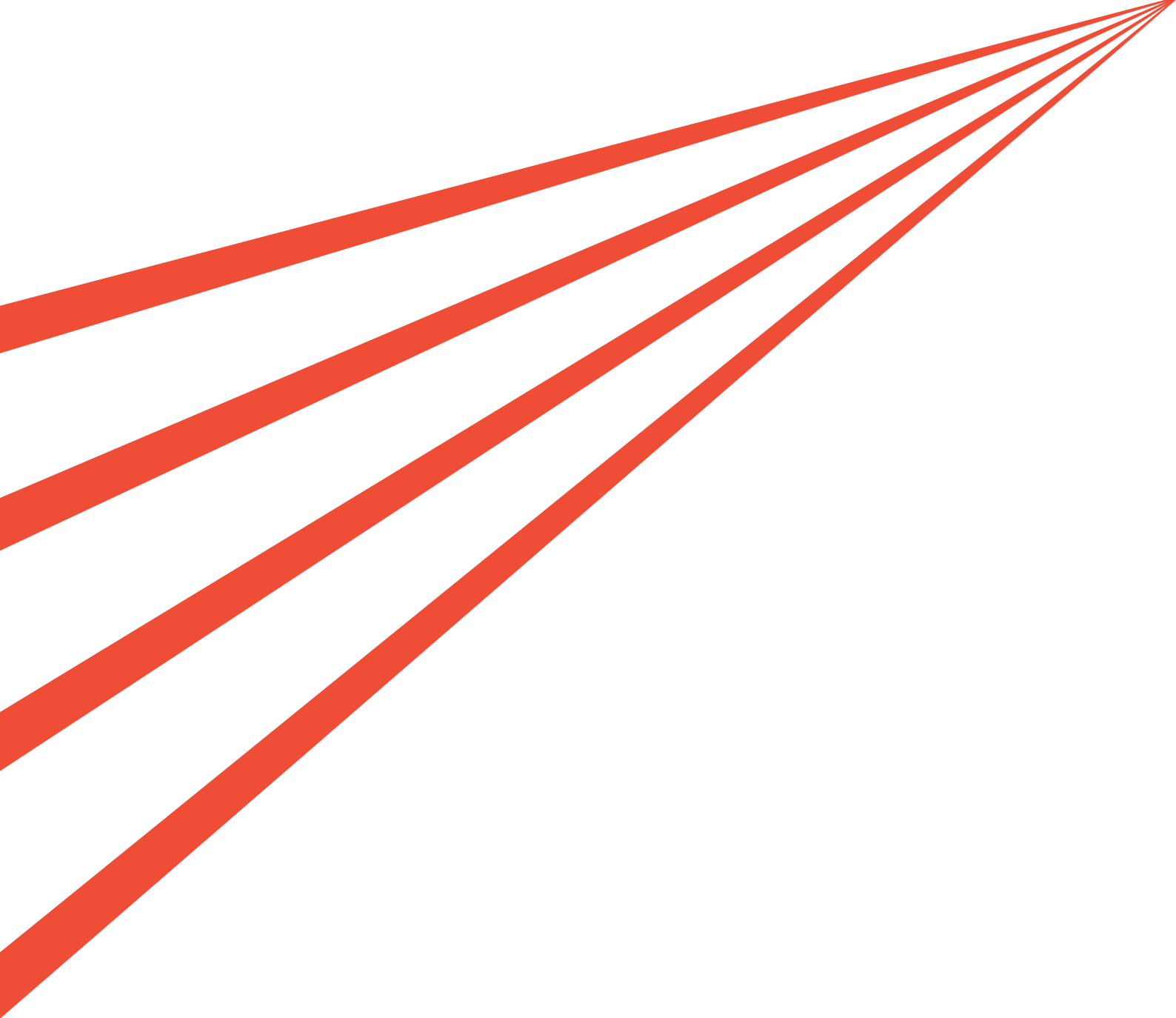


ANNUAL REPORT OF  
ŽELEZNIČNÁ SPOLOČNOSŤ SLOVENSKO, A. S.



**ŽELEZNIČNÁ SPOLOČNOSŤ SLOVENSKO**

**[www.slovakrail.sk](http://www.slovakrail.sk)**



**ŽELEZNIČNÁ SPOLOČNOSŤ SLOVENSKO**

# **Annual Report of Železničná spoločnosť Slovensko, a. s. 2008**

Bratislava, on 22 May 2009

For and on behalf of the company:

Ing. Milan Chúpek, PhD.

Chairman of the Board of Directors

Ing. Pavol Gábor

Vice-Chairman of the Board of Directors

**BDR**  
**Auditing Company**  
**Auditor's report on the consistency of the Annual Report with the Financial Statements**  
pursuant to Act no. 540/2007 Coll., Article 23(5)

To the shareholders of the company:

I. We have audited the Financial Statements of Železničná spoločnosť Slovensko, a.s., with the registered seat in Bratislava, company identification number: 35 914 939, as on 31 December 2008 annexed to the Annual Report, and on 30 April 2009 we stated the following:

*Scope limitation*

We have not been present during the physical stocktaking as on 31 December 2007 as the date preceded our appointment as the company auditor. On these grounds, we could not have assured ourselves of the starting inventory to be consumed and used in the year ended on 31 December 2008.

*Opinion*

In our opinion, except for the impact of the fact stated above, the Financial Statements present an objective overview of the financial situation of Železničná spoločnosť Slovensko, a.s. as on 31 December 2008, as well as the economic results and financial flows for the year then ended, in accordance with the International Financial Reporting Standards and their interpretations as adopted by the EU.

II. We have also audited the consistency of the Annual Report with the aforementioned Financial Statements. The accuracy of the Annual Report's presentation is the responsibility of the Company's management. Our responsibility is to issue an opinion on consistency of the Annual Report with the Financial Statements based on our audit. We conducted our audit in accordance with the International Standards on Auditing. Those standards require that the Auditor plan and perform the audit so as to acquire sufficient assurance that the information disclosed in the Annual Report and presented in the Financial Statements is consistent, in all material respects, with the relevant financial statements. We assessed the consistency of the information presented in the Annual Report with the information presented in the Financial Statements as on 31 December 2008. We have not audited any data or information other than the financial information obtained from the Financial Statements and accounting ledgers. We believe that the auditing evidence that we obtained is sufficient and suitable as a basis for expressing our opinion

In our opinion all financial information presented in the Annual Report is consistent with the aforementioned Financial Statements in all material respects.

In Banská Bystrica, on 22 May 2009

BDR, spol. s r.o. Banská Bystrica  
M.M.Hodžu 3, 974 01 Banská Bystrica  
Licence SKAu no. 6  
Companies' Register of the District Court of Banská Bystrica  
Section: Sro, Entry no.: 98/S, Company ID no.: 00614556  
Ing. Ľudmila Svätová, MBA  
Responsible Auditor  
Licence SKAU no. 936

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# Foreword of the Director General

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2008 was the fourth year of an independent existence of Železničná spoločnosť Slovensko, a.s. (ZSSK) and it may be said to be more successful than the previous one. Even if we still reported loss, it was, however, significantly lower than planned. A similarly positive development was seen in business activities where revenues increased year to year almost by 3.1 %. While in 2007 we recorded decline in passengers, in 2008 we managed to attract them back and 1.6 million more passengers travelled by our trains compared to the previous year. The company increased the average transport distance and also the year-to-year transport volumes grew.

It was our effort to attract the passengers we had been gradually losing back to trains. If we are able to convince new passengers, it will have a positive influence on helping the overburdened road network and improving the quality of the environment. It is gratifying that passenger transport by rail sees a growing share in transported passengers from 9.4% in 2003 to 10.6 in 2007. In the same period bus transport recorded a decline of its share from 90.6% down to 89.4%. Even if rail passenger transport achieved a slight growth, it is far from being sufficient compared to the increase of individual car traffic.

We see a solution in a change of the State approach towards the railway transport and in rendering the railway services more attractive for passengers. The company management will minimize subjective shortcomings that have negative impacts on the cost management of the company, enhance the quality of passenger transport, especially the quality of the train timetable and the overall service quality. The State should not burden railway passenger transport by triple charges for track access compared to road bus transport. Firstly, the conditions on the transport market should be rendered equal as concerns public transport services. The State should also support faster renewal of the obsolete rolling stock fleet. We have incorporated this crucial requirement into the new company strategy which, contrary to the previous one, counts with the EU funds when procuring the rolling stock. Altogether, we have prepared three tenders for renewal, modernisation and purchase of new rolling stock. The first tender for purchase of new rolling stock focused on new double-deck electric units which are to be used in regional traffic. The second tender dealt with procurement of diesel units to run on non-electrified lines. The third tender decided on procurement of train sets hauled or pushed by an electric locomotive. The Project of renewal of the rolling stock fleet for sub-urban and interregional public passenger transport by rail spans over a period of four years. It is co-financed from the European Regional Development Fund, from the State Budget and from own resources of ZSSK.

When assessing the previous year, we should not forget to mention maintaining social reconciliation at railways. It was not easy as railways felt the first signs of the global economic crisis. Employees were concerned not only about worsening of social conditions but about the fate of railway transport in Slovakia as such. At the end of 2008 we had to react to a strike alert which was cancelled only after lengthy negotiations at the level of the Ministry of Transport. The social dialogue, however, continues and its crucial aspect lies in settling problems of economic efficiency of railway undertakings under difficult circumstances of the economic crisis.

Ing. Milan Chúpek

Chairman of the Board of Directors and Director General

# Company Profile

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**Železničná spoločnosť Slovensko, a.s. (a joint-stock company), (ZSSK)**

**Rožňavská 1**

**832 72 BRATISLAVA**

**Company identification no.:** 35 914 939

**VAT registration no.:** SK 2021920076

**Established on:** 1 January 2005

**Capital stock:** SKK 6,400.0 million

**ZSSK** is incorporated in the Companies' Register of the District Court of Bratislava I and was established as of 1 January 2005. Its founder and a 100-percent shareholder is the Slovak Republic, represented by the Ministry of Transport, Post and Telecommunications of the Slovak Republic. ZSSK settles its needs and costs from income obtained from its business activities but also from foreign resources.

The internal organisation of the company is governed by the Establishment Deed, the Statutes of the Joint-Stock Company and the Organisation Order of ZSSK.

The Statutes of the company stipulate the subject of business activities of ZSSK. The core activity is transport of persons on nationwide lines, regional lines and other related activities. The decisive part of passenger transport is carried out as services in public interest based on a State order.

The bodies of the company:

The General Assembly is the supreme body of the company.

The Board of Directors is the statutory body of the company. It is authorised to act for and on behalf of the company in all matters and represents the company in front of third parties, at courts and other bodies. The Board of Directors manages the company activities and decides upon all company matters, unless assigned to other company bodies by legal regulations or company statutes. It consists of five members.

The Supervisory Board is the supreme control body of the company. It supervises the activities of the Board of Directors and business activities of the company. It consists of six members.

The Director General is an executive body of the company.

# Board of Directors of the Company

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**Ing. Milan CHÚPEK, PhD.**

**Chairman of the Board of Directors**

Director General  
of Železničná spoločnosť Slovensko, a.s.

**Ing. Pavol GÁBOR**

**Vice Chairman of the Board of Directors**

Economy Division Director  
of Železničná spoločnosť Slovensko, a.s.

**Ing. Igor KRŠKO**

**Member of the Board of Directors**

Operation Division Director  
of Železničná spoločnosť Slovensko, a.s.

**Ing. Ján KOVÁČIK**

**Member of the Board of Directors**

Service Division Director  
of Železničná spoločnosť Slovensko, a.s.

**Ing. Michal VEREŠ**

**Member of the Board of Directors**

Director of Strategy and International Relations Department  
of Železničná spoločnosť Slovensko, a.s.



# Supervisory Board

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**Ing. Stanislav BOŘUTA**

**Chairman of the Supervisory Board**

**Ing. Miloš MOJŠ**

**Vice Chairman of the Supervisory Board**

**Mgr. Matej AUGUSTÍN**

**Member of the Supervisory Board**

**JUDr. Miroslav BALÁŽ**

**Member of the Supervisory Board**

**Mgr. Jozef SCHMIDT**

**Member of the Supervisory Board**

**Ján GRIEČ**

**Member of the Supervisory Board**

# Scope of Business

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ZSSK performs transport and commercial activities by rail. The scope of business of the company is as follows:

- 1) operation of transport on the railway network – nationwide and regional railways,
- 2) engineering activities, except for selected construction activities,
- 3) advertising and promotional activities,
- 4) copying and photographic activities,
- 5) organisation of education in the field of railway transport,
- 6) manufacturing of spare parts for machines and mechanisms,
- 7) purchase of goods for purposes of their sale to other sole traders (wholesale trade),
- 8) purchase of goods for purposes of their sale to the final consumer (retail trade),
- 9) intermediary activity within the scope of free trade,
- 10) lease of real estates including provision of supplementary services,
- 11) domestic irregular bus transport,
- 12) domestic freight road transport,
- 13) exchange activities,
- 14) sale of software products – sale of ready-made programmes under the contract with the author,
- 15) automated data processing,
- 16) advisory and consultancy services,
- 17) accounting consultants' services,
- 18) bookkeeping,
- 19) forwarding,
- 20) repairs of machines,
- 21) repairs of road motor vehicles,
- 22) provision of mailing services,
- 23) lease of transport vehicles and mechanisms,
- 24) lease of consumer and industrial goods,
- 25) publishing activity within the scope of free trade,
- 26) storage,
- 27) activity of the chief clearance agent,
- 28) metal working,
- 29) geodetic and cartographic work,
- 30) running of technical libraries,
- 31) operation of railway lines – sidings,
- 32) operation of rail transport on railway lines – sidings,
- 33) carrying out of inspections, maintenance, repairs, reconstruction and revision of technical pressure devices,
- 34) carrying out of assembly, inspections, maintenance, repairs, revisions, testing and servicing of specified technical electric devices,
- 35) welding of rolling stock,
- 36) heat production,
- 37) operation of transport on a special line – Detská železnica (Children's Railway) in Košice,
- 38) carrying out of assembly, inspections, maintenance, repairs and reconstruction of rolling stock,
- 39) carrying out of inspection, servicing, revision and testing of selected technical gas equipment,
- 40) carrying out of inspections, maintenance, repairs, servicing and testing of specified lifting devices,
- 41) transport of rolling stock of foreign undertakings by passenger trains,
- 42) luggage storage.

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The company may run business activities in the scope stated above pursuant to the following:

- Licence no. 0950/2007/L to carry out transport services by rail, based on Decision of the Railway Regulatory Authority no. 5711/2006-ÚŘZD/Sk of 26 January 2007 for an unlimited period of time
- Licence no. 01/2007/ŠD/L to carry out transport on a special line – Detská železnica (Children's Railway) in Košice, issued on 29 May 2007 for an unlimited period of time
- Trading licence no. Žo-2005/12195/2/Z25 of 16 March 2005
- Licence Deed no. OŽP-A/2005/48837-2/CR1
- Licence Deed no. OŽP-A/2005/48837-2/C
- Licence Deed no. Žo-2005/12193/2/Z25
- Authorisation no. 3143/2005-ŠDÚ-E/Bt, file no. E-60/2005 to carry out specific activities concerning specific technical electric equipment, issued on 23 December 2005, valid until 31 December 2008
- Authorisation no. 3346/2005-ŠDÚ-Z/Mu, file no.: Z-07/2006 to carry out inspections, maintenance, repairs, servicing, revision and testing of mechanic parts of lifting equipment for own need, issued on 9 February 2006, valid until 9 February 2009
- Permission of the Regulatory Office for Network Industries no. 2005T 0017 of 31 May 2005 for an unlimited period of time
- Authorisation no. K-1/2009 to carry out inspections, maintenance, servicing and revision of specific pressure devices, issued on 16 January 2009, valid until 16 January 2010
- Authorisation no. Zv-34/2008 for welding of rolling stock issued on 5 December 2008, valid until 5 December 2009
- Authorisation no. Z-1/2009 to carry out specific activities concerning specific technical equipment - lifting and transport equipment - movable working platforms on passenger coaches, issued on 8 January 2009, valid until 31 January 2012
- Authorisation no. 30/2007 to carry out assembly, inspections, maintenance, servicing, revision and testing of specific pressure devices, issued on 29 October 2007, valid until 9 August 2010
- Authorisation no. E 72/2008 to carry out inspections, maintenance, repairs, servicing and testing of specific technical devices on electric railway lines, issued on 10 November 2008, valid until 30 November 2011

# Passenger Transport

During the year 2008, **47,184 thousand passengers** were transported by rail, which meant reduction by 1,816 thousand passengers against the plan, i.e. fulfilment of the plan in 96.29 %. In comparison with the last year 1,586 thousand passengers more were transported, i.e. an increase by 3.48 %, of which:

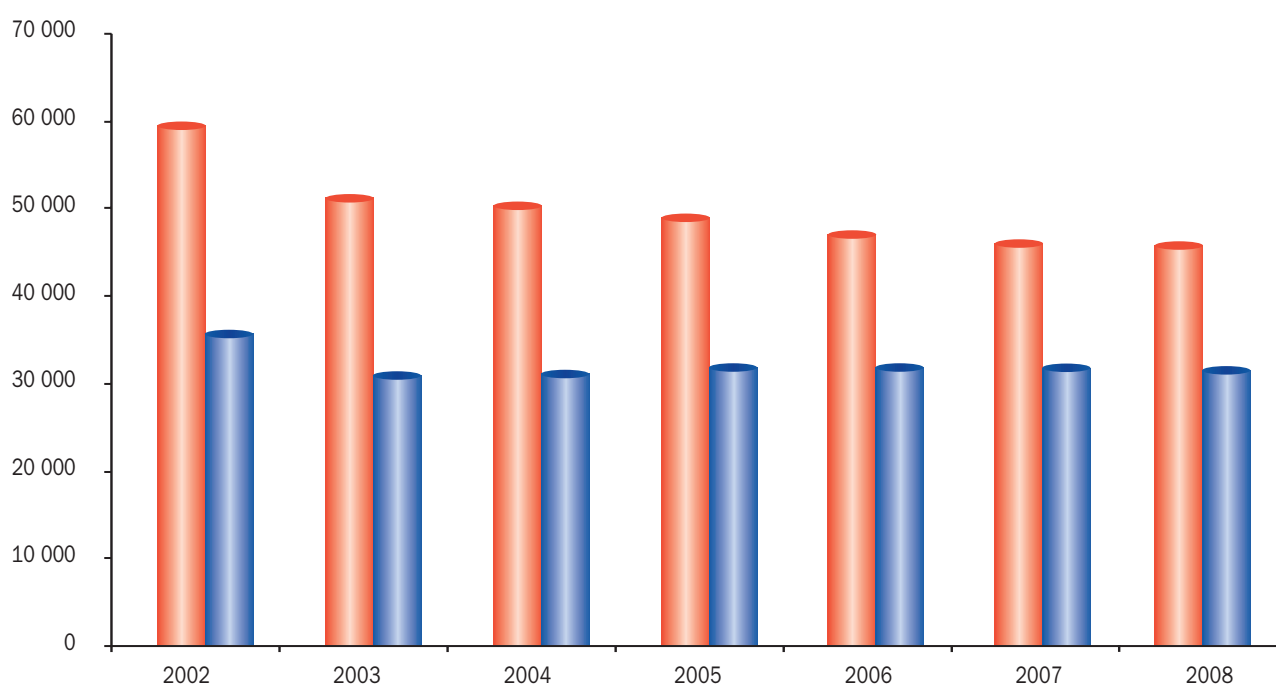
- domestic transport recorded reduction of passengers against the plan by 1,741 thousand passengers (-3.80%) and a year-to-year increase by 1,514 thousand passengers (+ 3.70 %),
- international transport recorded a decrease against the plan by 75 thousand passengers (- 2.32 %) and a year-to-year increase by 72 thousand passengers (+2.33 %).

The total transport volume in **passenger-kilometres** in 2008 amounted to **2,278,659 thousand passenger-km**, which meant reduction by 271,241 thousand against the plan (-10.64%). In comparison with the last year the transport volume increased by 130,703 thousand passenger-km (+ 6.08%).

The total transport volume in **train-kilometres** in 2008 amounted to **31,737,723 train-km**, which meant reduction by 188,255 train-km against the plan (- 0.59 %). In comparison with the last year the transport volume decreased by 150,460 train-km (- 0.47 %)

## Development of volumes in passenger transport:

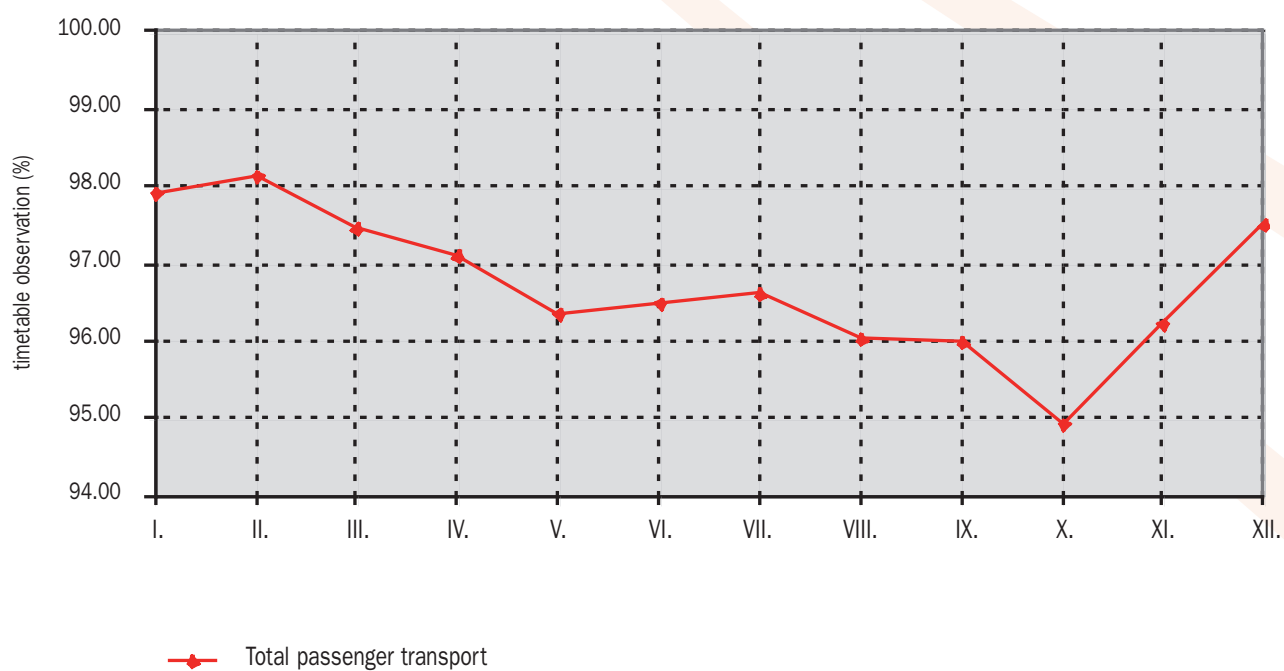
Total passenger transport	2002	2003	2004	2005	2006	2007	2008	2008/2007
Transport volume (million passenger-km)	2,682.300	2,315.600	2,227.300	2,166.200	2,194.200	2,147.960	2,278.660	1.06
Passengers (million)	59.430	51.274	50.268	49.054	47.021	45.598	47.184	1.03
Transport volume (million train-km)	35.580	30.830	31.140	31.750	31.980	31.890	31.740	1.00



- Transported passengers (million passengers)
- Transport volume (million train-km)

The decisive qualitative indicator in passenger transport - observation of the train timetable – was set under the Contract for services in public interest as 93.0 %. In 2008 ZSSK fulfilled this indicator in 96.72 %, which was a result better by 3.72 % as compared to the set limit.

Type of train	Timetable fulfilment (%)		Difference	PSO contract fulfilment in %	Actual numbers 2007	Index 2008/2007
	PSO Contract	Actual numbers				
	2008	2008				
<b>Total passenger transport</b>	<b>93.00</b>	<b>96.72</b>	<b>3.72</b>	<b>104.00</b>	<b>94.02</b>	<b>1.03</b>



# Quality Management System, Certificates

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During its meeting on 26 November 2007, the Board of Directors decided to enhance the level of the quality management systems within the company and set up a timetable until 2015.

In 2008 ZSSK had to accomplish two serious tasks

- to acquire a new certificate for the product of **“ticket sale”**
- to re-certify the original product of **“IC trains on the line of Bratislava – Košice and back”**.

In the first half of 2008, ZSSK carried out a number of internal quality audits in order to assess the facts having impact on the company's possible success in an external certification audit. On 8 – 10 September 2008 the product “Ticket sale” was certified and the product “IC trains on the line of Bratislava - Košice and back” was re-certified for ZSSK. An independent certifying company Bureau veritas certification verified:

- the selected organisation units: Sale Centres in Košice, Humenné, Liptovský Mikuláš, Vrútky, Trenčianska Teplá, Zvolen, Banská Bystrica, Topoľčany, Nové Zámky, and ticket offices in Nitra, Galanta, Bratislava Petržalka
- IC 501 train,

in order to assess whether ZSSK is entitled to obtain again a certificate of quality management system for both products for a period of three years.

***Based on observations during the certification audit, the certifying company stated that Železničná spoločnosť Slovensko, a.s. meets the criteria of the quality management system and therefore, it recommended a quality certificate for the given products to be issued. Since that moment, ZSSK may mark all sale points – ticket offices, as well as all IC train sets on the line of Bratislava – Žilina – Košice and back with an accreditation logo.***

By obtaining the certificate, ZSSK confirmed its effort and ability to maintain and constantly enhance the efficiency of internal processes necessary to meet the customers' requirements and at the same time fulfil the conditions and prerequisites of the Third Railway Package concerning quality standards.

# Strategic Objectives

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## Company vision

Our vision is to become a modern company and a leader on domestic market which is, at the same time, well established on European market of passenger transport by rail, governed by the following principles:

**PROFESSIONAL APPROACH**

**QUALITY**

**ECOLOGY**

**DYNAMISM**

## Company mission

ZSSK has been established as an alternative passenger transport focusing on the territory of the Slovak Republic. Our company delivers services in the field of passenger transport by rail. Customers of our company are broad public defined by concrete market segments.

## Company motto

Trains for people

## Goals of the company strategy

- Long-term satisfaction of customers' requirements
- Fulfilment of the shareholder's expectations (delivery of services in public interest) and sustainable management
- Establishment and maintenance of a long-lasting positive ambiance supporting the stipulated company values.

ZSSK is currently the only undertaking providing passenger railway transport in Slovakia, making the effort to constantly enhance the level of its services with the aim to provide new products able to attract the widest range of customers possible. Customers of our company are broad public defined by concrete market segments. Our strength is the environmentally friendly aspect of transport and the effort to continuously enhance the service quality.

## ZSSK Direction

All business and other activities of ZSSK are carried out so that they would be linked to the current Transport Policy of the Slovak Republic by 2015, which is reflected in the effort to satisfy the constantly growing transport needs of passengers in the requested time and quality, while reducing negative impacts of transport on the environment at the same time. ZSSK fully realises all advantages and pitfalls of the need to implement the principles of the EU Common Transport Policy into the national system and therefore, it actively participates in fulfilling the specific goals of the Transport Policy of the Slovak Republic, in particular: "Establishing transparent and harmonised conditions for competition on the transport market", "Reducing negative impacts of transport on the environment", "Enhancing the quality and development of transport services", "Increasing safety and security of transport" and "Coping with the impacts of transport globalisation".

The cornerstone of the ZSSK's strategic goals is delivery of services in a competitive quality, establishment of a positive company image and a new company culture. These intentions, however, may be fulfilled only on the basis of a market-oriented business policy and a substantial support in the form of renewal and modernisation of the rolling stock fleet, implementation and integration of adequate ICT systems, establishment of a learning organisation and enhancement of internal services.

# International Activities

International activities of ZSSK were pursued in the spirit of continuing participation of the company as an independent rail passenger operator on the European transport market and in the European institutions. Within its international activities, ZSSK participated especially in the work of international organisations active on regional level (associations G-4, V-4) and broader European and worldwide level (CER - Community of European Railway and Infrastructure Companies, UIC - International Union of Railways, and OSJD - Organisation for Railway Cooperation).

Besides technical issues, a crucial theme of international events within the railway sector was the legislative document adopted by the European Parliament - the so-called "Third railway package" and preparation for its implementation. This document, and in particular the Regulation on Passengers' Rights, substantially stipulates the quality and the level of services to be delivered by rail operators in passenger transport. As the package should become effective in 2009, ZSSK faces an uneasy task of getting ready for the new quality dimension of customer services on national and international level. In cooperation with CER, an active dialogue of railway undertakings in the Central and Eastern Europe with various European institutions continues, in particular with the European Commission and its directorates. When preparing the above-mentioned legislative documents, ZSSK intensively cooperated with MTPT representing the Slovak Republic in the respective European institutions.

In the scope of cooperation with the International Union of Railways (UIC) the company employees contributed to the implementation of HyRAIL project. The project funded by the European Commission aimed at summarising the possibilities of the use of alternative fuels in railway sector, as diesel consumption in both passenger and freight transport by rail is still high. Thanks to a direct participation in the project, ZSSK had an opportunity to gain access to important knowledge based on research activities in this field in European and worldwide context. At the same time, our company proved its outstanding experts' reputation within the European railway sector in technical field, which opens up new opportunities of an active participation of ZSSK in further international projects.

Another important activity in 2008 was cooperation with MTPT in adoption of documentation regarding EU financial support for procurement of passenger rolling stock. This documentation stipulates the main priorities of Slovakia for drawing financial support from the EU funds in the period of 2007 – 2013. Thanks to them, our company will have the opportunity to use the EU funds to buy new rolling stock for regional and interregional passenger transport. In this respect the active cooperation and support of the Community of European Railway and Infrastructure Companies (CER) should be pointed out, especially CER activities addressed to respective European institutions, which was confirmed by a visit of CER Executive Director in Slovakia in April 2007 and his negotiations with the MTPT State Secretary.

In the framework of bilateral relations of Železničná spoločnosť Slovensko, a.s., several bilateral meetings of Directors General of European railway undertaking were held in 2008, also at the occasion of meetings of international organisations. These meeting aimed at strengthening and internationalisation of cooperation in passenger transport, especially with railway undertakings from neighbouring countries. The trend of extended and more efficient international cooperation in passenger rail transport is very intensive and unambiguous, also in respect of the prepared European liberalisation of international passenger transport in 2010.

2008 may be considered successful for ZSSK as regards international activities, establishing good conditions for their further development in the future.



## Ownership Interests of ZSSK (as on 31 December 2008)

Entity	Number of shares against equities as on 31 December 2008 (pieces)	Share against equities in %	Acquisition price of the ownership interest in thousand SKK	As on 31 December 2008 in thousand SKK
EUROFIMA	1,300	0.5%	174,883	122,715
Bureau Central de Clearing, s.c.r.l.				

## Transfer of Assets

Based on a decision of the Board of Directors the following sale of movable assets was carried out in 2008:

Subject	Price in thousand SKK
Sale of rolling stock	16,424
Sale of a building in Zvolen and the related land	3,586
Sale of vehicles	832

# Acquisition of Non-Current Assets

(in thousand SKK)

<b>Assets</b>	<b>Acquisition as on 31 December 2008</b>
Purchased software	20,863
Trademark, logo	18,456
Technical documentation	1,289
<b>Total intangible assets</b>	<b>40,608</b>
Procurement of intangible assets	26,896
Advance payment on intangible assets	2,281
<b>TOTAL INTANGIBLE ASSETS</b>	<b>69,785</b>
<b>Lands</b>	<b>31,500</b>
Buildings	10,002
Constructions	16,243
<b>Total buildings and constructions</b>	<b>26,245</b>
Spare parts IAS	0
<b>Total spare parts</b>	<b>0</b>
Power-producing machines	2,475
Working machines	48,050
Devices	82,500
<b>Total machines and devices</b>	<b>133,025</b>
<b>Transport vehicles</b>	<b>1,937,875</b>
of which: capitalisation	223,050
increase from used spare parts, IAS	6,825
<b>Inventory</b>	<b>1,358</b>
<b>Total tangible assets</b>	<b>2,130,003</b>
Procurement of tangible assets	1,683,795
Advance payment on tangible assets	512,720
<b>TOTAL TANGIBLE ASSETS</b>	<b>4,326,518</b>
<b>TOTAL NON-CURRENT ASSETS</b>	<b>4,396,303</b>

# Business Results

The Individual Financial Statements of ZSSK for 2008 are prepared according to the International Financial Reporting Standards (IAS/IFRS) as adopted by the EU and according to the Slovak Accounting Standards stipulated by § 17a of Act on Accounting no. 431/2002 Coll. as amended.

## Business results

The business result of ZSSK planned for 2008 was a loss amounting to SKK 944.3 million.

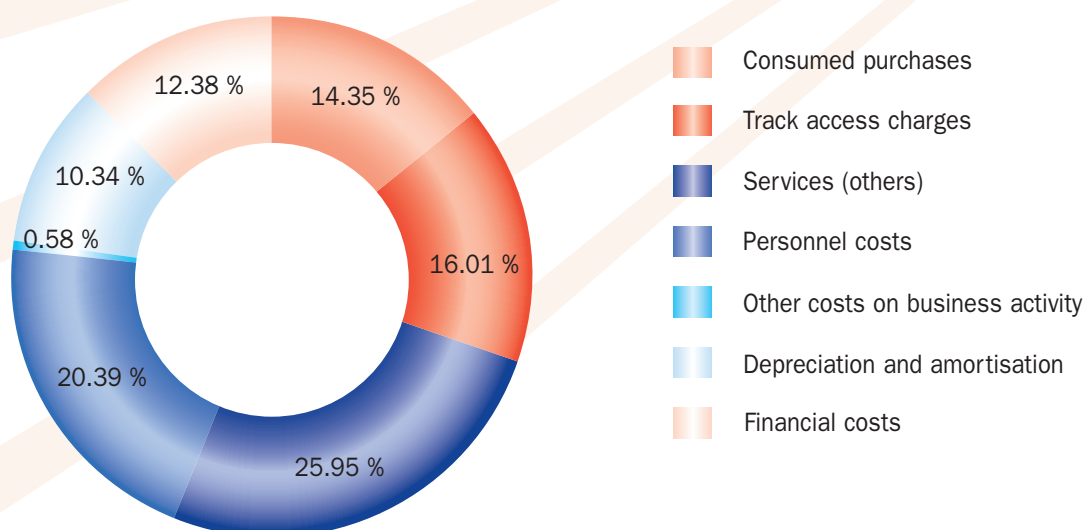
(in thousand SKK)

	Actual figures in 2007	Actual figures in 2008	Difference	Index 2008/2007
Costs	8,970,589	9,795,472	824,883	1.09
Revenues	8,834,699	8,863,539	28,840	1.00
<b>Profit/Loss</b>	<b>-135,890</b>	<b>-931,933</b>	<b>-796,043</b>	

## Expended costs were affected by:

Costs	Actual figures in 2007	Actual figures in 2008	Difference	Index 2008/2007
Material consumption	439,244	514,323	75,079	1.17
Energy consumption	991,506	890,536	-100,970	0.90
Sold goods	1,110	1,197	87	1.08
<b>Total consumed purchases</b>	<b>1,431,860</b>	<b>1,406,056</b>	<b>-25,804</b>	<b>0.98</b>
Repairs and maintenance	1,100,685	1,144,834	44,149	1.04
Fare	60,826	59,641	-1,185	0.98
Representation costs	1,923	2,407	484	1.25
Track access charges	1,767,581	1,568,391	-199,190	0.89
Other services	1,326,317	1,335,383	9,066	1.01
<b>Total services</b>	<b>4,257,332</b>	<b>4,110,656</b>	<b>-146,676</b>	<b>0.97</b>
<b>Total consumed purchases and services</b>	<b>5,689,192</b>	<b>5,516,712</b>	<b>-172,480</b>	<b>0.97</b>
Wages	1,302,862	1,432,463	129,601	1.10
Remuneration for the company body members	1,985	1,644	-341	0.83
Statutory social insurance	462,841	505,992	43,151	1.09
Other personnel costs	58,689	57,207	-1,482	0.97
<b>Total personnel costs</b>	<b>1,826,377</b>	<b>1,997,306</b>	<b>170,929</b>	<b>1.09</b>
<b>Taxes and fees</b>	<b>5,009</b>	<b>2,417</b>	<b>-2,592</b>	<b>0.48</b>
<b>Other costs on business activity</b>	<b>33,551</b>	<b>54,481</b>	<b>20,930</b>	<b>1.62</b>
<b>Depreciation and amortisation</b>	<b>850,379</b>	<b>1,012,962</b>	<b>162,583</b>	<b>1.19</b>
<b>Total financial costs</b>	<b>566,081</b>	<b>1,211,594</b>	<b>645,513</b>	<b>2.14</b>
<b>Total extraordinary costs</b>	<b>0</b>	<b>0</b>	<b>0</b>	
<b>TOTAL COSTS</b>	<b>8,970,589</b>	<b>9,795,472</b>	<b>824,883</b>	<b>1.09</b>

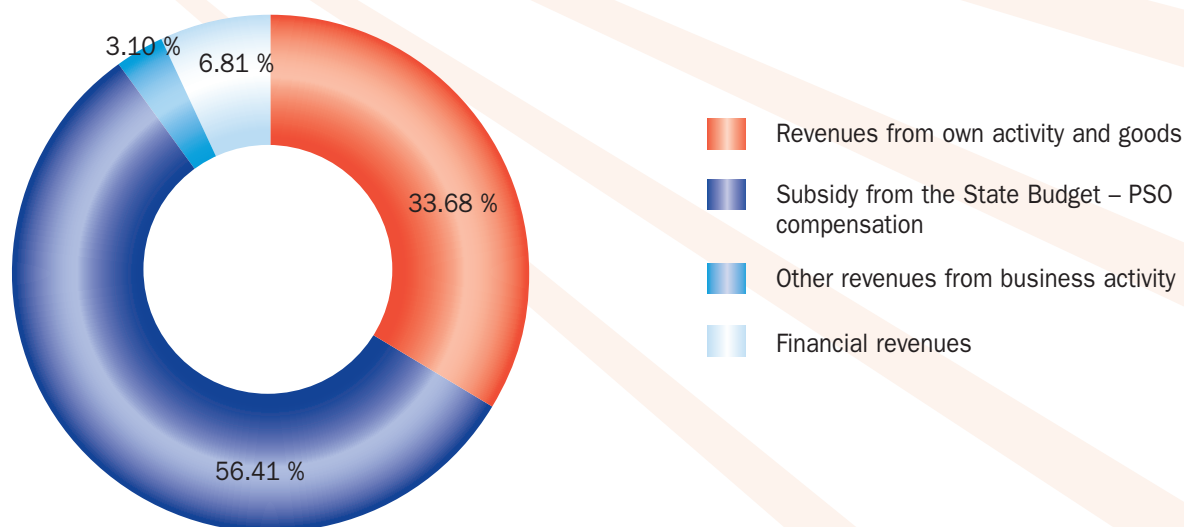
### Cost structure



### Revenues were affected by:

Revenue	Actual figures in 2007	Actual figures in 2008	Difference	Index 2008/2007
Revenues from sale of services	372,839	389,733	16,894	1.05
Revenues from goods	1,499	1,477	-22	0.99
<b>Total revenues from transport (of passengers)</b>	<b>2,519,830</b>	<b>2,594,044</b>	<b>74,214</b>	<b>1.03</b>
of which: revenues from passenger transport	2,215,649	2,318,445	102,796	1.05
revenues from passenger coaches	304,181	275,599	-28,582	0.91
<b>Capitalisation of material, goods and services</b>	<b>1,539</b>	<b>2,713</b>	<b>1,174</b>	<b>1.76</b>
<b>Capitalisation of long-term tangible and intangible assets</b>	<b>342</b>	<b>1,055</b>	<b>713</b>	<b>1.76</b>
Revenues from sale of long-term tangible and intangible assets	545	20,842	20,297	38.24
Revenues from sale of material	36,771	43,216	6,445	1.18
Compensation of loss from services in public interest from the State Budget (a subsidy)	5,400,000	5,000,000	-400,000	0.93
Other revenues from business activities	67,845	207,039	139,194	3.05
<b>Total financial revenues</b>	<b>433,212</b>	<b>603,229</b>	<b>170,017</b>	<b>1.39</b>
<b>Total extraordinary revenues</b>	<b>277</b>	<b>191</b>	<b>-86</b>	<b>0.69</b>
<b>TOTAL REVENUES</b>	<b>8,834,699</b>	<b>8,863,539</b>	<b>28,840</b>	<b>1.00</b>

## Revenues structure



## Use of Contractual Compensation of the Loss for Services in Public Interest in 2008

	2007 (in thousand SKK)	2008 (in thousand SKK)
ŽSR – track access charges	1,684,998	1,529,186
ŽSR – traction energy	920,098	824,692
ZSSK CARGO – purchased services	1,328,086	1,178,355
Substitute bus transport	8,617	8,881
WGS Services	102,348	106,201
Slovnaft – diesel	10,951	46,795
Cleaning of coaches	103,221	98,916
Personnel costs – wages + insurance	1,241,682	1,206,974
Total use	5,400,000	5,000,000
<b>Compensation for service in public interest</b>	<b>5,400,000</b>	<b>5,000,000</b>

In terms of the Budget Provision of the Ministry of Finance of the Slovak Republic in 2008 ZSSK was allocated financial means from the State Budget in the amount of SKK 5,000.0 million.

# Research and Development

Indicator (in thousand SKK)	As on 31 December 2007	As on 31 December 2008
Research costs	6,667	1,797
Development costs, capitalised		
<b>Total</b>	<b>6,667</b>	<b>1,797</b>

ZSSK has no separate organisational units within its structure dedicated and focused directly on research and development. Research and development activities in the conditions of ZSSK focus on preparation of studies, outlook technical documentation and tasks related to development of science and technologies in a contracting way. They should serve mainly to support strategic planning and decision-making, as well as to support technical and investment development of the company (introduction of new technologies and innovative methods).

This documentation serves as the first information for strategic and investment decision making, as it includes analyses and assessment of actual conditions and proposes possible solutions. Work on technical tasks results in comprehensive project documentation, if necessary also in a prototype.

## Tasks financed from operation resources

- Tests on braking bench within UIC Project P000117 (B 126.17) using the BECORIT L 249 1t brake block, configuration 1 x Bg
- Tests of the brake block ICER 906-62 in the configuration of 1 x Bg, pursuant to UIC Leaflet 541-4 within UIC Project P 000117 (B126.3)
- Preparation of an accreditation programme for brake lining of locomotives, diesel and electric wagons and wagons transporting Rola trucks within B 126.3 project
- Tests, assessment and evaluation of parameters of composite brake blocks used in the Eas freight wagon
- Comparative tests on braking bench, in accordance with 3.2 programme pursuant to Directive B 126/RP 18, up to the maximum speed of 200 kmh-1. The task was carried out by the University of Žilina.

The investment means for funding of research and development tasks in 2008 were not drawn.

# Data on Remuneration of the Statutory and Supervisory Bodies of ZSSK

Income of the body members in thousand SKK	2007	2008
<b>Current body members:</b>	<b>1,985</b>	<b>1,644</b>
of which: statutory	1,284	1,284
supervisory	701	360

ZSSK provides monetary remuneration to the members of the Supervisory Board and the Board of Directors. The amounts are subject to tax and other levy obligations in terms of effective legal regulations.

# Important Events after the Balance Sheet Date

At the beginning of 2009 the garages (recorded till the end of 2008 off balance sheet as the unsettled property used by the company, not reported in the Financial Statements and determined for the additional entry into the property of ŽSR – item 21), situated in the yard of the premises in Železničarska and Žabotova streets, were settled by a decision of the MTPT and by being purchased by ŽSR for the purchase price of EUR 55,301.07 EUR (SKK 1,666,000; VAT including) and in 2009 shall be reported as property for sale. This manner of settlement was chosen due to the fact that the premises are for sale, which could not be carried out due to unsettled ownership relationships.

## Settlement of Accounting Loss from 2008

In 2008 ZSSK reached accounting loss of SKK 931,933 thousand.

Settlement of the reported loss – by a transfer to account no. 429 – Unsettled loss of previous periods.

## Human Resources

The planned number of employees as on 31 December 2008 was 5,025, while the actual number as on 31 December 2008 amounted to 4,983, which was less by 0.84% compared to the plan.

Compared to 2007, 2008 saw an increase of the recorded number of employees from 4,818 to 4,983, which represents a growth by 3.42%. The increase in the number of employees was caused mainly by the take-over of repair activities of Železničná spoločnosť Cargo Slovakia, a.s. by Železničná spoločnosť Slovensko, a.s.

### Recorded number of employees:

	2007	2008
<b>Total no. of ZSSK employees</b>	<b>4,818</b>	<b>4,983</b>
Managing processes	121	155
Business Division	1,172	1,127
Operation Division	3,229	3,406
Economy Division	88	81
Services Division	208	214

	2007	2008
<b>Sex of employees</b>	<b>4,818</b>	<b>4,983</b>
Men	2,952	3,083
Women	1,866	1,900

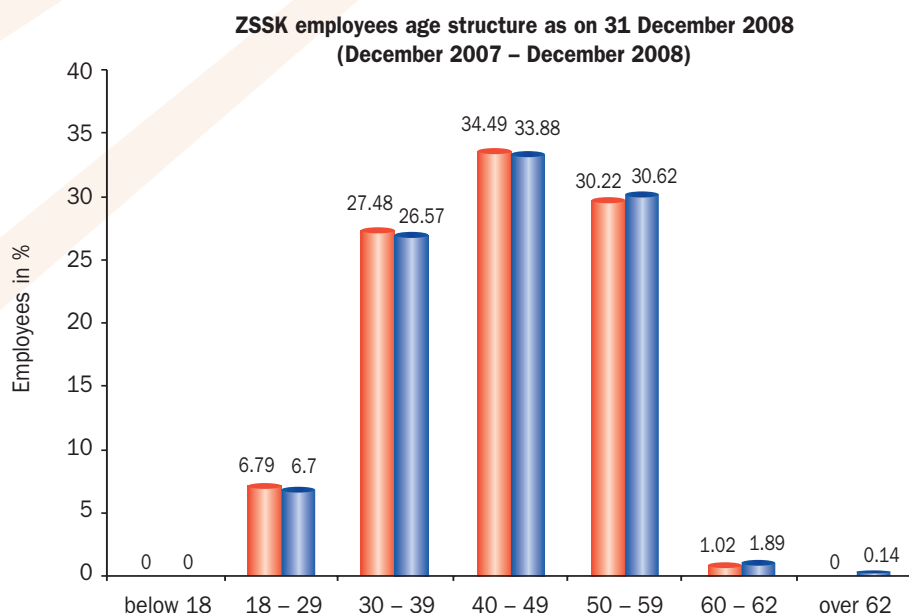
The planned average number of employees per total number was 5,021.39. The actual average number of employees in 2008 was 4,947.34, which means less by 74.05 employees compared to the plan.

The average wage in ZSSK in 2008 reached the amount of SKK 23,841. Compared to 2007, the average wage increased by SKK 1,528; which is a growth by 6.85%.

### Age structure of the employees in 2008

Out of the total number of 4,983 employees, 334 were at the age below 29, 1,324 employees at the age of 30 – 39, 1,688 employees at the age of 40 – 49, 1,536 employees at the age of 50 – 59, 94 employees at the age of 60 – 62 and 7 employees over 62.

### Graph of age structure of ZSSK employees



The facts above show a negative trend in the age structure with a growing number of employees in the higher age categories above 50 years of age. The future aim is to gradually increase the number of employees in the younger age categories.

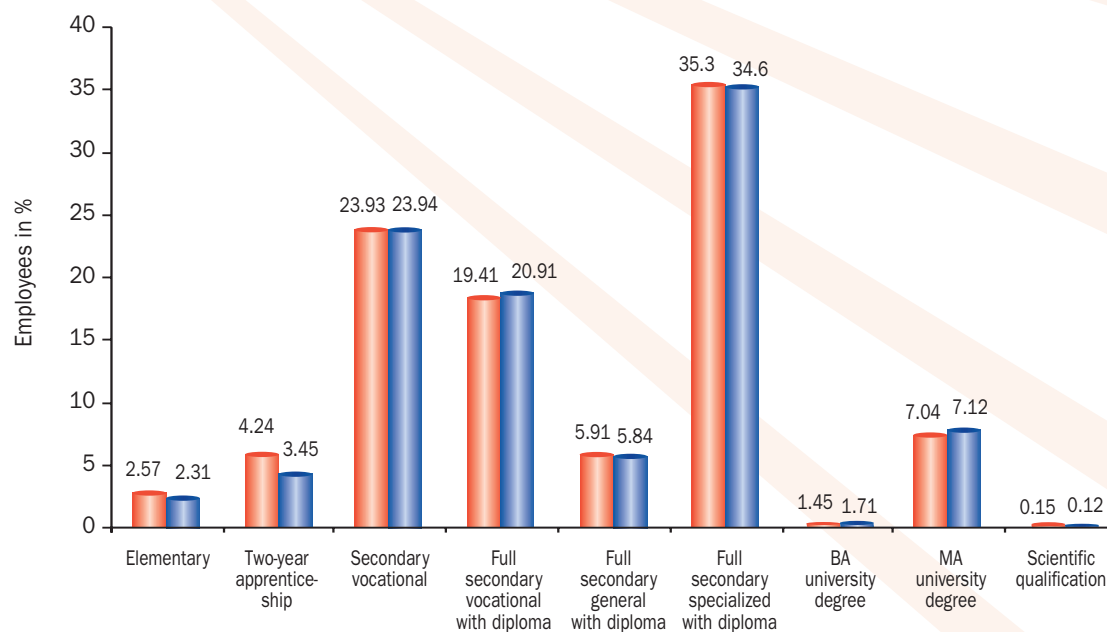
### Education structure of the employees in 2008

As regards qualification, as on 31 December 2008 the company employed 115 employees with elementary education, 172 employees with a two-year apprenticeship, 1,193 employees with secondary education without diploma, 1,042 employees with full upper secondary education with specialisation, 291 employees with full upper secondary education without specialisation, 1,724 employees with full secondary education at vocational schools, 85 employees with BA university degree, 355 employees with MA university degree, 6 employees with scientific qualification.



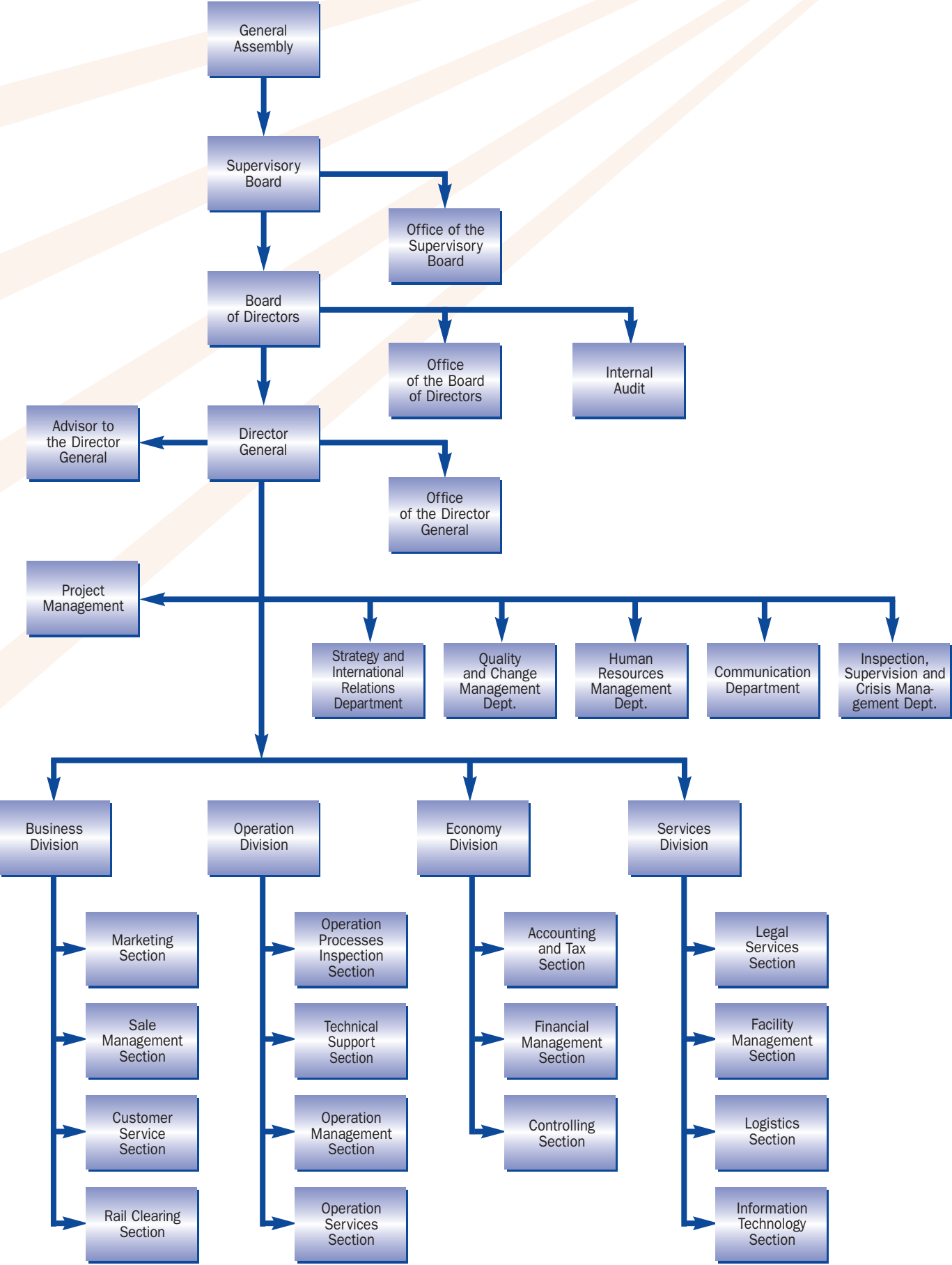
## Graph of education structure in 2008

**ZSSK employees education structure as on 31 December 2008  
(December 2007 – December 2008)**

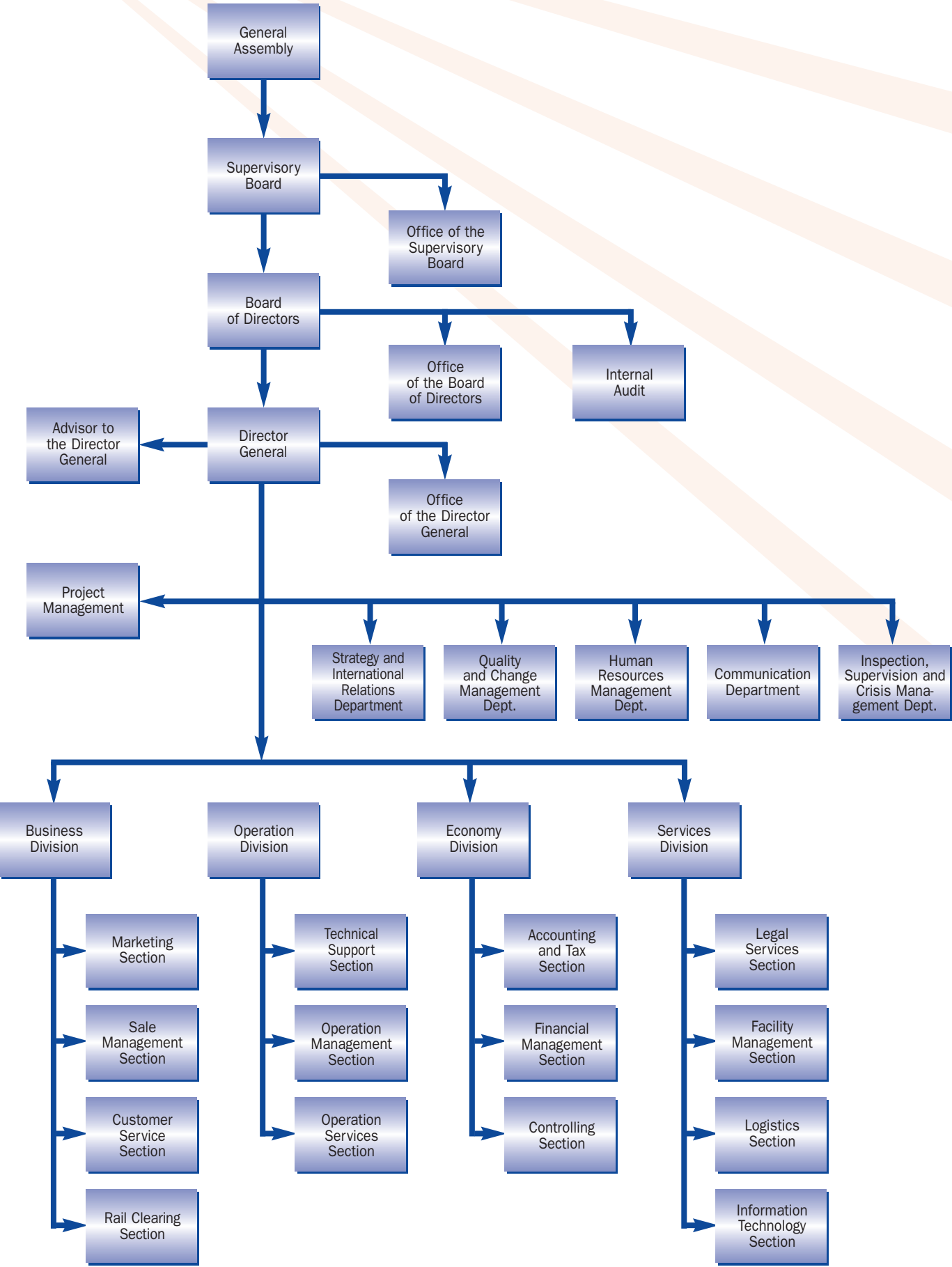


As compared to 2007, the education structure improved due to reduction of employees with elementary education and two-year apprenticeship and thanks to increase in the number of employees with full secondary education with diploma and a university degree.

# Organisational Structure (till 1 February 2008)



# Organisational Structure (from 1 February 2008)



# Organisational Units

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Železničná spoločnosť Slovensko, a.s. has no organisational units.

## List of Used Abbreviations

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<b>CER</b>	Community of European Railway and Infrastructure Companies
<b>EU</b>	European Union
<b>IC</b>	Inter City train
<b>ICT</b>	Information and communication technologies
<b>MTPT SR</b>	Ministry of Transport, Post and Telecommunications of the Slovak Republic
<b>MF SR</b>	Ministry of Finance of the Slovak Republic
<b>OSJD</b>	Organisation for Cooperation of Railways
<b>PSO</b>	Public Service Obligation
<b>RRA</b>	Railway Regulatory Authority
<b>RS</b>	Rolling stock
<b>SR</b>	Slovak Republic
<b>UIC</b>	International Union of Railways
<b>ÚRSO</b>	Regulatory Office for Network Industries
<b>WGS</b>	Wagon Slovakia
<b>VAT</b>	Value Added Tax
<b>ZSSK</b>	Železničná spoločnosť Slovensko, a.s.
<b>ZSSK CARGO</b>	Železničná spoločnosť Cargo Slovakia, a.s.
<b>ŽSR</b>	Železnice Slovenskej republiky

# General Representation of ZSSK at UIC:

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## PARIS

UIC Union Internationale des Chemins de fer  
Internationaler Eisenbahnverband  
International Union of Railways

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75015 Paris

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e-mail: [fazik@uic.asso.fr](mailto:fazik@uic.asso.fr)

– to the Individual Financial Statements of ZSSK for 2008



## **INDEPENDENT AUDITOR'S REPORT for 2008**

**concerning the Financial Statements**

of the joint-stock company  
Železničná spoločnosť Slovensko, a.s.  
Bratislava

**BDR**  
**Auditing Company**

**INDEPENDENT AUDITOR'S REPORT**  
**for the shareholders of Železničná spoločnosť Slovensko, a.s., Bratislava**

We have audited the accompanying Financial Statements of the joint-stock company Železničná spoločnosť Slovensko, a.s., with the registered seat in Bratislava, Company ID No.: 35 914 939, containing the Balance Sheet reported as on 31 December 2008, Profit and Loss Statement, Statement of Changes in Equity, Cash Flow Statement for the year then ended, as well as an overview of the main accounting principles and methods and other explanatory notes. The Financial Statements of the company for the year ended on 31 December 2007 were audited by a different auditor, who expressed their opinion in a report of 24 April 2008 without any objections.

*Company's management responsibility for the Financial Statements*

The management of the company is responsible for elaboration and objective presentation of these financial statements in compliance with the International Financial Reporting Standards as adopted by the EU. This responsibility includes: drafting, implementation and maintenance of internal control relevant for preparation and objective presentation of the financial statements, which shall not contain material inconsistencies whether due to fraud or mistake, choice and application of suitable accounting rules and principles, and preparation of accounting estimates adequate for the given situation.

*Auditor's responsibility*

Our responsibility is to express an opinion on these Financial Statements based on our audit. We have conducted our audit in accordance with the International Standards on Auditing. Those standards require of us to maintain ethical requirements, to plan and conduct the audit so as to acquire sufficient assurance that the Financial Statements do not contain material inconsistencies.

The audit comprises undertaking steps in order to obtain audit evidence on amounts and the data stated in the financial statements. The chosen methods depend on the decision of the auditor, as well as the risk assessment as regards serious inconsistencies in the Financial Statements, either due to fraud or mistake. When assessing this risk the auditor considers the internal control relevant for preparation and objective presentation of the Financial Statements, in order to be able to propose auditing methods suitable for the given situation, however, not with the aim to express opinion on the effectiveness of the internal control of the accounting unit. Furthermore, the audit consists of evaluation of suitability of the applied accounting principles and adequateness of significant accounting estimates stated by the management, as well as assessment of the overall presentation of the Financial Statements.

We are convinced that the auditing evidence that we obtained is sufficient and suitable as a basis for expressing our opinion.

*Scope limitation*

We have not been present during the physical stocktaking as on 31 December 2007 as the date preceded our appointment as the company auditor. On these grounds, we could not have assured ourselves of the starting inventory to be consumed and used in the year ended on 31 December 2008.

*Opinion*

In our opinion, except for the impact of the fact stated above, the Financial Statements present a faithful and objective overview of the financial situation of Železničná spoločnosť Slovensko, a.s. as on 31 December 2008, as well as the economic results and financial flows for the year then ended, in accordance with the International Financial Reporting Standards and their interpretations as adopted by the EU.

### Highlighting certain facts

Without any prejudice to our opinion we would like to draw attention to the following facts:

1. As stated in Note 2.3 to the Financial Statements, increase in the carrying amount of assets due to their revaluation as on the date of transition to the International Financial Reporting Standards, i.e. as of 1 January 2006, was carried out pursuant to IFRS 1 and entered into books against evaluation differences from asset revaluation. As the company did not apply revaluation model but evaluation in fair value at first transition to IFRS with the subsequent use of the cost model, an adjustment in reporting in compliance with IAS 8 was recognised as a correction of mistakes from the previous periods. In 2008 the evaluation difference was debited from the equities and credited to the business result of the previous accounting periods in the amount of SKK 628,393 thousand.
2. As stated in Note 4.2 to the Financial Statements, in 2008 the company changed the reporting of Cash Flow from an indirect to direct method and at the same time changed the approach to assessing bank overdrafts when reporting Cash Flow. In 2008 the bank overdrafts were reported as part of liabilities (loans), compared to 2007 when they were presented as part of financial means.
3. As stated in Note 19 to the Financial Statements, the company has carried out significant transactions with related parties – Železnice Slovenskej republiky, Železničná spoločnosť Cargo Slovakia, a.s. and EUROFIMA.

In Banská Bystrica, on 30 April 2009

BDR, spol. s r.o. Banská Bystrica  
M.M.Hodžu 3, 974 01 Banská Bystrica  
Licence SKAu no. 6  
Companies' Register of the District Court of Banská Bystrica  
Section: Sro, Entry no.: 98/S, Company ID no.: 00614556

Ing. Ľudmila Svätová, MBA  
Responsible Auditor  
Licence SKAU no. 936



# Annex – Individual Financial Statements of ZSSK for 2008

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The Annual Report is annexed with the Individual Financial Statements of ZSSK reported pursuant to the International Financial Reporting Standards (IAS/IFRS) as on 31 December 2008.



