business result of previous years	-944,721	-1,265,992

12a Trade liabilities and other short-term and long-term liabilities

Trade liabilities and other short-term and long-term liabilities contain:

Text	As on 31 December 2007 In thousand SKK	As on 31 December 2006 In thousand SKK
Trade liabilities	1,011,315	843,092
Un-billed deliveries	150,990	2,425
Liabilities towards employees	95,257	87,768
Liabilities related to social insurance	56,022	53,347
Tax liabilities and subsidies	11,030	9,369
Liabilities resulting from financial lease	26,568	364
Other liabilities	534,796	731,083
Other total short-term liabilities	1,885,978	1,727,448
Long-term financial aid	3,178,844	2,696,694
Long-term liability from financial lease	49,035	522
Other long-term liabilities	53,630	182
of which: liability resulting from financial derivatives	34,804	0
Other total long-term liabilities	3,316,313	2,697,398

The most significant trade liabilities include:

- domestic suppliers, in the amount of SKK 823,510 thousand,
- domestic suppliers – transfer of liability in the amount of SKK 148,536 thousand.

Amount of liabilities before and after maturity

	As on 31 December 2007 In thousand SKK	As on 31 December 2006 In thousand SKK
Liabilities before maturity	4,976,435	4,212,239
Liabilities after maturity	9,917	61,941
Total liabilities	4,986,352	4,274,180

The most important creditors with the highest liabilities, and at the same time related parties, are Eurofima, Železničná spoločnosť Cargo Slovakia, a. s., and ŽSR (as stated under 20 herein).

The liabilities before and after maturity, and the liability structure pursuant to remaining maturity period, include long-term liabilities (liabilities resulting from rent and other financial aid by Eurofima).

The table does not include liabilities towards employees related to social insurance, tax liabilities and social fund liabilities, which are not reported according to their maturity date.

Structure of liabilities pursuant to remaining maturity period

Total liabilities of which	Remaining period to maturity up to 1 year including	Remaining period to maturity from 1 to 5 years, including	Remaining period to maturity more than 5 years
4,976,435	1,713,752	520,678	2,742,005

Liabilities reported according the remaining period to maturity from 1 to 5 years and more than 5 years are liabilities towards Eurofima.

12b Liabilities resulting from employee benefits

12b.1 Short-term liabilities resulting from employee benefits

Text	Amount	
	as on 31 December 2007 (in thousand SKK)	as on 31 December 2006 (in thousand SKK)
Liabilities towards employees (331)	93,505	86,007
Other liabilities towards employees (333)	1,752	1,761
Liabilities towards employees	95,257	87,768
Receivables regarding employees (335)	428	341
Settlement with social and healthcare insurance bodies (336)	56,022	53,347
Of which:		
Healthcare insurance fund – statutory amount (336/1100)	15,472	14,655
Supplementary pension insurance companies	3,364	3,207
Settlement toward the Social Insurance Company	37,186	35,485

Liabilities towards the social fund

	2007 (in thousand SKK)	2006 (in thousand SKK)
Social fund as on 1 January	182	1,190
Creation	12,312	11,762
Drawing	12,349	12,770
Funds were drawn from the social fund for:		
– contributions to food allowances	1,879	1,832
– contributions for labour force regeneration	5,516	6,449
– social aid	765	810
– social aid – long-term disease	918	608
– financial bonuses at work anniversaries	2,961	2,819
– gifts at awarding Jánskeho plaketa	310	252
Balance in the social fund as on 31 December	145	182

12b.2 Long-term liabilities resulting from employee benefits

Text	Amount	
	as on 31 December 2007 (in thousand SKK)	as on 31 December 2006 (in thousand SKK)
Long-term reserve for employee benefits (459)	189,218	189,658
Of which:		
reserve for remunerations at anniversaries	34,183	5,055
reserve for retirement remunerations	0	9,068
reserve for severance pay	155,035	175,535

Further data on creation and drawing of the long-term reserve are part of point 14 of the Notes.

13 Income tax

13.1 Payable income tax

In terms of Slovak Accounting Standards (SAS) the Company reported accounting business result (loss) in the amount of SKK -57,549 thousand as on 31 December 2007. Pursuant to Slovak accounting standards the business result was adjusted by items increasing the result in the amount of SKK 32,242 thousand and by items reducing the result in the amount of SKK 538,914 thousand. As on 31 December 2007 the Company reported a tax loss in the amount of SKK 564,221 thousand in terms of tax legislation.

Pursuant to IFRS the business result of the Company was loss in the amount of SKK -135,890 thousand. The differences in the business result pursuant to SAS and IFRS may be found in the following table.

In thousand SKK	Slovak accounting standards (SAS)	Impact of transfer to IFRS	Difference
as on 31 December 2007			
INCOME			
Income from sale of own products and services (602,605)	2,892,669	2,892,669	–
Other income (644,645,646,648)	5,467,844	5,467,844	–
Other income from business activity	40,696	40,696	–
Total income from business activity	8,401,209	8,401,209	–
Income from financial activity – income from derivative operations (667)	56,404	200,603	-144,198
Other financial income (668)	1,289	1,289	–
Other income from financial activity	231,320	231,320	–
Income from financial activity	289,014	433,212	-144,198
Income from extraordinary activity	278	278	–
Total income	8,690,501	8,834,699	-144,198
OPERATION COSTS			
Repairs and maintenance (511)	1,261,437	1,100,685	160,752
Services (518)	3,126,318	3,093,897	32,421
Other costs (521,523,524,525,527,528)	1,826,377	1,826,377	–
Other operation costs (548)	9,907	9,907	–
Depreciation and amortisation (551)	1,950,181	845,369	1,104,812
Financial costs – interests (562)	196,667	200,730	-4,063
– costs on derivative operations (567)	3,073	284,256	-281,183
Other costs	374,090	1,609,368	-1,235,278
Total costs	8,748,050	8,970,589	-222,539

13.2 Deferred income tax

Reason for deferred tax liability and receivable	as on 31 December 2007 in thousand SKK	as on 31 December 2006 in thousand SKK
Tax residual price of non-current and intangible asset is lower than accounting price	-38,521	-4,050
Adjusting entries to assets	952	0
Liabilities and income taxable after being settled	171	-175
Establishment of reserves that were not recognised for tax purposes	-3,493	30,491
Derivatives and securities	3,327	-1,809
Possibilities to redeem tax loss up to the amount of deferred tax liability	37,564	–
TOTAL	0	24,457

Železničná spoločnosť Slovensko, a.s decided not to bring to book the deferred tax liability as on 31 December 2007 in terms of the Act on Accounting, as in the near future the Company does not expect enough profit to settle deferred tax liability from redemption of losses from previous years.

Besides the above-stated impacts of deferred tax from increase of assets, liabilities and equity, another deferred tax liability arises due to differences between accounting asset value (acquisition price corrected by permanent differences due to revaluation of assets at the time of Company establishment) and their tax basis; at the same time a deferred tax liability arises from the possibility to redeem tax loss in the future, however, it is not probable to reach such a tax basis that would make it possible to settle this liability.

Therefore, the Company decided not to bring into book the above-mentioned amounts in terms of the effective accounting methods.

14 Reserves

Creation and drawing of short-term and long-term reserves in 2007 was as follows:

In thousand SKK

Description of the reserves	As on 1 January 2007	Creation	Impairment	Termination	As on 31 December 2007	Assumed year of utilisation
SHORT-TERM RESERVES:	23,342	0	17,946	5,396	0	
other reserves resulting from contractual relationships	23,342	0	17,946	5,396	0	2008
LONG-TERM RESERVES:	189,658	29,127	29,567	0	189,218	
Severance payment, bonuses at anniversaries and before pension	189,658	29,127	29,567	0	189,218	unspecified

15 Critical accounting estimates and key sources of uncertainty

Text	Amount in thousand SKK	
	as on 31 December 2007	as on 31 December 2006
Estimate of other receivables – passenger coaches	320,682	330,364
Estimate of other receivables – traction performance	74,117	212,866

16 Contingent liabilities and assets

Depreciation and value of future possible liabilities not reported in the Balance Sheet is as follows (in thousand SKK):

Liabilities	Description	Amount
Court dispute liabilities	Passive suits	5,368

Depreciation and value of future rights and obligations not reported in the Balance Sheet is as follows (in thousand SKK):

Rights and obligations	Description	Amount
Court dispute receivables	Active suits	0

17 Information on company income

The Company makes use of income classification by types.

17.1 Revenues from own performance and goods

In thousand SKK

	Total revenues	of which international transport	of which domestic transport	Total revenues
	as on 31 December 2007	as on 31 December 2007	as on 31 December 2007	as on 31 December 2006
Total revenues from own performance and goods	2,894,168			2,906,721
of which:				
Revenues from service delivery (602)	372,839	–	–	333,384
Revenues from goods (604)	1,499	–	–	1,434
Total revenues from transport (605)	2,519,830	753,389	1,766,441	2,571,903
of which:				
Revenues from passenger transport	–	449,208	1,766,441	–
Revenues from passenger coaches performance	–	304,181	–	–

Železničná spoločnosť Slovensko, a.s. carries out transport and business activities by rail. The Company income is made mainly by revenues from international and domestic transport of passengers.

When establishing and approving prices in domestic transport ZSSK complies with a decree of the Railway Regulatory Authority (RRA), which stipulates maximum prices of normal, half, student, monthly and single fare, as well as fares for citizens aged above 70 and children aged under 6 (free transport), holders of a PRM card, discount for parents visiting their children with physical, mental or sensory impairment hospitalized in healthcare institution on the territory of the Slovak Republic. The extent and level of social discounts are limited by the RRA decree. Fares for Tatra Electric Railway, Cog Railway, and TREŽ (Electric Railway Trenčianska Teplá - Trenčianske Teplice) for SC, EC and IC trains and other commercial discounts (types, extent and level) are adopted by the Board of Directors of ZSSK. In terms of the valid Contract on Public Service Obligations (PSO) a carrier may transport passengers for prices lower than stipulated by the RRA decree, however, the Ministry of Transport, Post and Communications of the Slovak Republic must be informed and such decision much be justified with expected benefits.

Pricing methods and their approval for international transport are subject to multilateral and bilateral agreements with foreign railway undertakings.

Revenues from sale of services include mainly revenues from:

- Exceptional transport – the price depends on the requirements of the customer. It is always arranged individually.
- Service trains – the price is made on the basis of costs and is calculated for 1 train-kilometre.
- Exceptional stops and stops outside tariff points – the price is fixed pursuant to the Transport Terms and Conditions of ZSSK.
- Extra trains for special transport of railway employees – in domestic transport the price is constituted by coach rental and price for transport on the territory of the SR. In international transport the price comprises coach rental, price for transport on the territory of the SR and price for transport on foreign infrastructure.

17.2 Significant income items at cost capitalisation

Income items at cost capitalisation	Amount in thousand SKK	
	as on 31 December 2007	as on 31 December 2006
621,2 – Capitalisation of material, goods and services	1,539	2,780
623,4 – Capitalisation of long-term tangible and intangible assets	342	1,021
Total	1,881	3,801

ZSSK, taking into account all its activities, considers capitalisation as an insignificant item.

17.3 Significant items of other income from business activity

Income items at cost capitalisation	Amount in thousand SKK	
	as on 31 December 2007	as on 31 December 2006
Revenues from sale of long-term tangible and intangible assets (641)	545	17,403
Revenues from sale of material (642)	36,771	14,819
Contractual fines, penalties and interests on overdue payment (644)	1,586	1,166
Other fines, penalties and interests on overdue payment (645)	5,407	5,415
Income from written-off receivables (646)	0	5
Other income from business activity (648)	5,460,852	5,243,597
of which: Compensation of the Slovak Republic settling the loss resulting from public service obligations (648/4000)	5,400,000	5,206,000
Total	5,505,161	5,282,405

Sold spare parts from repairs of rolling stock form an important part of income from sale of material. The majority of these spare parts were sold to ZSSK CARGO in terms of effective contract.

State budget subsidy

The Company reports a subsidy from the state budget to cover the operation costs for delivery of public service separately under income account 648/4000.

The amount of compensation from the state budget is stipulated by the Contract on Public Service Obligations related to carriage of passengers by rail. In terms of the Budget Measure of the Ministry of Finance of the SR, in 2007 ZSSK was allocated SKK 5,400 million from the State budget.

17.4 Significant items of financial income and total exchange rate profit

Income item	Amount in thousand SKK	
	as on 31 December 2007	as on 31 December 2006
Revenues from sale of securities and deposits (661)	0	600
Bank interests (662)	6,692	2,946
Exchange rate profit (663)	222,495	639,335
Income from long-term financial assets (665)	2,133	2,472
Income from derivative operations (667)	200,603	231,945
Other financial income (668)	1,289	1,119
Total	433,212	878,417

Income from derivative operations resulted from interest financial derivatives.

17.5 Other income related to damages

Income item	Amount in thousand SKK	
	as on 31 December 2007	as on 31 December 2006
Damages	277	0
Total	277	0

18 Information on company costs

The Company makes use of cost classification by types.

18.1 Consumed material and services

Consumed material and services include the following items:

Cost item	Amount in thousand SKK	
	as on 31 December 2007	as on 31 December 2006
Sold goods (504)	1,110	917
Material consumption (501)	439,244	516,108
Energy consumption (502)	991,506	835,653
Consumed purchases:	1,430,750	1,351,762
Repairs and maintenance (511)	1,100,685	1,312,297
Travelling costs (512)	60,826	65,736
Representation costs (513)	1,923	2,442
Other services (518)	3,093,898	2,831,750
of which: Track access charges	1,767,581	1,561,000
Rolling stock cleaning	103,516	101,413
Auxiliary operation	184,827	210,002
Services of WGS	106,857	104,646
Rental/lease from ZSSK Cargo	56,020	58,358
Operators' performance	34,968	47,817
IT purchase	108,273	132,799
Performance of passenger coaches	278,055	297,074
Traction performance	253,366	76,074
Other services	200,435	242,567
Consumed services:	4,257,332	4,212,225
Total consumed purchases and services:	5,688,082	5,563,987

A significant item within consumed material and services in 2007 is accounted for by energy consumption, repairs and maintenance of rolling stock and other services.

Consumed direct and alternating traction energy accounts for the substantial part of the consumed energy. Costs on repairs regard mainly rolling stock. The Company has a contract for provision of repairs with Železničná spoločnosť Cargo Slovakia, a.s.

To a smaller extent the Company has expenses on repairs of ticket selling devices and also costs on IT equipment repairs, or other devices such as copy machines, printers etc.

The largest item as regards services is settlement of charges for the use of rail infrastructure with ŽSR.

Auxiliary operation presents other significant services, which are related to activities of rolling stock shunting in railway stations, also on wide-gauge tracks, concluded by the contract no. 103/2005 with Železničná spoločnosť Cargo Slovakia, a.s.

Other services include performances of passenger coaches and traction units related to financial settlement for performances of passenger coaches and traction units with foreign railways (i.e. cross-border journeys of traction units and passenger coaches, and related work of locomotive and train crews).

The major item within the rental paid to legal entities is rental to Železničná spoločnosť Cargo Slovakia, a.s. Another important rental is paid to ŽSR, which rents non-residential areas at individual railway stations and administrative premises. Detailed costs break-down of rental is stated in the following table:

Cost on rental	Amount in thousand SKK	
	as on 31 December 2007	as on 31 December 2006
Paid rental – natural entities	386	267
Paid rental – legal entities	25,320	36,327
Paid rental to legal entities – land	237	160
Paid rental – rent of foreign coaches	1,632	1,204
Rental to Železničná spoločnosť Cargo Slovakia, a.s.	56,020	58,358
Paid rental to legal entities – ŽSR	10,535	–
Total	94,130	96,316

Costs on IT services include installations, updating, maintenance, support, counselling and software development, mainly Windows, SAP R/3, V.O. System, IKVC as well as purchase of a smaller extent and service of computing technology.

18.2 Personnel costs

Personnel costs consist of the following items:

Cost item	Amount in thousand SKK	
	as on 31 December 2007	as on 31 December 2006
Wages (521, 523)	1 304 847	1 240 792
of which:		
bonuses at anniversaries (521/1400)	6,986	0
extraordinary remunerations (521/2000)	1,205	1,966
remuneration from the onboard sale of tickets (521/3000)	12,066	2,236
Social security costs	521,530	489,690
of which:		
1. social insurance (524, 525)	462,841	441,121
of which:		
1.1. Statutory social insurance (524/1100)	438,493	412,986
1.2. Supplementary pension insurance (525/1000)	24,011	22,318
2. social costs (527, 528)	58,689	48,569
of which:		
2.1. Severance pay (527/2100)	1,711	683
2.2. Redundancy payment (527/2300)	6,260	3,027
2.3. Regeneration costs (527/3000)	3,984	3,503
2.4. Obligatory and increased contributions to the social fund (527/5000, 527/5010)	12,312	11,762
Total personnel costs:	1,826,377	1,730,482

The statutory body of Železničná spoločnosť Slovensko, a.s. is the Board of Directors, the controlling body is the Supervisory Board and the Director General and Directors of individual Divisions are other company bodies.

Wages and remunerations of statutory, controlling and other company bodies paid in 2006 are as follows:

Item	Amount in thousand SKK	
	2007	2006
Wages	12,920	15,204
Remunerations	1,985	2,629
Total:	14,905	17,833

Wages and remunerations include costs of individual members of the Supervisory Board, Board of Directors and Secretary of the Supervisory Board or the Board of Directors.

Income of body members	Amount in thousand SKK	
	as on 31 December 2007	as on 31 December 2006
Current body members:	1,985	1,114
of which: – statutory	1,284	491
– supervisory	701	623
Former body members:	0	1,514
of which: – statutory	0	792
– supervisory	0	722
Remuneration of the Company management:	1,985	2,628

Železničná spoločnosť Slovensko, a.s. allocates remuneration for a position in the Supervisory Board and the Board of Directors. These amounts are subject to tax and levy obligations in terms of effective legal regulations. Non-cash income, guarantees for liabilities of the body members and advance payments were not granted in 2007. In 2007 no severance payment was paid to former Company body members.

The average number of employees in 2007 is stated in the following table:

Indicator	Total number of employees	Of which managing employees
Average number	4,863.87	–
Number as on 31 December 2007	4,818	116

18.3 Costs on operation

Costs on operation include:

Cost item	Amount in thousand SKK	
	as on 31 December 2007	as on 31 December 2006
Taxes and levies (531, 532, 538)	5,009	5,342
Tax costs	5,009	5,342
Depreciation of long-term tangible and intangible assets (551)	845,369	701,475
Establishment of adjusting items to assets (553)	5,010	0
Depreciation and amortisation	850,379	701,475
Residual value of sold long-term intangible assets (541)	229	16,646
Sold material (542)	25,960	12,078
Presents (543)	0	160
Contractual fines and penalties (544)	218	4,516
Other fines and penalties (545)	-4,614	92
Write-off of irrecoverable receivables (546)	510	34
Establishment of adjusting items to receivables (547)	847	0
Other operation costs (548)	9,907	9,705
Deficits and damages (549)	494	1,272
Establishment of adjusting items (558, 559)	0	13,457
Establishment of statutory and other reserves (552, 554)	0	1,219,725
Other operation costs:	33,551	1,277,685
Total operation costs	888,939	1,984,502

In 2007 reserves for respective cost items were created.

Establishment of reserves is described in more detail in chapter 14 of the Notes.

18.4 Other financial costs

Other financial costs include the following:

Cost item	Amount in thousand SKK	
	as on 31 December 2007	as on 31 December 2006
Sold securities and deposits (561)	0	484
Interests (562), of which:	200,730	169,898
Interests payable to banks – domestic (562/1000)	40,999	44,056
Interests payable to banks – foreign (562/1100)	31,425	43,873
Interests on loans from other than bank institutions (562/2000)	124,129	81,844
Interests on leasing (562/4000)	4,145	125
Other interests (562/9000)	32	0
Exchange rate losses (563)	54,390	213,015
Costs on derivative operations (567)	284,256	78,583
Bank expenses (568)	26,684	24,732
Deficits and damage to financial assets (569)	21	19
Establishment of other reserves to financial costs (574)	0	6,312
Total financial costs	566,081	493,043

19 Related parties

The following entities are related to Železničná spoločnosť Slovensko, a.s.:

Related parties	Registered office
Železnice Slovenskej republiky, Bratislava	Klemensova 8, 813 61 Bratislava
Železničná spoločnosť Cargo Slovakia, a.s.	Drieňová 24, 820 09 Bratislava
EUROFIMA	Rittergasse 20, CH - 4001 Basel

There is an organisational connection between the Company and Železnice Slovenskej republiky and Železničná spoločnosť Cargo Slovakia, a.s.. ZSSK has property connection to the foreign company, Eurofima.

Company	As on 31 December 2007 in thousand SKK	
	Receivables	Liabilities
Železnice Slovenskej republiky	24,411	154,288
Železničná spoločnosť Cargo Slovakia, a.s.	7,618	467,073
Eurofima	0	3,178,844

Ownership interest of the Company in the equities of other foreign entities with insignificant influence as on 31 December 2007 was as follows:

Company	Number of shares (pieces)	Participation in the equities in %	Carrying amount in thousand SKK	Currency	Nominal value of a share	Total nominal value	Acquisition price in foreign currency
Eurofima	1,300	0.50 %	123,306	CHF	10,000	13,000,000	6,094,920.00
BCC	1	0.685 %	25	EUR	750	750	743.68
Total	x	x	123,331				

20 Important suppliers and customers

The most important suppliers of the Company, besides the related parties, in the year ended on 31 December 2007:

Supplier	In thousand SKK
	Total liability towards supplier in 2007
ŽOS Trnava, a.s.	402,236
Železničné opravovne a strojárne Zvolen, a.s.	330,339
ŽOS Vrútky, a.s.	489,324
WAGON SLOVAKIA Košice, a.s.	129,619
Euroclean Slovakia, s.r.o.	123,222
PROSOFT, spol. s r.o.	62,644
LE CHEQUE DEJEUNER s.r.o.	39,453
EVPU a.s.	29,734
CARLEX SLOVAKIA, s.r.o.	28,737
TAGUS, s.r.o.	28,556
Koľajové a dopravné stavby	24,911
SLOVNAFT, a.s.	24,475

The most important customers of the Company, besides the related parties, in the year ended on 31 December 2007:

Customer	In thousand SKK
	Total receivables of the customer in 2007
České dráhy, a.s.,	362,094
ALUEX, s.r.o.	17,683
ÖBB, Österreichische Bundesbahnen	16,473
Magyar Államvasutak Zrt.	13,124
Slovenská pošta a.s. (Slovak Post)	10,337
PKP	8,507
Ministry of Defence of the Slovak Republic	7,498
WAGON SERVICE TRAVEL s.r.o.	7,064
WAGON SLOVAKIA Košice, a.s.	6,105
Bratislava Self-Governing Region	5,790
Rail media, s.r.o.	5,335

In respect to the amount of receivables and liabilities, the Company considers the ceiling of SKK 20 million when choosing important suppliers and SKK 5 million when choosing important customers, as adequate to prove the importance of suppliers and customers.

21 Important information not reported in the financial statements

As on 31 December 2007 the Company records off balance sheet the following important assets, receivables and liabilities:

Title	Title	Amount as on 31 December 2007 in thousand SKK
Assets lent for the use of ZSSK		335
	PC HP Compaq with accessories	335
Record-keeping of the obligations resulting from optional travel tickets		22
	Provided like a prize in competition	14
	Complaints for low-quality service	8
Material in the consignment warehouse of ZSSK		1,652
	Consignment stock	1,652
Assets in use (unsettled)		38,561
	Garages, Bratislava	384
	Repair shop and oil storage	28,463
	Transformer station	209
	Switching station	994
	Oxygen storage	65
	Locomotive hangar for spare locomotives	8,049
	Garages TE	302
	Locomotive hangar - Čermeľ	95
Written-off trade receivables		494
	Kooperatíva poisťovňa, a.s. Bratislava	33
	Kooperatíva poisťovňa, a.s. Nitra	44
	V.T.I., s.r.o. Lietava	185
	Fagus I. - Slovakia, s.r.o. Ublá	96
	Other written-off receivables	136
Receivables from swap operations		1,050,228
	Receivables from swap operations - Eurofima I	38,589
	Receivables from swap operations - Eurofima II	37,970
	Receivables from swap operations - Eurofima III	81,154
	Receivables from swap operations - Eurofima IV	146,615
	Receivables from swap operations - Eurofima V	97,743
	Receivables from swap operations - Eurofima VI	340,369
	Receivables from swap operations - Eurofima VII.A	104,784
	Receivables from swap operations - Eurofima VII.B	127,786
	Receivables from swap operations - Calyon 16	18,345
	Receivables from swap operations - UBS 6	22,806
	Receivables from swap operations - UBS 14'I	17,912
	Receivables from swap operations - UBS 14'II	16,155
Liabilities from swap operations		-985,690
	Liabilities from swap operations - Eurofima I	-19,367
	Liabilities from swap operations - Eurofima II	-31,914
	Liabilities from swap operations - Eurofima III	-71,559

Liabilities from swap operations - Eurofima IV	-148,818
Liabilities from swap operations - Eurofima V	-99,212
Liabilities from swap operations - Eurofima VI	-351,570
Liabilities from swap operations - Eurofima VII.A	-41,156
Liabilities from swap operations - Eurofima VII.B	-59,935
Liabilities from swap operations - Calyon 16	-86,383
Liabilities from swap operations - UBS 6	-33,402
Liabilities from swap operations - UBS 14'I	-27,247
Liabilities from swap operations - UBS 14'II	-15,127

Assets used by the Company, registered off balance sheet

In the accounting period of 2007 the effects of unsettled relationships between Železničná spoločnosť Slovensko, a.s. and ŽSR were still reflected, resulting from the period of establishment of the legal predecessor of the company - Železničná spoločnosť, a.s.

Due to the fact that the process of problematic property settlement as stipulated by Act no. 59/2001 Coll. on Železničná spoločnosť, a.s. was not fulfilled till 31 December 2004, the split-up process incorporated the basic features of further solution.

The specification of the property used by Železničná spoločnosť, a.s., which had and has the nature of unsettled property for the benefit of Železničná spoločnosť Slovensko, a.s., was dealt with in Annex no. 10 of the Project of dissolution of Železničná spoločnosť, a.s. approved by the shareholder on 13 December 2004 and published in the Collection of documents of the Companies' Register.

The Project of dissolution defined 3 types of assets:

1. Eligible assets. Assets in the ownership of ŽSR and kept in the books of ŽSR, which were eligible as an additional deposit of the shareholder into Železničná spoločnosť Slovensko, a.s. as regards the proof of existence and title. The assets were specified in Annex no. 10A of the Project of dissolution. In the course of 2005 the assets were settled in the form of an additional deposit.
2. Assets not formally in the ownership of the Company due to material deficiencies (only tangibles). The assets were formally settled in 2005.
3. Ineligible assets – similarly as in point 1, the Company used the assets in this group, however, they were not eligible as a shareholder's deposit, as they were not formally settled for the benefit of the State. The assets specified in Annex no. 10B remained in this group as on 31 December 2007 as the property of ŽSR, and Železničná spoločnosť Slovensko records them off balance sheet. To settle these assets possible solutions are sought in cooperation with the shareholder and ŽSR. These are immovable assets, for which, despite the shareholder's deposit into the equity of Železničná spoločnosť Slovensko, a.s. at its establishment, the documentation for transfer between the Real Estate Cadastres was missing.

A legal solution had been suggested for these assets in the form of a three-party certificate of ownership that was successfully executed during the first quarter of 2005. All necessary measures were undertaken in 2007 to settle the ownership relations. The negotiations with the relevant parties on settlement of ownership rights will continue also in the next years.

22 Significant events after book closing

No significant events occurred in the Company to be reported.

23 Reconsolidation of equity and business results

Reconsolidation represents changes in selected items of the Balance Sheet as on the date of transfer to IFRS, i.e. as on 1 January 2006.

Balance Sheet in thousand SKK

	Note	Slovak accounting standards (SAS)	Impacts	IFRS
as on 1 January 2006				
Total assets		13,125,343	10,755	13,136,098
Non-current assets				
Long-term intangible assets		102,483	–	102,483
Long-term tangible assets	1	11,699,592	- 9,106	11,690,486
of which: Real estate/lands		100,699	–	100,699
Buildings and constructions	1	220,362	- 2,266	218,096
Machinery, devices and equipment	1	11,236,393	- 6,840	11,229,553
of which: transport vehicles	1	11,146,615	–	11,146,615
Long-term financial assets	6	148,580	–	148,580
Long-term receivables	6	–	–	–
of which: Deferred tax receivable		–	–	–
Financial derivatives		–	–	–
Current assets	6			
Inventories		170,206	–	170,206
Trade receivables and other assets		687,156	19,861	707,017
of which: trade receivables		462,414	19,861	482,275
Tax receivables		281,696	–	281,696
Financial means and financial equivalents		35,630	–	35,630
Assets and liabilities		13,125,343	10,755	13,136,098
Equity and funds				
Share capital		6,400,000	–	6,400,000
Capital funds		1,428,601	758,357	2,186,958
of which: Asset revaluation difference	2	16,209	758,357	774,566
Business result of previous years	3, 4	- 538,309	- 747,442	- 1,285,751
Business result of the current accounting period		–	–	–
Long-term liabilities				
Loans	6	1,050,055	–	1,050,055
Long-term financial aid		1,816,704	–	1,816,704
Long-term reserves		–	–	–
of which: Reserves for employee benefits		–	–	–
Other long-term liabilities	5	3,250	- 160	3,090
of which: Deferred tax liability		–	–	–
Financial derivatives		–	–	–
Short-term liabilities	6			
Loans		1,711,650	–	1,711,650
Trade liabilities		629,083	–	629,083
Liabilities towards employees		89,832	–	89,832
Tax liabilities		10,772	–	10,772
Short-term reserves		428,081	–	428,081
Other liabilities		95,624	–	95,624

The application of IFRS has the following impacts on the assets, equity and liabilities of Železničná spoločnosť Slovensko, a.s.:

Impacts as on 1 January 2006:

1. The Balance Sheet reflects all changes in accounting method of asset evaluation. As of 1 January 2006 the Company started to use the fair value evaluation method in the financial statements pursuant to the International Accounting Standards, instead of the acquisition price method. Details of the impact of changed evaluation method concerning non-current and intangible assets are stated in the chapter called "Reconsolidation of non-current and intangible assets". The value of non-current assets was reduced.
2. The change in evaluation method was also reflected in the equity and liabilities by increase in equity (in terms of accounting principles the increase of non-current asset value was reported as evaluation difference in the amount of SKK 758,357 thousand).
3. The change in evaluation method was also reflected in the equity and liabilities by decrease in the equity (in terms of accounting principles the impairment of non-current assets was reported as a change in business results of previous accounting periods (2005) by increased loss of SKK 767,303 thousand).
4. In accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors, adjustments of errors of previous accounting periods were reported pursuant to IAS 1 Presentation of Financial Statements under changes in business results of previous accounting periods as on the date of transition, i.e. on 1 January 2006.

Adjustments of costs and yields included in particular:

- a penalty by Sociálna poisťovňa (the Social Insurance Company) for 2002, 2003, 2004 for a due sum for sickness insurance and pension security,
- financial settlement with foreign railways for 2005,
- creation of long-term reserve in 2005 for severance payment, bonuses at anniversaries and bonuses at retirement, damages; based on stocktaking of intangible assets and write-offs of intangible assets, allowances for business trips abroad,
- damages, depreciation of intangible assets, allowances for business trips abroad in 2006

Description	Change in 2006 (in thousand SKK)		Change in 2007 (in thousand SKK)	
	Impairment	Increase	Impairment	Increase
Adjustment of tax costs and yields in 2002 (429/4102)	–	–	–	224
Adjustment of tax costs and yields in 2003 (429/4103)	–	–	603	398
Adjustment of tax costs and yields in 2004 (429/4104)	45,801	31,120	–	265
Adjustment of tax costs and yields in 2005 (429/4105)	175,776	227,365	9,917	2,483
Adjustment of non-tax costs and yields in 2005 (429/4205)	52,321	–	–	–
Adjustment of non-tax costs -write-off - in 2005 (429/5200)	–	–	–	2,703
Adjustment of non-tax costs - write-offs - in 2006 (429/5200)	–	–	–	2,889
Adjustment of tax costs and yields in 2006 (429/4106)	–	–	30,676	12,597
Adjustment of costs in 2006 (429/6006)	–	–	–	9,233

5. Long-term trade liabilities (long-term lease liabilities) were reduced due to their obligatory discounting pursuant to IAS 39 Financial Instruments: Recognition and Measurement in the amount of SKK 160 thousand. The given difference does not influence the business result of previous periods.
6. Using the fair value evaluation method in case of other assets (inventories, receivables, etc.) as on 1 January 2006 no change in the Company equity occurred (the reported carrying amount as on 1 January 2006 pursuant to the formerly used method equals fair value evaluation).

When preparing the opening balance as on 1 January 2006, the amounts originally reported in the Company Financial Statements pursuant to Slovak Accounting Standards were modified in accordance with IFRS.

**Reconsolidation of non-current and intangible assets as on 1 January 2006
pursuant to SAS and IFRS in SKK**

Title	Residual value SAS as on 1 January 2006	Fair value IAS/IFRS as on 1 January 2006	Difference as on 1 January 2006 IAS/IFRS SAS reported MD 429/6005	Difference as on 1 January 2006 IAS/IFRS SAS reported D 414/6005
Transformation projects on regional lines	296,012.00	147,168.00	0.00	0.00
Purchased software	19,145,612.00	17, 913,296.00	0.00	0.00
Trademark, logo know-how	667,047.00	667,047.00	0.00	0,00
Technical documentation	0.00	0.00	0.00	0,00
Total intangible assets	20,108,671.00	18,727,511.00	0.00	0,00
Buildings	185,168,964.00	185,168,964.00	0.00	0,00
Constructions	35,192,831.00	32,927,403.00	2,297,183.00	31,755,00
Total buildings and constructions	220,361,795.00	218,096,367.00	2,297,183.00	31,755.00
Central heating equipment	8,936,246.00	7,157,497.00	1,778,749.00	0.00
Machinery in the operation workplaces	12,157,696.00	12,157,696.00	0.00	0.00
Data processing devices	64,774,353.00	40,304,415.60	24,576,980.40	107,043.00
Total machinery and devices	85,868,295.00	59,619,608.60	26,355,729.40	107,043.00
Transport vehicles	11,146,614,708.00	11,166,041,320.00	738,792,037.00	758,218,649.00
Inventory – property in customer centres	3,910,681.00	3,892,062.00	18,619.00	0.00
Real estate/lands	100,698,721.00	100,698,721.00	0.00	0.00
Total non-current and intangible assets	11,577,562,871.00	11,567,075,589.60	767,463,568.40	758,357,447.00

Application of individual IAS/IFRS standards as of 1 January 2006 has the following impact on non-current and intangible assets of the Company:

1. Due to evaluation of non-current assets in their fair value, the asset value was changed as follows:

❖ Increase

- Transport vehicles increased by SKK 758.22 million
- Data processing devices (computers) by SKK 107 thousand
- Constructions by SKK 32 thousand

❖ Impairment

- Transport vehicles decreased by more than SKK 738.8 million
- Data processing devices (computers, MERONY, etc.) reduced by SKK 24.58 million
- Constructions reduced by SKK 2.297 million
- Central heating equipment reduced by SKK 1.778 million

Evaluation in fair value at the same time led to increase and impairment of the same type of assets. The major changes occurred in case of transport vehicles. Evaluation in fair value in case of non-current assets accounts for total impairment by SKK 9.106 million.

2. Intangible assets evaluated pursuant to IAS 38 Intangible Assets and assets not meeting the criteria of this standard were taken out of the category and reported as costs amounting to SKK 1,381 thousand as adjustment to business results in 2005. In case of intangible assets meeting the criteria of this standard, no evaluation differences occurred due to revaluation in fair value. The fair value after assessment by a qualified estimate equals the residual price as on the date of opening balance, i.e. 1 January 2006.
3. Change in evaluation of non-current and intangible assets (altogether) influenced its overall value reduction as on 1 January 2006 by SKK 9.106 million. Impairment of non-current assets was reflected in worse business result in 2005, as costs of previous periods.

Reconsolidation of equity and business results

In thousand SKK

	As on 31 December 2007		As on 31 December 2006	
	SAS	IAS/IFRS	SAS	IAS/IFRS
Shareholders' equity	7,024,136	7,370,747	7,043,334	7,495,975
Business result	-57,549	-135,890	-94,503	235,846

24 Adoption of the financial statements for publication purposes

The Individual Financial Statements of Železničná spoločnosť Slovensko a.s. prepared in accordance with the International Financial Reporting Standards as adopted by the European Union, as on 31 December 2007, pages 1 - 61, were adopted by the Board of Directors of the Company for publication purposes.

Signature of the person responsible for:

Accounting



Ing. Magdaléna Pongóová

Preparation of the Financial
Statements



Ing. Zdenka Stojkovičová

