

FINANCIAL STATEMENTS  
2008



ŽELEZNIČNÁ SPOLOČNOSŤ SLOVENSKO



ŽELEZNIČNÁ SPOLOČNOSŤ SLOVENSKO

## **Individual Financial Statements reported pursuant to the International Financial Reporting Standards as on 31 December 2008**

FINANCIAL STATEMENTS 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 2008	As on 31 December 2007 – modified*
<b>Total assets</b>		<b>15,248,943</b>	<b>14,860,514</b>
<b>Fixed assets</b>		<b>13,990,045</b>	<b>13,044,621</b>
Intangible assets – IAS 38	5, 5.2	222,238	236,267
Tangible assets – IAS 16, IAS 17	5, 5.1, 5.5	13,645,069	12,684,174
of which: Land	5	96,685	65,661
Buildings and constructions	5	146,859	125,042
Property, plant and equipment	5	13,334,150	12,240,359
of which: vehicles	5	13,007,901	11,982,078
Investment property – IAS 40	5.4	0	849
Long-term financial assets	6.2	122,738	123,331
<b>Current assets</b>		<b>1,114,796</b>	<b>1,664,245</b>
Long-term receivables	7	78,281	167,380
of which: Deferred tax receivables		0	0
Financial derivatives	6.3, 7	78,281	167,380
Inventories	8	77,800	58,792
Trade receivables and other receivables	7	617,655	688,725
of which: Trade receivables	7	540,065	498,597
Receivables for advance payments on investment property	7	38,545	177,900
Tax receivables	7	312,339	297,313
Financial means and equivalents	9	28,721	452,035
<b>Investments held for sale – IFRS 5</b>	<b>5.3</b>	<b>144,102</b>	<b>151,648</b>

## Cont. of Balance Sheet

(in thousand SKK)

Text	Note	As on 31 December 2008	As on 31 December 2007 – modified*
<b>Equity and liabilities</b>		<b>15,248,943</b>	<b>14,860,514</b>
<b>Equity and funds</b>		<b>6,438,814</b>	<b>7,370,747</b>
Shareholders' equity	10	6,400,000	6,400,000
Capital funds	10	1,423,124	1,423,124
of which: Differences in assets revaluation		0	0
Business results of previous years	11	- 452,377	- 316,487
Business result of the current accounting period	13.1	- 931,933	- 135,890
<b>Long-term liabilities</b>	<b>12a</b>	<b>4,570,360</b>	<b>4,349,983</b>
Credits	6.1	364,487	879,256
Financial lease liabilities	12a	21,425	49,035
Long-term financial assistance	6.1, 12a	3,663,322	3,178,844
Long-term reserves	12a, 14	223,066	207,899
of which: Reserves for fringe benefits	12b, 2, 14	201,065	189,218
Reserves for environmental costs IAS 37	5.1, 14	8,500	0
Other long-term liabilities	12a	298,060	34,949
of which: Deferred tax liability		0	0
Financial derivatives	6.3, 12a	292,285	34,804
<b>Short-term liabilities</b>	<b>12a</b>	<b>4,239,769</b>	<b>3,139,784</b>
Credits	6.1	2,472,204	1,253,806
Financial lease liabilities	12a	27,522	26,568
Trade liabilities	12a	1,025,035	1,019,375
Liabilities towards employees	12a, 12b.1	108,632	95,257
Tax liabilities	12a	14,088	11,030
Short-term reserves	14	344,851	390,441
of which: Reserves for environmental costs IAS 37	5.1, 14	23,000	0
Other liabilities	12a	247,437	343,307

\* in accordance with IAS 8

# Profit and Loss Statement

(in thousand SKK)

## Classification by type

Text	Note	As on 31 December 2008	As on 31 December 2007
Income from transport	17.1	2,594,044	2,519,830
State compensation to cover costs on services in public interest	17.3	5,000,000	5,400,000
Other revenues	17.1-5	1,269,495	914,869
Total income:	17	8,863,539	8,834,699
Costs on sold goods	18.1	1,197	1,110
Consumed purchases and services	18.1	5,515,515	5,688,082
Costs for fringe benefits	18.2	1,997,306	1,826,377
Depreciation and amortisation	18.3	1,012,962	850,379
Financial costs	18.4	1,211,594	566,081
Other costs	18.3	54,481	33,551
Charges and taxes	18.3	2,417	5,009
Total costs	18	9,795,472	8,970,589
Profit/loss in the period	13.1	- 931,933	- 135,890

# Statement of Changes in the Equity

(in thousand SKK)

Text	Equities	Evaluation differences from revaluation of assets and liabilities – modified*	Capital funds	Statutory reserve fund	Profit/loss from the current period	Profit/loss from previous periods	Total
<b>Opening balance as on 31 December 2007</b>	<b>6,400,000</b>	<b>0</b>	<b>793,124</b>	<b>630,000</b>	<b>- 135,890</b>	<b>- 316,487</b>	<b>7,370,747</b>
Change in business results of previous periods	0	0	0	0		0	
Change in accounting rules	0	0	0	0		0	0
<b>Opening balance as on 1 January 2008</b>	<b>6,400,000</b>	<b>0</b>	<b>793,124</b>	<b>630,000</b>	<b>- 135,890</b>	<b>- 316,487</b>	<b>7,370,747</b>
Surplus after revaluation of assets	0	90	0	0		0	90
Surplus after revaluation of financial investments	0	0	0	0		0	0
Settlement of business results of previous periods	0	-90	0	0	135,890	- 135,890	- 90
<b>Business result – not stated in the profit and loss statement</b>	<b>x</b>	<b>x</b>	<b>x</b>	<b>x</b>		<b>x</b>	<b>x</b>
Business result of the current accounting period – stated in the profit and loss statement	0	0	0	0	- 931,933		- 931,933
Other allocation	0	0		0		0	0
<b>Final balance as on 31 December 2008</b>	<b>6,400,000</b>	<b>0</b>	<b>793,124</b>	<b>630,000</b>	<b>- 931,933</b>	<b>- 452,377</b>	<b>6,438,814</b>

\* in accordance with IAS 8

# Cash Flow Statement of Železničná spoločnosť Slovensko, a.s. for 2007 and 2008

(in thousand SKK)

	Note	2008 Actual figures	2007 – modified* Actual figures
<b>A1 Operation income</b>	<b>17</b>	<b>10,028,771</b>	<b>9,151,296</b>
1.1. Income from main activity	17	3,757,704	3,446,631
1.2. Income from services in public interest	17	5,000,000	5,400,000
1.3. Other income	17	535,288	276,443
1.4. Change in current accounts	17	735,778	28,222
<b>A2 Operation costs</b>	<b>18</b>	<b>- 8,441,769</b>	<b>- 7,903,682</b>
2.1. Costs for Železničná spoločnosť Cargo Slovakia, a.s.	18	- 2,180,923	- 2,070,345
2.2. ŽSR – track access charges	18	- 2,114,177	- 2,092,481
2.3. ŽSR – energy consumption	18	- 1,145,354	- 1,113,409
2.3. BCC clearing +/-	18	- 79,493	- 47,891
2.4. WGS services	18	- 136,102	- 127,979
2.5. Wages and other personnel costs	18	- 1,944,212	- 1,815,094
2.6. Insurance	18	- 64,752	- 13,696
2.7. Other operation costs	18	- 776,756	- 622,787
<b>A3 Received interests</b>	<b>17</b>	<b>2,617</b>	<b>6,692</b>
<b>A4 Paid interests</b>	<b>18</b>	<b>- 27,722</b>	<b>- 3,118</b>
<b>A5 Dividends +/-</b>	<b>17</b>	<b>2,138</b>	<b>2,133</b>
<b>A6 Income tax +/-</b>	<b>13</b>	<b>1,133</b>	<b>- 965</b>
<b>A Cash flow from operating activity</b>		<b>1,565,167</b>	<b>1,252,357</b>
<b>B1 Income from sale of long-term assets</b>	<b>17</b>	<b>20,842</b>	<b>0</b>
<b>B2 Purchase of long-term assets</b>	<b>5</b>	<b>- 2,204,714</b>	<b>- 1,352,804</b>
2.1. 06211C62 Reconstruction of motive power units of 735 series to 736 series	5	- 33,171	- 41,650
2.2. 06207C62 Reconstruction of diesel coaches of 810+011 series to 813+913 series	5	- 541,317	- 220,248
2.3. 99621C64 Passenger coaches modernisation (6 Apeer coaches, 17 Bpeer coaches, 15 Aeer coaches, 52 Beer coaches, 20 Bmpeer coaches, 5 Ampeer coaches)	5	- 363,488	- 261,800
2.4. 06209C64 Reconstruction of BRcm to WRRm + joint	5	- 82,050	0
2.5. 06211C64 Modernisation of Bmee to RIC (air conditioning – toilette)	5	- 258,293	- 246,954
2.6. 07001B50 Portable ticket machines renewal	5	- 37,671	- 21,653
2.7. 06503B50 ZSSK diesel management	5	- 40,014	- 28,980
2.8. Other investments	5	- 403,297	- 288,071
2.9. Investments (of previous years)	5	- 445,414	- 243,448
<b>BA Cash flow from investment activity</b>		<b>- 2,183,872</b>	<b>- 1,352,804</b>



	Note	2008 Actual figures	2007 – modified* Actual figures
<b>C1 Financial income</b>	<b>6, 17</b>	<b>4,759,897</b>	<b>625,128</b>
1.1. Bank loans – long-term	6	0	0
1.2. Bank loans – short-term	6	3,861,456	0
1.4. Income from hedging derivative operations	6,17	36,109	38,099
1.5. Currency trading – SPOT	6,17	20,760	4,062
1.6. Income from loans	6	839,275	563,161
1.7. Other financial income	6,17	2,297	1,501
<b>C2 Financial costs</b>	<b>6,18</b>	<b>- 4,316,965</b>	<b>- 214,402</b>
2.1. Costs on instalments of operation bank loans	6	- 3,662,935	0
2.2. Costs on instalments of investment bank loans	6	- 167,828	- 172,747
2.3. Costs on instalments of loans	6	0	0
2.4. Costs on hedging derivative operations	6, 18	- 442,552	- 3,073
2.5. Currency trading – SPOT	6, 18	-21	- 270
2.6. Costs on settlement of liabilities from leasing	6, 18	- 37,121	- 31,282
2.7. Other financial costs	6, 18	-6,508	- 7,030
<b>C3 Paid interests</b>	<b>18</b>	<b>- 214,088</b>	<b>- 180,868</b>
<b>C Cash flow from financial activity</b>		<b>228,844</b>	<b>229,858</b>
<b>Net increase/decrease of financial means and equivalents</b>		<b>- 389,860</b>	<b>129,411</b>
Financial means and equivalents at the beginning of the period	9	452,035	344,156
Financial means and equivalents before exchange rate difference		62,175	473,567
Exchange rate difference		- 33,454	- 21,532
<b>Financial means and equivalents at the end of the period</b>	<b>9</b>	<b>28,721</b>	<b>452,035</b>

\* in accordance with IAS 8

# Notes to the Financial Statements

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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 for 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:
Ing. Milan Chúpek, PhD.	Chairman	11 October 2006
Ing. Pavol Gábor	Vice-Chairman	16 October 2006
Ing. Igor Krško	Member	11 October 2006
Ing. Ján Kováčik	Member	11 October 2006
Ing. Michal Vereš	Member	11 October 2006

**Supervisory body:** Supervisory Board

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

**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, Post and Telecommunications of the Slovak Republic at the General Assembly.

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## 1.4 Date of approval of the financial statements for the previous year

The Individual Financial Statements reported pursuant to the International Financial Reporting Standards were adopted by the General Assembly on 24 September 2008.

## 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 from 1 January 2008 and ending on 31 December 2008 pursuant to the International Financial Reporting Standards in accordance with the Regulation of the European Parliament and of the Council (EC) no. 1606/2002 of 19 July 2002 on the application of international accounting standards and pursuant to Slovak accounting regulations - Article 17a and paragraph 2 of Act no. 431//2002 Coll. on accounting as amended.

The Financial Statements are reported in accordance to IAS1 - Presentation of the financial statements for the year ended on 31 December 2008.

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. These rules were applied consistently in the accounting periods since the transition to reporting pursuant to the international accounting standards, i.e. for the years of 2006 to 2008.

## 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

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### 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"). The Financial Statements for 2008 were reported in accordance with IAS 1.

The accounting methods and principles were used thoroughly for all periods presented in the financial statements.

The company has adopted all new and revised standards and interpretations relevant for its activities as issued by the International Accounting Standards Board (IASB) and the International Financial Reporting Interpretations Committee (IFRIC) at IASB and as adopted for use within the EU, effective as on 1 January 2008.

Adoption of these new and revised standards and interpretations had no impact on changes in the accounting methods of the company.

The company did not apply any of IFRS standards in advance, if such adoption was not required as on the date when the Financial Statements were elaborated.

Certain comparable data was modified to comply with the requirements on presentation of the current period in accordance with IAS 8.

### 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.

In case of a purchase or sale of foreign currency for Slovak currency, the accounting unit shall use the exchange rate, which was used during the purchase or sale of these values. Should the purchase or sale of foreign currency take place at an exchange rate different than the one provided by the bank, the subsidiary of a foreign bank or an exchange office shall make use of the exchange rate in the exchange list, which the bank or the subsidiary of a foreign bank or an exchange office provide for the purchase or sale of the currency in its exchange list on the date of transaction. If the purchase or sale is not done via a bank, a subsidiary of a foreign bank or an exchange office, the exchange rate provided by the National Bank of Slovakia on the transaction date shall be used.

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 transition to IFRS, property, plant and equipment were evaluated in their fair value, excluding any adjusting entries pursuant to IFRS 1. The company makes use of the cost model (model of acquisition costs) pursuant to IAS 16 when evaluating property, plant and equipment.

Property, plant and equipment as on the day of the 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 the date of transition to International Financial Reporting Standards, i.e. as of 1 January 2006, was carried out pursuant to IFRS 1 and entered into the account 414 – evaluation differences. As the company did not use the revaluation model but the fair-value revaluation at the first transition to IFRS with a subsequent use of the cost model, an adjustment in reporting was done pursuant to IAS 8 as a correction of mistakes of the previous periods. In 2008 the revaluation difference was debited to the equity in the favour of the economic result of the past accounting periods in the amount of SKK 628,393 thousand.

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.

Evaluation pursuant to IAS 37 - Provisions, Contingent assets and Contingent Liabilities, i.e. there is a liability which occurred as a result of past periods and the company will report it in the financial statements. ZSSK has established a reserve for environmental costs related to land contamination. The reserve is related to the land estate, and in compliance with IAS 16 it is a part of its evaluation. The reserve is reported in a separate property category - lands, and is depreciated during its set lifespan (a period of assumed economic benefits).

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. The strategic spare parts are depreciated from the moment the future economic benefits start, i.e. it is possible to relate income to the costs (write-offs) or capitalise their consumption as an investment - costs on general repairs. The reclassification to investments was done in their fair value by establishing adjusting entries to their original acquisition price.

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 item are established as the difference between the profit and the carrying amount of the asset and are reported in the Profit and Loss Statement.

### 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,
A reserve for liquidation of a contaminated land under diesel locomotive depot in Poprad	20 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 the business results of previous years – to 2005.

Intangible assets are tested and reported pursuant to IAS 38 Intangible Assets. The assets not meeting the criteria of IAS 38 are reported into costs.

### 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 or 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.

Long-term financial assets - shares in other companies - were, in accordance to IAS 39, at the moment of their initial recognition evaluated in their fair value obtained for the asset, including acquisition costs. The subsequent evaluation depends on their categorisation set by IAS 39. The financial assets of FVPL type (fair Value through P/L) - change of fair value into the profit and loss statement, financial assets of AFS type (Available For Sale) - change of fair value into the equity.

The classification depends on the purpose of acquisition of the given financial asset as is determined at the initial recognition.

### 2.5.1 Derivative financial instruments

As on the day of book closing (i.e. 31 December), the financial derivatives are evaluated by the principle of determining the present value of all financial flows from the given instrument. Expected cash flows were determined either by using calculation of forward interest rates or by stochastic simulation of market variables. Until signing of the contract the value of a financial derivative equals zero.

Forward contracts on interest rates were carried out in order to eliminate unfavourable impacts of variability of interest-rates cash flow in case of payments for financial loans and financial aid. Derivatives are not classified as hedging and the Company does not keep hedge accounting. Derivatives are reported in the 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. As on the day of book closing (i.e. 31 December), the financial derivatives were evaluated by an external company. Change of fair value based on this data was reported in the Balance Sheet as IAS 39 Financial Instruments: Recognition and Measurement in the Profit and Loss Statement.

### 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 60 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 amount of assets is impaired by being credited to the adjusting entry to receivables and debited to account 547 - i.e. it is reported as a result of calculation.

In case a 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 SKK 6,400,000,000 and 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 one 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.

Each company makes the effort to use its resources as effectively as possible in order to find and maintain its position in the market economy with high competition and in order to achieve the best results possible. Employees play a crucial role in the process. Success of each company lies to a great degree on their performance and skills. Therefore, it is important to pay great attention to human resources. A company may achieve increasing of performance of its employees by a suitable motivation and stimulation and thus increase also performance of the whole company. Employers have the possibility to motivate their employees via various fringe benefits. It means that it is not enough only to pay attention to wage level for their work, because the topic of remuneration is much broader.

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. However, it is only the minimal care for employees, and it is certainly not sufficient to motivate them. Other employee benefits are stipulated in the Collective Agreement.

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 to employees of ZSSK
- Directive 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 working 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)
- working time and pauses (a weekly fund of working 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 for obstacles for work exceeding the framework stipulated by Art. 141 of the Labour Code
- looking for 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),
- bonus paid at retirement into disability pension (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).
- compensatory bonus.

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 are reported when a conditional liability towards decontamination arises.

In 2008 ZSSK established a reserve for removal of contaminated soil due to termination of operation of diesel containers in the locomotive depot in Poprad. The obligation to remove contaminated soil results from the effective legislation. Disposal of the contaminated land will be carried out in the period of 2008-2011. The reserve was established in relation to the real estate and in accordance with IAS 16 it is part of its evaluation. The reserve is reported in a separate property category - lands, and is depreciated during its set lifespan (a period of assumed economic benefits).

## 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 2008 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****Rented assets**

When initially recognised, the rented assets are evaluated in the amount equal to the lower of their fair value or present value of the minimum leasing instalments. The respective liability towards the lessor is included in the Balance Sheet as a liability from financial lease. When initially recognised, the assets are reported in compliance with the accounting method used for the given asset category.

Other leasing type is classified as an operating lease and if the Company is a lessee, the leased asset is not included into the Balance Sheet of the Company.

Lease, whereby a substantial part of risks and potential profit related to ownership is borne by the lessor, is classified as operating lease by the lessee. Payments executed within operating lease (after deduction of any discounts by the lessor) are linearly differentiated in time as costs in the Profit and Loss Statement for the lease duration.

**Leasing instalments**

Payments executed on the basis of an operating lease are reported in the Profit and Loss Statement evenly for the duration of the lease. 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.

**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 credits.

Pursuant to the revised accounting principle the acquisition price will include also unexercised VAT and service fees.

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### ***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.

## **2.13 Subsidies**

A subsidy is a form of a state aid and provides an economic benefit to a concrete company, and is limited by strict criteria.

State subsidies - support of the State in the form of transfer of financial means in return for fulfilling certain conditions related to operation activities of the company, are reported as yields in the period when the respective costs are subsidised. (The Contract on services in public interest)

Grants related to non-depreciated assets may require fulfilling of certain obligations. They are reported as yields in the period, in which the costs on fulfilling these obligations are subsidised (IAS 20).



## 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 in 2008 it was 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

ZSSK was exposed to an interest risk due to payment of interest resulting from financial loans and aid. The amount of interests is established either by a fixed or variable interest rate or in a foreign currency. ZSSK decided to hedge the interest risk. Interest instalments may not be flexibly changeable due to changes in the market interest rate. ZSSK management, therefore, decided to hedge the expected interest instalments linked to the main interest rates: 3M EURIBOR and 6M EURIBOR for the loan maturity period, i.e. for the whole period of the loan maturity.

The following table presents the Company's sensitivity to changes (increase/decrease) in interest rates applied by ZSSK by 100 b. p., while all other parameters are constant:

in thousand SKK	
EURIBOR +/- 1 %	+/- 41,129
BRIBOR +/- 1 %	+/- 7,373
LIBOR +/- 1 %	+/- 3,640

#### 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.



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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 2008. 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 fringe benefits. 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 2008 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 2008 was prepared on the basis of data of the past months available at the given date (11 month on average for individual states).

### 4.2 Significant decisions on accounting methods

#### Change of accounting methods

As on the day of the opening balance, 1 January 2006, the Company revaluated its assets at the initial recognition to their fair value in terms of IFRS. Subsequently, the assets are evaluated by the cost model.

The initial 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.

In 2008 the Company changed the reporting of Cash Flow from an indirect to direct method. At the same time the approach to assessment of bank overdrafts changed when preparing CF. In 2008 they are reported as part of liabilities (loans), compared to 2007 when they were reported as part of financial means.

(in SKK)

## 5 Property, plant, equipment and intangible assets

Title	As on 1 January 2008	Adjustments as on 31 December 2008	Additions as on 31 December 2008	Disposals as on 31 December 2008	Impairment IAS 36 reported as adjustments	Residual value as on 31 December 2008	Residual value as on 31 December 2007
Purchased software	261,960,780.00	- 90,233,527.00	20,863,531.00	0.00	0.00	192,590,784.00	209,223,921.00
Trademark, logo	16,567,083.00	- 12,510,594.00	18,455,743.00	0.00	0.00	22,512,232.00	7,916,964.00
Technical documentation	60,000.00	- 412,094.00	1,288,657.00	- 90,000.00	0.00	846,563.00	30,300.00
<b>Total intangible assets</b>	<b>278,587,863.00</b>	<b>- 103,156,215.00</b>	<b>40,607,931.00</b>	<b>- 90,000.00</b>	<b>0.00</b>	<b>215,949,579.00</b>	<b>217,171,185.00</b>
Procurement of intangible assets	19,096,148.00	0.00	26,896,609.00	- 39,703,757.00	0.00	6,289,000.00	19,096,148.00
Advance payments for intangible assets	0.00	0.00	2,280,911.70	- 2,280,911.70	0.00	0.00	0.00
<b>TOTAL INTANGIBLE ASSETS</b>	<b>297,684,011.00</b>	<b>- 103,156,215.00</b>	<b>69,785,451.70</b>	<b>- 42,074,668.70</b>	<b>0.00</b>	<b>222,238,579.00</b>	<b>236,267,333.00</b>
<b>Real estate/lands</b>	<b>100,698,721.00</b>	<b>0.00</b>	<b>31,500,000.00</b>	<b>- 475,552.00</b>	<b>0.00</b>	<b>131,723,169.00</b>	<b>100,698,721.00</b>
Buildings	191,427,466.00	- 7,357,074.49	10,002,278.00	- 893,591.00	0.00	193,179,078.51	186,267,243.00
Constructions	48,832,303.00	- 4,671,821.99	16,242,326.00	- 236,793.33	0.00	60,166,013.68	46,110,117.00
<b>Total buildings and constructions</b>	<b>240,259,769.00</b>	<b>- 12,028,896.48</b>	<b>26,244,604.00</b>	<b>- 1,130,384.33</b>	<b>0.00</b>	<b>253,345,092.19</b>	<b>232,377,360.00</b>
Spare parts IAS	105,292,903.00	- 4,494,766.52	0.00	- 6,824,911.00	4,494,766.52	93,973,225.48	100,283,275.28
<b>Total spare parts</b>	<b>105,292,903.00</b>	<b>- 4,494,766.52</b>	<b>0.00</b>	<b>- 6,824,911.00</b>	<b>4,494,766.52</b>	<b>93,973,225.48</b>	<b>100,283,275.28</b>
Energy machines	8,544,875.00	- 2,542,220.00	2,474,588.00	- 188,000.00	0.00	8,289,243.00	6,616,388.00
Working machines	28,862,352.00	- 4,285,189.00	48,049,963.00	0.00	0.00	72,627,126.00	27,973,846.00
Devices	175,250,986.00	- 105,438,296.00	82,500,429.00	- 3,530,605.00	806,038.00	148,782,514.00	121,315,824.00
<b>Total machinery and devices</b>	<b>212,658,213.00</b>	<b>- 112,265,705.00</b>	<b>133,024,980.00</b>	<b>- 3,718,605.00</b>	<b>806,038.00</b>	<b>229,698,883.00</b>	<b>155,906,058.00</b>
<b>Transport vehicles</b>	<b>13,369,420,665.00</b>	<b>- 2,247,572,097.52</b>	<b>1,937,874,927.00</b>	<b>- 51,596,140.00</b>	<b>0.00</b>	<b>13,008,127,354.48</b>	<b>11,990,060,460.24</b>
of which: capitalisation	308,288,246.00	- 163,429,154.00	223,050,080.00	0.00	0.00	367,909,172.00	238,163,166.00
and increase in spare parts	0.00	- 888,839.00	6,824,911.00	0.00	0.00	5,936,072.00	0.00
<b>Inventory</b>	<b>5,214,718.00</b>	<b>- 1,621,256.00</b>	<b>1,358,500.00</b>	<b>- 23,480.00</b>	<b>0.00</b>	<b>4,928,482.00</b>	<b>4,233,142.00</b>
<b>Total tangible assets</b>	<b>14,033,544,989.00</b>	<b>- 2,377,982,721.52</b>	<b>2,130,003,011.00</b>	<b>- 63,769,072.33</b>	<b>5,300,804.52</b>	<b>13,721,796,206.15</b>	<b>12,583,559,016.52</b>
Procurement of tangible assets	253,111,993.45	0.00	1,683,795,009.73	- 1,869,532,194.00	0.00	67,374,809.18	253,111,993.45
<b>TOTAL TANGIBLE ASSETS</b>	<b>14,286,656,982.45</b>	<b>- 2,377,982,721.52</b>	<b>3,813,798,020.73</b>	<b>- 1,933,301,266.33</b>	<b>5,300,804.52</b>	<b>13,789,171,015.33</b>	<b>12,836,671,009.97</b>
<b>TOTAL NON-CURRENT ASSETS</b>	<b>14,584,340,993.45</b>	<b>- 2,481,138,936.52</b>	<b>3,883,583,472.43</b>	<b>- 1,975,375,935.03</b>	<b>5,300,804.52</b>	<b>14,011,409,594.33</b>	<b>13,072,938,342.97</b>

## 5.1 IAS 16 Property, Plant and Equipment

The most significant items under IAS 16 Property, Plant and Equipment as on 31 December 2008 is rolling stock at the residual value of SKK 12,993,791 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 2008 the asset value was increased by capitalisation. Capitalisation of transport vehicles (rolling stock) in the amount of SKK 223,050 thousand resulted in particular from planned revision of tangible assets.

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. In 2008, due to capitalisation of transport vehicles, the strategic spare parts were reduced in the amount of SKK 6,825 thousand. After taking into consideration reduction in strategic spare parts and impairment of the asset pursuant to IAS 36 amounting to SKK 4,495 thousand, their residual value amounts to SKK 93,973 thousand as on 31 December 2008.

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.

In compliance with IAS 36 Impairment, the self-servicing ticket machines were revaluated to their fair value, which would stem from the market value of repurchase of the given machines. The impairment amounts to SKK 806 thousand. After taking into consideration the asset impairment, the residual value of self-servicing ticket machines amounts to SKK 211 thousand.

As on 31 December 2008 the amount of SKK 73,664 thousand was reported as an unfinished construction. It comprises in particular: SKK 3,026 thousand for Customer Centres, SKK 9,826 thousand for the project of reconstruction of the yard in the locomotive depot in Poprad - Tatry, reconstruction of rolling stock in the amount of SKK 42,431 thousand, SKK 8,105 thousand for energy dispatching and SKK 4,139 thousand for technical documentation to renewal of traction units.

As on 31 December 2008, advance payments for investment procurement were provided in the amount of SKK 38,545 thousand for reconstruction and procurement of transport vehicles.

The acquisition price of unused assets as on 31 December 2008 amounted to SKK 5,487 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 and the level of write-offs represents their moral wear.

Class	Asset	As on 31 December 2008 in thousand SKK	As on 31 December 2007 in thousand SKK
20	Constructions	2,093	2,196
30	Energy machines	0	0
40	Working machines	0	0
50	Devices	0	0
60	Transport vehicles	3,394	9,596
70	Inventory	0	0
	<b>Total</b>	<b>5,487</b>	<b>11,792</b>

**Assets procured due to transition to EUR as on 31 December 2008**

In thousand SKK

Title	Acquisition price	Cumulative write-offs	Carrying amount
3 EUR coin readers	285	-16	269

Pursuant to IAS 37 Reserves, Contingent Liabilities and Contingent Assets, in 2008 the Company created a reserve for re-cultivation of a real estate – costs for removal of contaminated soil located under the diesel-storing containers in the amount of SKK 31,500 thousand. The reserve is created due to termination of operation of diesel containers in the locomotive depot in Poprad and the obligation to remove contaminated soil is stipulated by the effective legislation. Re-cultivation of the real estate will be carried out in the period of 2008 – 2011. The reserve was established in relation to the real estate and in accordance with IAS 16 it is part of its evaluation. The Company decided to report the amount of assets revaluation in the reserve under a separate asset category, and determined the depreciation period to be 20 years (the period of expected economic benefits).

**5.2 IAS 38 Intangible Assets**

IAS 38 Intangible Assets include the IKVC (electronic system of passenger care and ticketing) software as the most significant item, amounting to SKK 163,788 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, the 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 2008 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 20,493 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 the sale of rolling stock, in the carrying amount of SKK 226, thousand as on 31 December 2008.

Based on a proposal of the Board of Directors, on 9 December 2008 the Supervisory Board of the Company agreed with the sale of self-servicing ticket machines in the residual value of SKK 211 thousand as on 31 December 2008.

The assets held for sale are no longer depreciated. These assets are evaluated in the carrying amount or the fair value, reduced by costs related to the sale. The condition, which determines evaluation in the lower of the two values, is decisive for the evaluation.

Class	Title	As on 31 December 2008 in thousand SKK	As on 31 December 2007 in thousand SKK
1	Buildings	106,401	106,401
2	Constructions	85	85
3	Energy machines	1,428	1,428
4	Working machines	–	–
5	Devices	211	
6	Transport vehicles	226	7,982
7	Inventory	714	714
9	Real estate/lands	35,038	35,038
	<b>Total</b>	<b>144,102</b>	<b>151,648</b>

The assets reported pursuant to IFRS 5 include rented assets in the amount of SKK 23,395 thousand (see 5.5.2.2).

#### 5.4 IAS 40 Investment Property

Assets, reported in 2006 under IAS 40 Investment Property, were recognised as assets held for sale in terms of IFRS 5, based on the agreement of MTPT of 4 October 2007.

Due to the fact that the assets were rented until the moment of their purchase by the lessee, the real estate at Jesenského Street in Zvolen in the amount of SKK 849 thousand was reported pursuant to IAS 40. The amount of rental shall cover the write-offs.

On 17 December 2008 the real estate in Jesenského Street in Zvolen was sold to the lessee for a selling price of SKK 3,586 thousand. The residual value of the sold real estate was SKK 829 thousand.

in thousand SKK

Assets	As on 31 December 2008	As on 31 December 2007
Jesenského Zvolen no. 1054	0	849
<b>Total</b>	<b>0</b>	<b>849</b>

In relation to operation of real estates reported pursuant IAS 40 Investment Property, the following costs arose as on 31 December 2008:

Cost item	Object	Amount in thousand SKK
Water consumption	Jesenského Zvolen - rent	2
Construction tax	Jesenského Zvolen - rent	49
Other services and charges	Jesenského Zvolen - rent	3
Depreciation	Jesenského Zvolen - rent	21
<b>Total</b>		<b>75</b>

#### 5.5 IAS 17 Leases

The assets under IAS 17 Leases as on 31 December 2008 include assets procured via financial lease in the category of machines, devices and equipment in the amount of SKK 909 thousand.

Assets	As on 31 December 2008 in thousand SKK	As on 31 December 2007 in thousand SKK
Mercedes-Benz VIANO 2,2 BA 569 NG	277	555
VW PASSAT 3C M1 BA-558 OD	632	893
<b>Total</b>	<b>909</b>	<b>1,448</b>

As on 31 December 2008 the Company's assets in the total amount of SKK 76,753 thousand were rented under operating lease.

As on 31 December 2008 the value of assets within the operating lease, where the Company is the lessee, totals SKK 1,399,834 thousand and EUR 5,730 thousand (SKK 172,622) in case of selected objects.

### 5.5.1 Financial lease

The Company has contracts on financial lease for an automobile VW Passat. The liability stemming from the lease of VW Passat is reported as short-term as the lease contract terminates in 2009.

The Company has concluded a contract on hardware and software with ZSSK CARGO, which is reported as financial lease under IAS 17 Leases.

The acquisition price of the vehicle VW 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

	Carrying amount as on 31 December 2008	Present value as on 31 December 2008
Hardware and software	48,946	48,946

Liabilities from financial lease related to VW Passat and hardware and software as on 31 December 2008 (in thousand SKK) may be analysed as follows:

	Minimal leasing instalments	Present value of minimal leasing instalments
Payable up to 1 year	29,181	25,816
Payable after 1 year	21,888	18,652

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 2008 amounted to SKK 2,808 thousand, and was reported in the business results of 2008.



## 5.5.2 Operating lease

### 5.5.2.1 Company as a lessee

The Company keeps record of the following operating lease:

Leased assets	Leased assets (in thousand)	
	As on 31 December 2008	As on 31 December 2007
Assets rented from ŽSR – buildings	231,908 SKK	217,675 SKK
Assets rented from ZSSK CARGO – buildings	261,989 SKK	220,002 SKK
Assets rented from ZSSK CARGO – tracks	897,893 SKK	44,974 SKK
Apartments for the members of the statutory bodies	469 SKK	469 SKK
Land estate of the vehicle-ramp in Petržalka, Bratislava	1,210 SKK	1,210 SKK
Non-residential premises ZC – BA Staré Mesto	384 SKK	–
Office premises, Bratislava, Rožňavská 1	5,668 EUR	6,377 EUR
Apartment for the representative at the UIC, Paris	61 EUR	92 EUR
Office premises, Trnava	1,205 SKK	1,004 SKK
Topoľčany – apartments for train crews	–	8,160 SKK
Komárno – accommodation for train crews	4,560 SKK	–
Real estate for self-serving fuelling station – Lučenec	216 SKK	–
<b>TOTAL</b>	<b>1,399,834 SKK</b>	<b>493,494 SKK</b>
	<b>5,730 EUR</b>	<b>6,469 EUR</b>

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	2,708	743
Payable in the 2nd to 5th year (including)	195	2,868
Payable after 5 years	–	2,126
<b>Total</b>	<b>2,900</b>	<b>5,737</b>

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

In 2008 rental for operating lease was paid in the amount of SKK 11,595 thousand to ŽSR, SKK 60,385 thousand to Železničná spoločnosť Cargo Slovakia, a.s., SKK 469 thousand for apartments for members of the statutory bodies, SKK 61 thousand for the land of the car ramp in Bratislava, EUR 34 thousand for the apartment for the representative at the UIC in Paris, EUR 709 thousand for office premises in Rožňavská street, Bratislava, and SKK 299 thousand for other office premises.

Operating leases on office premises and premises at railway stations paid to ŽSR, as well as office premises and a 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 2008 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 2008	as on 31 December 2007
IAS 17	Locomotive hangar – Tatranská Štrba no. 1514	6,535	6,715
IAS 17	Social facility, Košice, no. 2673 (bathroom, dressing rooms)	2,686	2,760
IAS 17	Administrative building no.2656	1,605	1,650
IAS 17	Locomotive hangar for MOTO – Rotunda Košice, no. 2654	16,184	16,633
IAS 17	Administrative building – Bratislava no. 10362	2,700	2,775
IAS 17	Administrative building – Žilina, no. 708	18,430	18,940
IAS 17	Electric locomotive hangar – Tr. Teplá, no. 274	4,414	4,536
IAS 17	Land estate 5394/1, Zvolen	761	761
IAS 17	Land estate 5394/21, Zvolen	43	43
<b>Total IAS 17</b>		<b>53,358</b>	<b>54,813</b>
IFRS 5	Podkolibská, Bratislava, Vinohrady 7166/1	2,219	2,219
IFRS 5	Administrative building, Žabotova 14, Bratislava, no. 3212	0	30,633
IFRS 5	Recreation facility, Valčík, Bratislava, no.3532	4,821	4,821
IFRS 5	UNIREST Podkolibská, no. 3532	4,994	4,994
IFRS 5	Bratislava - Staré mesto, 7302/4	11,361	11,361
<b>Total IFRS 5</b>		<b>23,395</b>	<b>54,028</b>
IAS 40	Betamont – Jesenského Zvolen no. 1054	0	849
<b>Total IAS 40</b>		<b>0</b>	<b>849</b>
<b>TOTAL</b>		<b>76,753</b>	<b>109,690</b>

Besides assets reported in the Balance Sheet of the Company, ZSSK rents also assets that have not been settled after the split-up of ŽSR, but are used by ZSSK, with an annual rental in the amount of:

in thousand SKK

Assets	As on 31 December 2008	As on 31 December 2007
Košice, locomotive depot Košice	80	80
Poprad, locomotive depot Poprad	–	–
Land estate, locomotive depot Poprad	–	–
<b>Total</b>	<b>80</b>	<b>80</b>

The administrative building in Rožňavská 1, Bratislava, which is at the same time a rented asset, is partially rented in the amount of SKK 866 thousand.

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:

<b>Rent</b>	<b>In thousand SKK</b>
Payable in the 1st year	480
Payable in the 2nd to 5th year (including)	1,017
Payable after 5 years	1,105
<b>Total</b>	<b>2,602</b>

In 2008 rental for leased assets to ŽSR amounted to SKK 260 thousand, to Železničná spoločnosť Cargo Slovakia, a.s. to SKK 467 thousand, and rental to other entities amounted to SKK 576 thousand.

The Company has concluded lease contracts for unlimited period in the total amount of SKK 787 thousand.

## 6 Financial instruments

### 6.1 Loans

In thousand SKK

As on 31 December 2008

Long-term loans - Bank loans	Currency	Amount in foreign currency	Balance of the principal in SKK	Maturity	Hedging
UBS AG 14	CHF	15,201	306,054	27/10/2011	SERG
UBS AG 6	CHF	11,287	227,247	31/8/2012	SERG
<b>Total</b>	<b>CHF</b>	<b>26,488</b>	<b>533,301</b>		

Long-term loans are further divided according to their maturity. A part of long-term loans, payable in 2009, is reported in the Balance Sheet together with the short-term loans in the amount of **SKK 168,814 thousand**.

In thousand SKK

As on 1 January 2008

Long-term loans - Bank loans	Currency	Amount in foreign currency	Balance of the principal in SKK	Maturity	Hedging
UBS AG 14	CHF	20,764	420,070	27/10/2011	SERG
UBS AG 6	CHF	14,108	285,427	31/8/2012	SERG
<b>Total</b>	<b>CHF</b>	<b>34,872</b>	<b>705,497</b>		

In thousand SKK

As on 31 December 2008

Short-term loans - Bank loans	Currency	Amount in foreign currency	Balance of the principal in SKK	Maturity	Hedging
Calyon Bank Slovakia, a.s.	EUR	–	–	14/9/2008	No hedging
Dexia Banka Slovensko, a.s.	CHF	16,973	341,739	22/8/2009	No hedging
Dexia Banka Slovensko, a.s.	EUR	10,000	301,260	24/8/2009	No hedging
Dexia Banka Slovensko, a.s.	SKK	–	278,532	25/6/2009	No hedging
UniCredit Bank, a.s.	SKK	–	–	–	No hedging
Slovenská sporiteľňa, a.s.	SKK	–	641,939	30/9/2009	No hedging
Tatra banka, a.s.	SKK	–	246,386	30/9/2009	No hedging
Tatra banka, a.s.	EUR	6,000	180,756	7/1/2009	No hedging
VÚB, a.s.	EUR	6,550	197,325	22/1/2009	No hedging
VÚB, a.s.	SKK	–	115,453	12/5/2009	No hedging
<b>Total loans in the currency</b>	<b>CHF</b>	<b>16,973</b>	<b>341,739</b>		
	<b>EUR</b>	<b>22,550</b>	<b>679,341</b>		
	<b>SKK</b>		<b>1,282,310</b>		
<b>Total loans in the currency</b>	<b>SKK</b>		<b>2,303,390</b>		

The long-term loan from Dexia Bank Slovensko, a.s. amounting to CHF 16,973 thousand was reported into short-term loans and is recognised together with other short-term loans in the Balance Sheet.

In thousand SKK

As on 1 January 2008

Short-term loans – Bank loans	Currency	Amount in foreign currency	Balance of the principal in SKK	Maturity	Hedging
Calyon Bank Slovakia, a.s.	EUR	16,000	537,648	14/9/2008	No hedging
Dexia Banka Slovensko, a.s.	CHF	–	343,386	22/8/2009	No hedging
Dexia Banka Slovensko, a.s.	SKK	–	34,844	27/6/2008	No hedging
Slovenská sporiteľňa, a.s.	SKK	–	283,473	30/9/2008	No hedging
Tatra banka, a.s.	SKK	–	204,161	30/9/2008	No hedging
VÚB, a.s.	SKK	–	24,054	14/11/2008	No hedging
<b>Total loans in the currency</b>	<b>EUR</b>	<b>16,000</b>	<b>537,648</b>		
	<b>CHF</b>	<b>16,973</b>	<b>343,386</b>		
	<b>SKK</b>	<b>–</b>	<b>546,532</b>		
<b>Total loans</b>	<b>SKK</b>	<b>–</b>	<b>1,427,566</b>		

In thousand SKK

As on 31 December 2008

Long-term financial aid	Currency	Amount in foreign currency	Amount in SKK	Maturity	Hedging
Eurofima I (Contract no. 2535)	EUR	6,500	195,819	22/8/2011	Rolling stock
Eurofima II (Contract no. 2551)	EUR	6,500	195,819	22/8/2011	Rolling stock
Eurofima III (Contract no. 2574)	EUR	10,000	301,260	11/2/2013	Rolling stock
Eurofima IV (Contract no. 2593)	EUR	15,000	451,890	4/2/2014	Rolling stock
Eurofima V (Contract no. 2616)	EUR	10,000	301,260	4/2/2014	Rolling stock
Eurofima VI (Contract no. 2651)	EUR	30,000	903,780	6/3/2015	Rolling stock
Eurofima VII.A (Contract no. 2670)	EUR	8,000	241,008	7/4/2016	Rolling stock
Eurofima VII.B (Contract no. 2694)	EUR	8,600	259,084	3/4/2017	Rolling stock
Eurofima VIII.A (Contract no. 2694)	EUR	14,000	421,764	3/4/2017	Rolling stock
Eurofima VII.B (Contract no. 27314)	EUR	13,000	391,638	29/9/2020	Rolling stock
<b>Total</b>	<b>EUR</b>	<b>121,600</b>	<b>3,663,322</b>		

In thousand SKK

As on 1 January 2008

Long-term financial aid	Currency	Amount in foreign currency	Amount in SKK	Maturity	Hedging
Eurofima I (Contract no. 2535)	EUR	6,500	218,420	22/8/2011	Rolling stock
Eurofima II (Contract no. 2551)	EUR	6,500	218,420	22/8/2011	Rolling stock
Eurofima III (Contract no. 2574)	EUR	10,000	336,030	11/2/2013	Rolling stock
Eurofima IV (Contract no. 2593)	EUR	15,000	504,045	4/2/2014	Rolling stock
Eurofima V (Contract no. 2616)	EUR	10,000	336,030	4/2/2014	Rolling stock
Eurofima VI (Contract no. 2651)	EUR	30,000	1,008,090	6/3/2015	Rolling stock
Eurofima VII.A (Contract no. 2670)	EUR	8,000	268,824	7/4/2016	Rolling stock
Eurofima VII.B (Contract no. 2694)	EUR	8,600	288,986	3/4/2017	Rolling stock
<b>Total</b>	<b>EUR</b>	<b>94,600</b>	<b>3,178,845</b>		

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

in thousand SKK

Currency	Loan		Loan	
	Foreign currency	SKK	Foreign currency	SKK
CHF	43,461	875,040	51,844	1,048,882
EUR	144,150	4,342,663	110,600	3,716,492
SKK		1,282,310		546,532
<b>Total</b>	<b>x</b>	<b>6,500,013</b>	<b>x</b>	<b>5,311,906</b>

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

in thousand SKK

Maturity	As on 31 December 2008	As on 31 December 2007
Payable in the 1st year	2,472,204	1,253,806
Payable in the 2nd year	168,814	513,013
Payable in the 3rd year	530,498	169,627
Payable in the 4th year	56,812	576,368
Payable in the 5th year	301,260	57,086
Mature after 5 years	2,970,424	2,742,005
<b>Total</b>	<b>6,500,012</b>	<b>5,311,905</b>

## 6.2 Information on capital management

The calculation of the ratio between the total capital and foreign resources (gearing ratio):

In thousand SKK

		31 December 2007	31 December 2008
<b>Total loans</b>	loans and aid	<b>5,311,906</b>	<b>6,500,013</b>
<b>Financial means</b>	financial accounts	<b>452,035</b>	<b>28,721</b>
	cash	5,607	3,875
	bank accounts	446,428	24,846
<b>= Net debt</b>		<b>4,859,871</b>	<b>6,471,292</b>
<b>Total capital = total liabilities (foreign resources + equity)</b>		<b>14,860,514</b>	<b>15,248,943</b>
<b>Shareholders' equity</b>	Shareholders' equity	<b>7,370,747</b>	<b>6,438,814</b>
	Share capital	6,400,000	6,400,000
	Capital funds	1,423,124	1,423,124
	Funds from profit	0	0
	Profit/loss for the current period	- 135,890	- 931,933
	Profit/loss from previous years	- 316,487	- 452,377
<b>Foreign resources</b>	liabilities	<b>7,489,767</b>	<b>8,810,129</b>
	reserves	598,340	567,917
	long-term liabilities	83,984	319,485
	short-term liabilities	1,495,537	1,422,714
	bank loans and borrowings	5,311,90	6,500,013
<b>Ratio of net debt and total capital</b>		<b>33%</b>	<b>42%</b>

Capital management by ZSSK complies with the objectives set in the ZSSK Development Strategy for 2006 - 2013. The Strategy stems from the requirements on the volume and enhanced quality of services delivered for citizens and from the need to ensure final settlement of long-term financial aid.

### 6.3 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 2008	As on 31 December 2007
Eurofima	1,300	0.50 %	122,715	123,306
BCC	1	0.68 %	23	25
<b>Total</b>	<b>x</b>	<b>x</b>	<b>122,738</b>	<b>123,331</b>

Long-term financial assets - shares in other companies – were, in accordance with IAS 39, at the moment of their initial recognition evaluated in their fair value obtained for the asset, including acquisition costs. The subsequent evaluation was carried out pursuant to their categorisation in accordance to IAS 39 as financial assets of AFS type (Available For Sale) – a change of the fair value into equity. The amount of SKK 52,177 thousand is reported under account 414 from impacts of exchange rate difference since the time of their procurement. In 2008 the impact of exchange rate differences amounted to SKK 593 thousand.

### 6.4 Derivative financial instruments

**Strategy and goal of risk management:** Secure changes in fair value of interest costs for the Company

**Type of securing:** Securing of an increase in interest rates

**Secured risk:** Interest risk

Creditor	Currency	Secured item in the respective currency	Final maturity	Type of securing	
				Income	Payment
				rate	
EUROFIMA I	EUR	6,500,000	22/08/11	3M EURIBOR	6M EURIBOR
EUROFIMA II	EUR	6,500,000	22/08/11	6M EURIBOR	6M CHF LIBOR
EUROFIMA III	EUR	10,000,000	11/02/13	6M EURIBOR	6M EURIBOR
EUROFIMA IV	EUR	15,000,000	04/02/14	6M EURIBOR	6M EURIBOR
EUROFIMA V	EUR	10,000,000	04/02/14	6M EURIBOR	6M EURIBOR
EUROFIMA VI	EUR	30,000,000	06/03/15	6M EURIBOR	6M EURIBOR
EUROFIMA VII A	EUR	8,000,000	07/04/16	6M EURIBOR	EUR/USD, EUR/CHF
EUROFIMA VII B	EUR	8,600,000	03/04/17	6M EURIBOR	6M EURIBOR
UBS 6	CHF	16,930,124	31/08/12	fixed	6M CHF LIBOR
UBS 14_I	CHF	13,388,804	28/03/11	fixed	6M CHF LIBOR
UBS 14_II	CHF	12,937,711	27/10/11	fixed	JPY LIBOR

### Evaluation of financial derivatives

As on the day of book closing (i.e. 31 December), the financial derivatives are evaluated by an external company pursuant to the principle of determining the present value of all financial flows from the given instrument. Discount factors are calculated from the actual market data obtained from the Reuters information system. Expected cash flows were determined either by using calculation of forward interest rates or by stochastic simulation of market variables.

Creditor	Evaluation as on 31 December 2008		
	receivables	liability	difference
EUROFIMA I	15,719,207.60	- 12,590,964.37	3,128,243.23
EUROFIMA II	18,307,507.66	- 17,734,243.18	573,264.48
EUROFIMA III	39,604,305.38	- 34,009,612.42	5,594,692.96
EUROFIMA IV	78,632,063.09	- 81,134,273.19	- 2,502,210.10
EUROFIMA V	52,421,375.39	- 54,089,181.26	- 1,667,805.86
EUROFIMA VI	182,927,760.16	- 443,807,742.46	- 260,879,982.30
EUROFIMA VII A	57,113,941.00	- 30,900,204.76	26,213,736.24
EUROFIMA VII B	70,996,078.38	- 29,492,221.29	41,503,857.09
UBS 6	16,631,059.90	- 35,418,723.53	- 18,787,663.63
UBS 14_I	10,787,379.14	- 19,234,979.55	- 8,447,600.41
UBS 14_II	10,018,825.99	- 8,751,541.80	1,267,284.19
<b>TOTAL</b>	<b>553,159,503.68</b>	<b>- 767,163,687.82</b>	<b>- 214,004,184.13</b>

## 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 2008 (in thousand SKK)	As on 31 December 2007 (in thousand SKK)
<b>Total trade receivables</b>	<b>553,783</b>	<b>514,983</b>
Minus: adjusting entries to dubious receivables	13,718	16,386
<b>Total trade receivables, net</b>	<b>540,065</b>	<b>498,597</b>
Advance payments on investments	38,545	177,900
Other assets	39,045	12,228
<b>Trade receivables and other receivables</b>	<b>617,655</b>	<b>688,725</b>
Tax receivables	312,339	297,313
<b>Long-term receivables</b>	<b>78,281</b>	<b>167,380</b>
of which: financial derivatives	78,281	167,380

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

- SKK 275,896 thousand for performance of passenger coaches in the territory of foreign states
- SKK 49,731 thousand of receivables related to compensation for removable damage resulting from insurance events
- SKK 39,709 thousand of receivables towards foreign customers for performance of traction units carried out in the territory of foreign states and other services abroad
- SKK 23,727 thousand of receivables toward domestic customers for sale of spare parts from repairs carried out by ZSSK Cargo, from sale of traction units, from transport of passengers and other services.

### Trade receivables pursuant to maturity date

Text	As on 31 December 2008 (in thousand SKK)	As on 31 December 2007 (in thousand SKK)
Receivables before maturity	515,814	499,162
Receivables after maturity	37,969	15,821
<b>Total receivables</b>	<b>553, 783</b>	<b>514, 983</b>

Out of receivables after maturity date in the total amount of SKK 37,969 thousand:

- SKK 19,483 thousand with maturity up to 3 months – the Company decided not to create adjusting entries as they are not considered a risk
- SKK 18,486 thousand with maturity above 3 months, which include the following significant items:
  - receivables enforced by law
    - SKK 2,696 thousand – travel agency TRAIN, Bratislava
    - SKK 204, thousand – ČSOB Poistovňa a.s. (insurance company), Bratislava
    - SKK 170 thousand – TML Slovensko, s.r.o., Bratislava
  - the most important domestic short-term customers
    - SKK 506 thousand – Železničná spoločnosť Cargo Slovakia, a.s. Bratislava
    - SKK 930 thousand – ŽSR, Bratislava



# Inventories

Text	As on 31 December 2008	As on 31 December 2007
	(in thousand SKK)	(in thousand SKK)
Stored material	72,687	53,509
Material sent for external processing	508	0
Fuels in tanks – motive power vehicles and coaches	4,287	5,198
Fuels in tanks of road motor vehicles	26	33
Stored goods and goods at sale points	292	52
<b>Total inventories</b>	<b>77,800</b>	<b>58,792</b>

In terms of IAS 16 Property, Plant and Equipment, as on the 31 December 2008 the Company decided to allocate strategic spare parts from the inventories on store in the amount of SKK 98,468 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	
	In thousand SKK	
	As on 31 December 2008	As on 31 December 2007
Cash counter (211)	2,318	5,484
Stamps (213)	1,557	122
Cash on bank accounts (221)	6,099	427,618
Cash in transit (261)	18,747	18,811
Total	28,721	452,035

Bank overdrafts form an indivisible part of cash flow management and are included into short-term liabilities in the amount of SKK 1,282,310 thousand. Bank overdrafts reported under account 221 together with financial means on bank accounts amounted to SKK 1,276,211 thousand as on 31 December 2008.

## 10 Share capital, capital funds and other funds

Description of the share capital, the amount of subscribed shareholders' equity:

In thousand SKK

Text	2008	2007
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	- 14,561	-2,123
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 the ceasing Železničná spoločnosť, a.s., and which became the property of the sole founder of ZSSK, amounted 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 2008 amount to SKK 793,124,480, the statutory reserve fund as on 31 December 2008 amounts to SKK 630,000,000.

## 11 Business result of previous years

In thousand SKK

Business result of previous years	As on 31 December 2008	As on 31 December 2007
<b>Retained earnings of previous years (428) of which:</b>	<b>758,357</b>	<b>758,357</b>
– Asset revaluation difference	758,357	758,357
<b>Unsettled loss of previous years (429) of which:</b>	<b>- 1,210,734</b>	<b>- 1,074,844</b>
– Unsettled loss of previous years	- 443,361	- 307,472
– Asset revaluation difference	- 767,463	- 767,372
– Adjustment of costs of previous years	90	-
<b>Total business result of previous years</b>	<b>- 452,377</b>	<b>- 316,487</b>

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

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

in thousand SKK

Text	As on 31 December 2008	As on 31 December 2007
Trade liabilities	1,025,035	1,019,375
Un-billed deliveries	110,652	150,990
Liabilities towards employees	108,632	95,257
Liabilities related to social insurance	67,833	56,022
Tax liabilities and subsidies	14,088	11,030
Liabilities resulting from financial lease	27,522	26,568
Other liabilities	2,886,007	1,780,542
<b>Total short-term liabilities</b>	<b>4,239,769</b>	<b>3,139,784</b>
Long-term financial aid	3,663,322	3,178,844
Long-term liability from financial lease	21,425	49,035
Other long-term liabilities	885,613	1,122,104
of which: Liability resulting from financial derivatives	292,285	34,804
<b>Total long-term liabilities</b>	<b>4,570,360</b>	<b>4,349,983</b>

The most significant trade liabilities include:

- domestic suppliers, in the amount of SKK 808,394 thousand,
- domestic suppliers – transfer of liability of ŽOS Vrútky to Factoring of Slovenská sporiteľňa, a.s., Bratislava in the amount of SKK 134,557 thousand.

### Amount of liabilities before and after maturity

in thousand SKK

	As on 31 December 2008	As on 31 December 2007
Liabilities before maturity	5,059,853	4,976,435
Liabilities after maturity	6,980	9,917
Total liabilities	5,066,833	4,986,352

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 before maturity 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 of more than 5 years
5,059,853	1,392,020	697,409	2,970,424

Division of liabilities according to the remaining period of maturity from 1 to 5 years are liabilities towards Eurofima and BSP SOTWAREDISTRIBUTION a.s., and liabilities with remaining maturity of more than 5 years are liabilities towards Eurofima.

## Structure of liabilities after maturity

Total liabilities after maturity	Liabilities after maturity up to 1 year, including	Liabilities after maturity for more than 1 year
6,980	6,855	125

## 12b Liabilities resulting from employee benefits

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

in thousand SKK

Text	Amount	
	as on 31 December 2008	as on 31 December 2007
Liabilities towards employees (331)	107,202	93,505
Other liabilities towards employees (333)	1,430	1,752
<b>Liabilities towards employees</b>	<b>108,632</b>	<b>95,257</b>
<b>Receivables regarding employees (335)</b>	<b>772</b>	<b>428</b>
<b>Settlement with social and healthcare insurance bodies (336)</b>	<b>67,833</b>	<b>56,022</b>
Of which:		
Healthcare insurance fund - statutory amount (336/1100)	18,797	15,472
Supplementary pension insurance companies	3,901	3,364
Settlement toward the Social Insurance Company	45,135	37,186

### Liabilities towards the social fund

in thousand SKK

Text	2008	2007
<b>Social Fund as on 1 January</b>	<b>145</b>	<b>182</b>
Creation	13,270	12,312
Drawing	12,151	12,349
Funds were drawn from the Social Fund for:		
– contributions to food allowances	2,041	1,879
– contributions for labour force regeneration	4,149	5,516
– social aid	670	765
– social aid – long-term disease	1,206	918
– financial bonuses at work anniversaries	3,557	2,961
– gifts at awarding Jánskeho plaketa	332	310
– contributions to costs of trade unions	196	–
<b>Balance in the Social Fund as on 31 December</b>	<b>1,264</b>	<b>145</b>

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

in thousand SKK

Text	Amount	
	as on 31 December 2008	as on 31 December 2007
Long-term reserve for employee benefits (459)	201,065	189,218
Of which:		
reserve for remunerations at anniversaries	35,986	34,183
reserve for retirement remunerations	0	0
reserve for severance pay	158,225	155,035
reserve for compensatory bonus	6,854	–

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 - 679,277 thousand as on 31 December 2008. Pursuant to Slovak accounting standards the business result was adjusted by items increasing the result in the amount of SKK 508,184 thousand and by items reducing the result in the amount of SKK 706,836 thousand. As on 31 December 2008 the Company reported a tax loss in the amount of SKK -877,929 thousand in terms of tax legislation.

Pursuant to IFRS the business result of the Company was loss in the amount of SKK -931,933 thousand. The differences in the business result pursuant to SAS and IFRS may be found in the following table.

In 2008 the tax administrator returned tax to ZSSK in terms of Article 43, paragraph 3, letter a), collected by deduction from bank accounts amounting to SKK 1,437,256. ZSSK claims return of tax collected by deduction amounting to SKK 304,747 for 2008.

In thousand SKK	Slovak accounting standards (SAS)	IFRS	Difference (SAS-IFRS)
	as on 31 December 2008		
INCOME			
Income from sale of own products and services (602,605)	2,983,777	2,983,777	–
Other income (644,645,646,648,659)	5,206,524	5,207,039	- 515
Other income from business activity	69,303	69,303	–
Total income from business activity	8,259,604	8,260,119	- 515
Income from financial activity – income from derivative operations (667)	36,109	105,308	- 69,199
Other financial income (668)	1,223	1,223	–
Other income from financial activity	496,698	496,698	–
Income from financial activity	534,030	603,229	- 69,199
Income from extraordinary activity (68*)	191	191	–
TOTAL INCOME	8,793,825	8,863,539	- 69,714

In thousand SKK	Slovak accounting standards (SAS)	IFRS	Difference (SAS-IFRS)
as on 31 December 2008			
<b>OPERATION COSTS</b>			
Material consumption (501)	521,148	514,323	6,825
Creation and reporting of adjusting entries to inventories (505)	-515		- 515
Repairs and maintenance (511)	1,367,884	1,144,834	223,050
Services (518)	2,964,365	2,903,774	60,591
Other costs (521,523,524,525,527,528)	1,997,306	1,997,306	-
Residual value of long-term tangible and intangible assets (541)	16,973	13,171	3,802
Deficits and damages (549)	1,198	976	222
Depreciation and amortisation (551,553)	748,566	1,012,962	- 264,396
Assets evaluation (559)	-	806	- 806
Financial costs – interests (562)	251,608	254,417	- 2,809
– exchange rate losses (563)	77,765	78,359	- 594
– costs on derivative operations (567)	442,552	790,292	- 347,740
Other costs	1,084,252	1,084,252	-
<b>TOTAL COSTS</b>	<b>9,473,102</b>	<b>9,795,472</b>	<b>- 322,370</b>

### 13.2 Deferred income tax

in thousand SKK

Reason for deferred tax liability and receivable	as on 31 December 2008	as on 31 December 2007
Tax residual price of non-current and intangible asset is lower than accounting price	- 26,724	- 38,521
Adjusting entries to assets	0	952
Liabilities and income taxable after being settled	- 84	171
Establishment of reserves that were not recognised for tax purposes	6,102	- 3,493
Derivatives and securities	-	3,327
Possibilities to redeem tax loss up to the amount of deferred tax liability	20,706	37,564
<b>TOTAL</b>	<b>0</b>	<b>0</b>

The Company does not report deferred tax as the final figure equals zero. Železničná spoločnosť Slovensko, a.s. decided not to bring to book the deferred tax liability as on 31 December 2008 in terms of the Act on Accounting, as it did not apply and did not report deferred tax receivable based on redemption of tax losses from previous years, and 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 the 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

In compliance with IAS 37 the Company created reserves for contingent liabilities – see note 5.1.

Creation and drawing of short-term and long-term reserves in 2008 was as follows:

In thousand SKK

Description of the reserves	As on 1 January 2008	Creation	Change of short-term into long-term	Impairment	Termination	As on 31 December 2008	Assumed year of utilisation
<b>323 Short-term reserves:</b>							
<b>Statutory</b>	<b>377,428</b>	<b>282,992</b>	<b>16,955</b>	<b>370,887</b>	<b>6,541</b>	<b>299,947</b>	
Wages for unused holiday	5,822	8,513		5,295	527	8,513	2009
Postponed contractual salaries	12,261	15,164		11,931	330	15,164	2009
Statutory social insurance to wages for unused holiday	2,049	2,997		1,828	221	2,997	2009
Statutory social insurance and statutory contributions to postponed contractual parts of salaries	443	949		331	112	949	2009
Other unbilled payments	356,334	244,518	16,955	350,983	5,351	261,473	2009
Unbilled services	59	9,201		59	–	9,201	2009
Other statutory reserves	460	1,650		460	–	1,650	2009
<b>Other (accounting):</b>	<b>13,013</b>	<b>43,174</b>	<b>–</b>	<b>10,034</b>	<b>1,249</b>	<b>44,904</b>	
Supplementary pension insurance to wages for unused holidays	146	213		66	80	213	2009
Supplementary pension insurance to postponed contractual salaries	1	1		1	–	1	2009S
Supplementary pension insurance to unpaid bonuses and remunerations	202	233		96	106	233	
Unpaid bonuses and remuneration	8,087	9,310		7,316	771	9,310	2009
Statutory social insurance and statutory contributions to unpaid bonuses and remuneration	2,847	3,277		2,555	292	3,277	2009
Non-fulfilment of the share of employees with changed working ability	–	210		–	–	210	2009
Cost interests	–	–		–	–	–	2009
Other accounting reserves	1,730	29,930		–	–	31,660	2009
<b>45*– Long-term reserves:</b>	<b>207,899</b>	<b>33,848</b>	<b>- 16,955</b>	<b>–</b>	<b>1,726</b>	<b>223,066</b>	
<b>Non-statutory:</b> severance, redundancy	189,218	11,846		–	–	201,064	
<b>Non-statutory:</b> other environmental and lawsuits	–	8,760		–	–	8,760	
<b>Statutory:</b> unbilled services	18,681	13,242	- 16,955		1,726	13,242	

## 15 Critical accounting estimates and key sources of uncertainty

Text	Amount in thousand SKK	
	as on 31 December 2008	as on 31 December 2007
Estimate of other receivables – passenger coaches	275,896	320,682
Estimate of other receivables – traction performance	1,709	74,117

Significant accounting estimates are reported under accounts of receivables 315/8001 and 315/8002 and they are included into trade receivables in the Balance Sheet.

## 16 Contingent liabilities and assets

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

Type of liabilities	Description	Amount
Court dispute liabilities	Passive suit	113,263

The above-mentioned liabilities resulting from court disputes originated in the former Železničná spoločnosť, a.s. before 1 January 2005. In case of disputes that were not legally terminated, it is not possible to estimate the result of a court decision or an anticipated date of termination of the proceedings. In respect of their amount, the Company decided to report them in the Notes. According to the statement of the lawyer's agency Consulta v.o.s, representing the Company, the lawsuit in the principal amount of SKK 110 million has no legal justification; therefore, ZSSK should not bear any loss.

Description 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 their 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 2008	as on 31 December 2008	as on 31 December 2008	as on 31 December 2007
<b>Total revenues from own performance and goods</b>	<b>2,985,254</b>			<b>2,894,168</b>
of which:				
Revenues from service delivery (602)	389,733	–	–	372,839
Revenues from goods (604)	1,477	–	–	1,499
Total revenues from transport (605)	2,594,044	736,174	1,857,870	2,519,830
of which:				
Revenues from passenger transport	–	459,784	1,857,870	–
Revenues from passenger coaches performance	–	275,599		–
Revenues from inter-courier	–	791		–

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, weekly, 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, their accompanying persons, discount for parents visiting their children with physical, mental or sensory impairment hospitalized in health 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 must 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 pursuant to a calculation formula
- 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 in the territory of the SR and price for transport on foreign infrastructure.

## 17.2 Significant income items at cost capitalisation

In thousand SKK

Income items at cost capitalisation	Amount	
	as on 31 December 2008	as on 31 December 2007
621,2 – Capitalisation of material, goods and services	2,713	1,539
623,4 – Capitalisation of long-term tangible and intangible assets	1,055	342
<b>Total</b>	<b>3,768</b>	<b>1,881</b>

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

## 17.3 Significant items of other income from business activity

In thousand SKK

Income item	Amount	
	as on 31 December 2008	as on 31 December 2007
Revenues from sale of long-term tangible and intangible assets (641)	20,842	545
Revenues from sale of material (642)	43,216	36,771
Contractual fines, penalties and interests on overdue payment (644)	4,768	1,586
Other fines, penalties and interests on overdue payment (645)	6,739	5,407
Income from written-off receivables (646)	8	0
Other income from business activity (648)	5,195,009	5,460,852
of which:		
Subsidy of the Slovak Republic settling the loss resulting from public service obligations (648/4000)	5,000,000	5,400,000
Damages	158,159	26,664
<b>Total</b>	<b>5,270,582</b>	<b>5,505,161</b>

Revenues from sale of long-term tangible and intangible assets come from sale of rolling stock in the amount of SKK 16,424 thousand, sale of a building in Zvolen for SKK 2,210 thousand and the land related to the building for SKK 1,376 thousand, sale of vehicles in the amount of SKK 832 thousand.

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 an effective contract.

In 2008 the Company concluded an insurance policy for rolling stock on removal of consequences of faults and damage to parts as the most important part of the tangible assets.

### The manner and value of long-term assets insurance

in thousand SKK

Insured assets	Sum insured for 2008	Validity of the contract, from – to	Yields from insured accidents in 2008
Motive power units	49,922	01/01/2008 – 31/12/2010	148,566
Coaches	4,689	01/09/2008 – 31/08/2009	1,924
<b>Total</b>	<b>54,611</b>		<b>150,490</b>

## State budget subsidy

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

The amount of compensation from the state budget is stipulated by the Contract for services in public interest concerning carriage of passengers by rail. In terms of the Budget Measure of the Ministry of Finance of the SR, in 2008 ZSSK was allocated SKK 5,000,000,000 from the State budget.

## 17.4 Significant items of financial income and total exchange rate profit

In thousand SKK

Income item	Amount	
	as on 31 December 2008	as on 31 December 2007
Revenues from sale of securities and deposits (661)	0	0
Bank interests (662)	2,617	6,692
Exchange rate profit (663)	133,772	124,305
Exchange rate profit from revaluation of assets and liabilities in EUR currency (663)	358,171	98,190
Income from long-term financial assets (665)	2,138	2,133
Income from derivative operations (667)	105,308	200,603
Other financial income (668)	1,223	1,289
<b>Total</b>	<b>603,229</b>	<b>433,212</b>

Income from derivative operations resulted from interest financial derivatives.

## 17.5 Other income related to damages

In thousand SKK

Income item	Amount	
	as on 31 December 2008	as on 31 December 2007
Damages	191	277
<b>Total</b>	<b>191</b>	<b>277</b>

## 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:

In thousand SKK

Cost item	Amount	
	as on 31 December 2008	as on 31 December 2007
<b>Sold goods (504)</b>	<b>1,197</b>	<b>1,110</b>
Material consumption (501)	514,323	439,244
Energy consumption (502)	890,536	991,506
<b>Consumed purchases:</b>	<b>1,404,859</b>	<b>1,430,750</b>
Repairs and maintenance (511)	<b>1,144,834</b>	<b>1,100,685</b>
Travelling costs (512)	<b>59,641</b>	<b>60,826</b>
Representation costs (513)	<b>2,407</b>	<b>1,923</b>
Other services (518)	<b>2,903,774</b>	<b>3,093,898</b>
of which:		
Track access charges	1,568,391	1,767,581
Rolling stock cleaning	101,659	103,516
Auxiliary operation	185,001	184,827
Services of WGS	113,088	106,857
Rental/lease from ZSSK Cargo	59,958	56,020
Operators' performance	32,399	34,968
IT purchase	102,943	108,273
Performance of passenger coaches	248,464	278,055
Traction performance	250,537	253,366
Other services	237,170	198,878
Costs on auditing	3,994	1,387
Tax consultancy	170	170
<b>Consumed services:</b>	<b>4,110,656</b>	<b>4,257,332</b>
<b>Total consumed purchases and services:</b>	<b>5,515,515</b>	<b>5,688,082</b>
<b>Total consumed purchases, services and goods:</b>	<b>5,516,712</b>	<b>5,689,192</b>

A significant item within consumed material and services in 2008 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 the 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 administrative technology repairs.

The largest item as regards services is settlement of track access charges for the use of rail infrastructure, paid to 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 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:

in thousand SKK

Costs on rental	Amount	
	as on 31 December 2008	as on 31 December 2007
Paid rental – natural entities	447	386
Paid rental – legal entities	24,420	25,320
Paid rental to legal entities – land	49	237
Paid rental – rent of foreign coaches	25,116	1,632
Rental to Železničná spoločnosť Cargo Slovakia, a.s.	59,958	56,020
Paid rental to legal entities – ŽSR	11,590	10,535
<b>Total</b>	<b>121,580</b>	<b>94,130</b>

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:

in thousand SKK

Cost item	Amount	
	as on 31 December 2008	as on 31 December 2007
<b>Wages (521, 523)</b>	<b>1,434,107</b>	<b>1,304,847</b>
of which:		
bonuses at anniversaries (521/1400)	8,194	6,986
extraordinary remunerations (521/2000)	1,517	1,205
remuneration from onboard sale of tickets (521/3000)	13,627	12,066
<b>Social security costs</b>	<b>563,199</b>	<b>521,530</b>
of which:		
<b>1. Social insurance (524, 525)</b>	<b>505,992</b>	<b>462,841</b>
of which:		
1.1. Statutory social insurance (524/1100)	476,124	438,493
1.2. Supplementary pension insurance (525/1000)	26,291	24,011
<b>2. Social costs (527, 528)</b>	<b>57,207</b>	<b>58,689</b>
of which:		
2.1. Severance pay (527/2100)	2,243	1,711
2.2. Redundancy payment (527/2300)	4,242	6,260
2.3. Regeneration costs (527/3000)	5,040	3,984
2.4. Obligatory and increased contributions to the Social Fund (527/5000, 527/5010)	13,270	12,312
<b>Total personnel costs:</b>	<b>1,997,306</b>	<b>1,826,377</b>

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 2008 are as follows:

in thousand SKK

Item	Amount	
	2008	2007
Wages	15,053	12,920
Remunerations	1,644	1,985
<b>Total:</b>	<b>16,697</b>	<b>14,905</b>

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.

in thousand SKK

Income of body members	Amount	
	as on 31 December 2008	as on 31 December 2007
Current body members:	1,644	1,985
of which: – statutory	1,284	1,284
– supervisory	360	701
Former body members:	0	0
of which: – statutory	0	0
– supervisory	0	0
<b>Remuneration of the Company management:</b>	<b>1,644</b>	<b>1,985</b>

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.

The average number of employees in 2008 is stated in the following table:

Indicator	Total number of employees	Of which managing employees
Average number	4,947.34	115.55
Number as on 31 December 2008	4,983	117

## 18.3 Costs on operation

Costs on operation include:

in thousand SKK

Cost item	Amount	
	as on 31 December 2008	as on 31 December 2007
Taxes and levies (531, 532, 538)	2,417	5,009
<b>Tax costs</b>	<b>2,417</b>	<b>5,009</b>
Depreciation of long-term tangible and intangible assets (551)	1,012,962	845,369
Establishment of adjusting items to assets (553)	0	5,010
<b>Depreciation and amortisation</b>	<b>1,012,962</b>	<b>850,379</b>
Residual value of sold long-term intangible assets (541)	13,171	229
Sold material (542)	30,703	25,960
Presents (543)	0	0
Contractual fines and penalties (544)	217	218
Other fines and penalties (545)	223	- 4,614
Write-off of irrecoverable receivables (546)	2,361	510
Establishment of adjusting items to receivables (547)	- 1,684	847
Other operation costs (548)	7,708	9,907
Deficits and damages (549)	976	494
Establishment of adjusting items (558, 559)	806	0
Establishment of statutory and other reserves (552, 554)	0	0
<b>Other operation costs</b>	<b>54,481</b>	<b>33,551</b>
<b>Total operation costs</b>	<b>1,069,860</b>	<b>888,939</b>

In 2008 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:

in thousand SKK

Cost item	Amount	
	as on 31 December 2008	as on 31 December 2007
Sold securities and deposits (561)	0	0
Interests (562), of which:	254,417	200,730
Interests payable to banks – domestic (562/1000)	70,517	40,999
Interests payable to banks – foreign (562/1100)	23,594	31,425
Interests on loans from other than bank institutions (562/2000)	157,426	124,129
Interests on leasing (562/4000)	2,844	4,145
Other interests (562/9000)	36	32
Exchange rate losses (563)	75,693	52,532
Exchange rate losses from revaluation of assets and liabilities in EUR currency (563)	2,666	1,858
Costs on derivative operations (567)	790,292	284,256
Bank expenses (568)	88,450	26,684
Deficits and damage to financial assets (569)	76	21
Establishment of other reserves to financial costs (574)	0	0
<b>Total financial costs</b>	<b>1,211,594</b>	<b>566,081</b>

In respect of the change in costs on derivative operations:

ZSSK, in the effort to reduce costs on financing by generating exchange rate profit (a consequence of strengthening of SKK against other currencies), obtained new loans in EUR and CHF to finance the planned needs and also converted a part of existing loans from SKK to EUR and CHF.

Similarly, in the previous periods ZSSK in the effort to achieve savings of interest costs, or to eliminate their growth, hedged these costs by making use of respective financial instruments (derivatives) offered by banks. The strategy and structure of used derivatives stemmed from conservative bank analyses and expected predictions of future development in interest rates and currency pairs.

Nevertheless, at the end of 2007 and in the first quarter of 2008, due to unexpected changes on financial markets, there were extreme deviations of exchange rates and interest rates, in particular towards a significant decrease of the EUR/USD rate, to which the interest derivative concluded with Calyon Bank was linked.

In respect of a rapid negative development of USD value and worsening predictions of its further development, ZSSK decided to make use of a temporary strengthening of USD exchange rate and preliminary terminate a derivative transaction with Calyon Bank on 1 April 2008 with an accompanying cost amounting to EUR 13.3 million, by which, however, ZSSK prevented occurrence of further possible losses.



## 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	Transactions in 2008 in thousand SKK	
	Amount of receivables	Amount of liabilities
Železnice Slovenskej republiky	21,165	3,232,076
Železničná spoločnosť Cargo Slovakia, a.s.	69,678	2,532,375
Eurofima	0	839,275

The amount of total long-term liabilities towards Eurofima as on 31 December 2008 is SKK 3,663,322 thousand.

Ownership interest of the Company in the equities of other foreign entities with insignificant influence as on 31 December 2008 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 %	122,715	CHF	10,000	13,000,000	6,094,920.00
BCC	1	0.68 %	23	EUR	750	750	743.68
<b>Total</b>	<b>x</b>	<b>x</b>	<b>122,738</b>				

## 20 Important suppliers and customers

The most important suppliers of the Company, besides the related parties, in the year ended on 31 December 2008:

in thousand SKK

Supplier	Total liability towards supplier in 2008
ŽOS Vrútky, a.s.	754,955
Železničné opravovne a strojárne Zvolen, a.s.	626,701
ŽOS Trnava, a.s.	348,996
České dráhy, a.s.	205,911
WAGON SLOVAKIA Košice, a.s.	137,273
Euroclean Slovakia, s.r.o. Košice	121,154
ÖBB Personenverkehr Wien	76,078
EVPU a.s. Nová Dubnica	74,159
SLOVNAFT, a.s. Bratislava	56,130
KOOPERATIVA poisťovňa, a.s. (insurance company)	51,138
ČADBUS, s.r.o. Čadca	49,964
PROSOFT, spol. s r.o. Žilina	49,826
DOXX – stravné lístky, s.r.o. Žilina	44,025
Siemens, s.r.o. Bratislava	30,816
TAGUS, s.r.o. Bratislava	26,755

The most important customers of the Company, besides the related parties, in the year ended on 31 December 2008:

in thousand SKK

Customer	Total receivables of the customer in 2008
České dráhy, a.s.,	207,077
ÖBB Personenverkehr Wien	59,344
MÁV – TRAKCIÓ Zrt. Budapest	17,042
ALBA KR, s.r.o. Bratislava	15,770
Magyar Államvasutak ZRt. Budapest	13,195
Slovenská pošta a.s. (Slovak Post) Banská Bystrica	10,823
WAGON SERVICE TRAVEL s.r.o. Bratislava	10,668
Bratislava Self-Governing Region	7,457
Ministry of Defence of the Slovak Republic	6,967
Brantner Nové Zámky s.r.o.	6,310
WAGON SLOVAKIA Košice, a.s.	5,948
AGROTISA spol. s r.o. Kráľovský Chlmec	5,748
Rail media, s.r.o. Bratislava	5,345

As regards 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 2008 the Company records off balance sheet the following important assets, receivables and liabilities:

In thousand SKK

Title	Title	Amount
<b>Rented assets</b>		<b>1,696,714</b>
	Lease of hardware and software – ZSSK CARGO	124,059
	Assets rented from ŽSR – buildings	101,711
	Assets rented from ZSSK CARGO – buildings	113,945
	Apartments for the members of the statutory and supervisory bodies	469
	Land estate of the vehicle-ramp in Petržalka, Bratislava	1,210
	Office premises, Bratislava, Rožňavská 1	170,758
	Apartment for the representative at the UIC, Paris	2,063
	Office premises, Trnava	1,205
	Accommodation facility, Komárno	4,560
	Dopravný podnik Bratislava, a.s.	384
	Lesy SR, š.p. – self-serving fuelling station, Lučenec	216
	Assets rented from ŽSR – Košice region	67,509
	Assets rented from ŽSR – Zvolen region	25,697
	Assets rented from ŽSR – Žilina region	36,991
	Assets rented from ZSSK CARGO – Košice region	108,326
	Assets rented from ZSSK CARGO – Zvolen region	14,238
	Assets rented from ZSSK CARGO – Žilina region	25,480
	Assets rented from ZSSK CARGO – tracks, Bratislava region	310,747
	Assets rented from ZSSK CARGO – tracks, Zvolen region	188,079
	Assets rented from ZSSK CARGO – tracks, Žilina region	156,548
	Assets rented from ZSSK CARGO – tracks, Košice region	242,519
<b>Leased assets</b>		<b>16,920</b>
	Administrative building Bratislava	866
	UNIREST Podkolibská	5,228
	Recreation facility, Valčík, Bratislava	5,165
	Administrative building – Žilina	759
	Social facility, Košice	365
	Rotunda Košice	442
	Administrative building – Košice	126
	Office premises, Bratislava, Rožňavská 1	866
	Locomotive hangar, Tatranská Štrba	235
	Electric locomotive hangar – Tr. Teplá	682
	Warehouse – locomotive depot, Košice	80
	Cadastral territory of Vinohrady	506
	Cadastral territory of Bratislava - Staré mesto	1,545
	Cadastral territory of Zvolen	55
<b>Assets lent for the use of ZSSK</b>	<b>PC HP Compaq with accessories</b>	<b>334</b>
<b>Assets in use of ZSSK</b>		<b>1,400</b>
	Bratislava – garages, Železničarska 2	1,400

Title	Title	Amount
<b>Record-keeping of the obligations resulting from optional travel tickets</b>		<b>20</b>
	Provided like a prize in competition	17
	Complaints for low-quality service	3
<b>Material in the consignment warehouse of ZSSK</b>		<b>1,312</b>
	Consignment stock	1,312
<b>Assets in use (unsettled with ŽSR)</b>		<b>38,177</b>
	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 – Čermel	95
<b>Written-off trade receivables</b>		<b>2,775</b>
	ŽSR	1,446
	Kooperatíva poisťovňa, a.s. Nitra	65
	V.T.I., s.r.o. Lietava	185
	Fagus I. – Slovakia, s.r.o. Ublá	96
	Roľnícke družstvo podielnikov Chocholná – Veľčice	352
	K.B.K., s.r.o. Čadca	148
	Krpeľan Ľ. Filakovo	93
	Other written-off receivables of legal entities	148
	Other written-off receivables of natural entities	242

in SKK

Title	Title	Amount	Date of entry
<b>Trademarks not reported as intangible assets</b>		<b>35,100</b>	
	Trademark – abbreviation of „ZSSK“	1,600	10/3/2003
	Trademarks – blue logo	3,900	9/2/2006
	Trademarks – black adcut	3,900	9/2/2006
	Trademarks – orange adcut	3,900	9/2/2006
	Trademarks – orange adcut	3,900	9/2/2006
	Trademarks – orange logo	3,900	9/2/2006
	Trademarks – JUNIOR RAILPLUS	3,500	17/9/2007
	Trademarks – KLASIK RAILPLUS	3,500	17/9/2007
	Trademarks – SENIOR RAILPLUS	3,500	17/9/2007
	Trademarks – MAXI RAILPLUS	3,500	17/9/2007

## Assets used by the Company, registered off balance sheet

In the accounting period of 2008 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. 259/2001 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 2008 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

At the beginning of 2009 the garages (recorded till the end of 2008 off balance sheet as the unsettled property used by the Company outside of the Financial Statements and determined for the additional entry into the property of ŽSR – item 21), situated in the yard of the premises in Železničiarska and Žabotova streets, were settled by a decision of the MTPT 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 available 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.

## 23 Costs related to transition to the EUR currency

In thousand SKK

Cost item	Amount 2008	Amount 2009
<b>Material consumption (501)</b>	<b>3,094</b>	<b>352</b>
of which: Material consumption	854	97
Precisely reported forms	507	59
Consumption of tangible assets, material	1,733	196
<b>Repairs and maintenance related to ticket sale (511/6000)</b>		<b>225</b>
<b>Domestic travelling costs by law (512/1000,1100)</b>	<b>83</b>	
<b>Representation costs up to SKK 500 (513/4000)</b>	<b>3</b>	
<b>Other costs (518)</b>	<b>5,430</b>	<b>3</b>
of which: work of ŽSR employees for ZSSK	337	
Costs on advertisement by law	444	
Training of employees	91	3
Technical evaluation	1	
Work of operators and other telecommunication fees	3	
Costs on purchase of IT services	4,361	
Other services	193	
<b>Depreciation of long-term tangible assets pursuant to the plan (551/2100)</b>	<b>19</b>	
<b>Total costs related to transition to the EUR currency</b>	<b>8,629</b>	<b>580</b>

## 24 Adoption of the financial statements for publication purposes

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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 2008, pages 1 – 63, were adopted by the Board of Directors of the Company for publication purposes.

