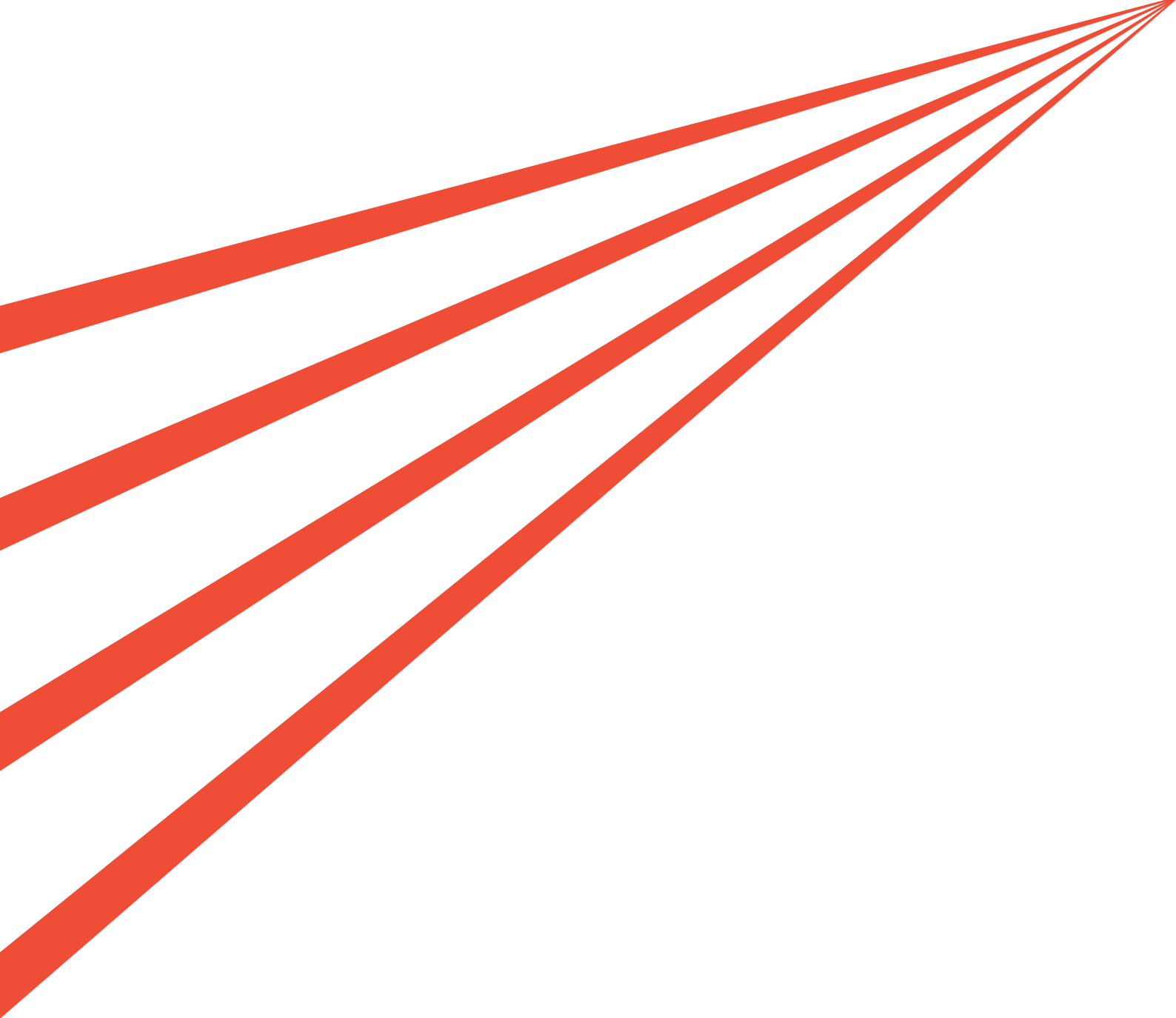


ANNUAL REPORT OF
ŽELEZNIČNÁ SPOLOČNOSŤ SLOVENSKO, A. S.



ŽELEZNIČNÁ SPOLOČNOSŤ SLOVENSKO

www.slovakrail.sk



ŽELEZNIČNÁ SPOLOČNOSŤ SLOVENSKO

Annual Report of Železničná spoločnosť Slovensko, a. s. for 2009

In Bratislava, on 26 May 2010

For and on behalf of the company:

Ing. Milan Chúpek, PhD.
Chairman of the Board of Directors
and Director General of ZSSK

Ing. Pavol Gábor
Vice Chairman of the Board of Directors

BDR

Auditing Company

Auditor's report on the consistency of the Annual Report with the Financial Statements

pursuant to Act no. 540/2007 Coll., Article 23(5)

To the shareholders of the company: **Železničná spoločnosť Slovensko, a.s., Bratislava**

I. We have audited the Financial Statements of Železničná spoločnosť Slovensko, a.s., with the registered seat in Bratislava, company identification number: 35 914 939, as on 31 December 2009 annexed to the Annual Report, and on 17 May 2010 we stated the following:

Opinion

In our opinion, the Financial Statements present an objective and true overview of the financial situation of Železničná spoločnosť Slovensko, a.s. as on 31 December 2009, as well as the economic results and financial flows for the year then ended, in accordance with the International Financial Reporting Standards as adopted by the EU.

Emphasis of certain facts

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

1. The Company presents financial derivatives in the Notes 2.5.1, 6.4. As on the date of the book closing, these derivatives were evaluated by an external company. The change in their real value based on these data was reported in accordance with IAS 39 Financial instruments into the Statement of Comprehensive Income.
2. As stated in Note 17 to the Financial Statements, the Company carries out important transactions with related parties, namely Železnice Slovenskej republiky, Železničná spoločnosť Cargo Slovakia, a.s. and EUROFIMA.

II. We have also audited the consistency of the Annual Report with the aforementioned Financial Statements. The accuracy of the Annual Report's presentation is the responsibility of the Company's management. Our responsibility is to issue an opinion on consistency of the Annual Report with the Financial Statements based on our audit. We conducted our audit in accordance with the International Standards on Auditing. Those standards require that the Auditor plan and perform the audit so as to acquire sufficient assurance that the information disclosed in the Annual Report and presented in the Financial Statements is consistent, in all material respects, with the relevant Financial Statements. We assessed the consistency of the information presented in the Annual Report with the information presented in the Financial Statements as on 31 December 2009. We have not audited any data or information other than the financial information obtained from the Financial Statements and accounting ledgers. We believe that the auditing evidence that we obtained is sufficient and suitable as a basis for expressing our opinion

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

In Banská Bystrica, on 26 May 2010

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

[round stamp
Slovak Chamber of Auditors
BDR spol. s r.o., Banská Bystrica
Licence no. 6]

Ing. Viera Babjaková [signature in hand]
Responsible Auditor
Licence SKAU no. 167

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Foreword of the Chairman of the Board of Directors and Director General

Dear customers, dear business partners,

the Business Plan of Železničná spoločnosť Slovensko, a.s. estimated a loss for the last year, however, in reality we achieved profit. We do not want to overrate this positive business result as it is accounted for by the State liability concerning services in the public interest provided in the previous years which was entered into the company books in 2009. However, in any case we would have achieved a better business result compared to the plan even without this accounting operation.

And the total figures assessing the financial means at a certain date are not the most important thing. Important is the fact that despite the crisis we were not forced to reduce the services of passenger railway transport, we did not cancel any trains, did not have to shorten the weekly working hours or dismiss any employees, on the contrary, we fulfilled the Collective Agreement and ensured social security for our employees.

The unfavourable period of the crisis meant a challenge for us, a possibility to implement a large-scope investment programme, the implementation of which will make passenger railway transport more attractive. The first results will already be evident in the first half of 2010. ZSSK will launch into operation new train sets financed in majority from the EU funds. The investment costs on procurement of 32 train sets will amount to EUR 232 million, of which as much as 76% will be covered from the EU funds and the State resources, and 24% of the investment costs will come from own resources of Železničná spoločnosť Slovensko, a. s.

Purchase of these train sets can serve as an example of how a rather complicated project funded from EU funds can be implemented in a relatively short time. The project does not consist only of purchase of new trains supported from the European funds, but also of an extensive programme of renewal and modernisation of passenger coaches. Renewal of the rolling stock fleet has progressed from fast trains to regional and inter-regional transport. Modern, air-conditioned coaches are already coupled into many passenger trains within Slovak regions.

These positive results could not have been achieved without an active support of the State. Therefore, I would like to emphasise that in 2009 the State, for the first time since the establishment of the independent Slovak Republic, allocated financial resources for purchase of new train sets or for upgrading of older ones. Purchase of new train sets creates conditions for strengthening the share of public transport in Slovakia in order to show people that there is an adequate alternative of a safe, comfortable and ecological transport. At the same time, it is a strong incentive for the State, regions and for the transport operator to start solving the problems of transport harmonisation so as to establish functional integrated transport systems. We have to put our efforts into achieving these objectives in order to shift people from road to rail, to unburden congested roads and urban crossroads, but also in order to contribute to a better management of public funds.

Ing. Milan Chúpek, PhD.
Chairman of the Board of Directors
and the Director General
of Železničná spoločnosť Slovensko, a.s.

Company Profile

Železničná spoločnosť Slovensko, a.s. (ZSSK)

Rožňavská 1

832 72 BRATISLAVA

COMPANY ID NO.: 35 914 939

VAT REGISTRATION NO.: SK 2021920076

Established on: 1 January 2005

Capital stock: EUR 212.441 million

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

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

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

The bodies of the company:

The General Assembly is the supreme body of ZSSK.

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

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

The Director General is an executive body of ZSSK.

Board of Directors of ZSSK

Ing. Milan CHÚPEK, PhD.

Chairman of the Board of Directors

Director General
of Železničná spoločnosť Slovensko, a.s.

Ing. Pavol GÁBOR

Vice Chairman of the Board of Directors

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

Ing. Igor KRŠKO

Member of the Board of Directors

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

Ing. Ján KOVÁČIK

Member of the Board of Directors

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

Ing. Michal VEREŠ

Member of the Board of Directors

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

Supervisory Board

Ing. Stanislav BOŘUTA

Chairman of the Supervisory Board

Ing. Miloš MOJŠ

Vice Chairman of the Supervisory Board

Mgr. Matej AUGUSTÍN

Member of the Supervisory Board

JUDr. Miroslav BALÁŽ

Member of the Supervisory Board

Mgr. Jozef SCHMIDT

Member of the Supervisory Board

Ján GRIEČ

Member of the Supervisory Board

Scope of Business

ZSSK performs transport and commercial activities by rail. ZSSK's scope of business is as follows:

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

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

- Licence no. 0950/2007/L to carry out transport services by rail, based on Decision of the Railway Regulatory Authority no. 5711/2006-ÚRŽD/Sk of 26 January 2007 for an unlimited period of time
- Licence no. 01/2007/ŠD/L to carry out transport on a special line – Detská železnica (Children's Railway) in Košice, issued on 29 May 2007 for an unlimited period of time
- Trading licence no. Žo-2005/12195/2/Z25 of 16 March 2005
- Licence Deed no. OŽP-A/2005/48837-2/CR1 of 12 February 2005, for an unlimited period of time
- Licence Deed no. Žo-2005/12193/2/Z25 of 16 March 2005
- Authorisation of the Railway Regulatory Authority no. K - 1/2009 of 16 January 2009, valid until 16 January 2010; Authorisation of the Railway Regulatory Authority no. K - 30/2007 of 29 October 2007, valid until 9 August 2010 to carry out assembly, inspections, maintenance, servicing, revision and testing of specific pressure devices
- Authorisation of the Railway Regulatory Authority no. E - 72/2008 to carry out inspections, maintenance, repairs, servicing and testing of specific technical devices on electric railway lines, issued on 10 November 2008, valid until 30 November 2011
- Authorisation of the Railway Regulatory Authority no. Zv - 34/2008 for welding of rolling stock issued on 5 December 2008, valid until 5 December 2009
- Authorisation of the Railway Regulatory Authority no. P – 18/2009 for servicing of specified technical gas devices issued on 9 September 2009, valid until 9 September 2010
- Decision of the Railway Regulatory Authority no. 2005T 0017 of 31 May 2005 for heat generation, valid for an unlimited period of time
- Trade Licence no. OŽP-A/2008/23329-2
- Trade Licence no. Žo-2005/12195/2/Z25 of 16 March 2005.

Passenger Transport

During the year 2009, **45,135.2 thousand passengers** were transported by rail, which meant reduction by 3,864.8 thousand passengers against the plan, i.e. fulfilment of the plan in 92.11 %. In comparison with the last year 2,048.8 thousand passengers less were transported, i.e. a decrease by 4.34 %, of which:

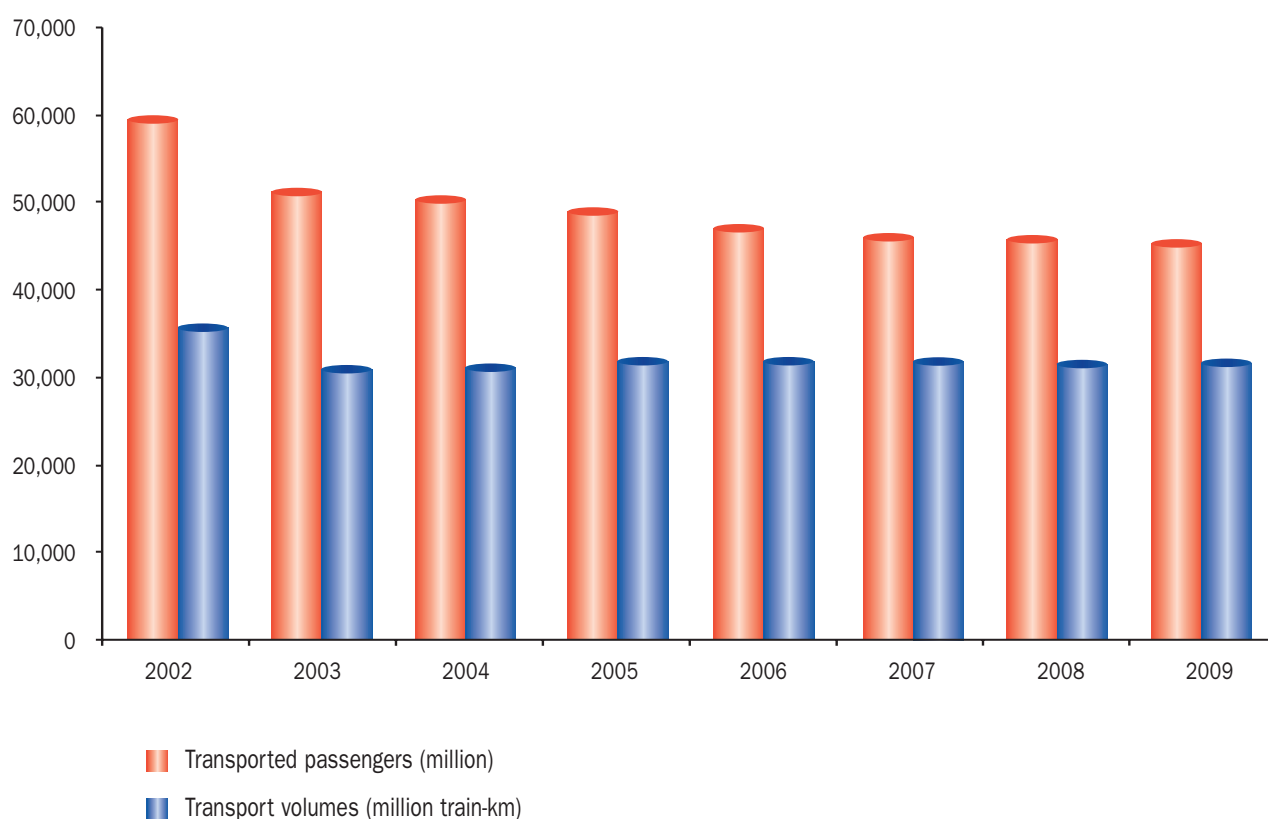
- the domestic transport recorded reduction of passengers against the plan by 3,494.3 thousand (-7.64%) and a year-to-year reduction by 1,802.7 thousand passengers (-4.09 %),
- the international transport recorded a decrease against the plan by 370.5 thousand passengers (-11.31 %) and a year-to-year decrease by 246.1 thousand passengers (-7.81 %).

The total transport volume in **passenger-kilometres** in 2009 amounted to **2,246,511 thousand passenger-km**, which meant a reduction by 288,689 thousand against the plan (-11.39 %). In comparison with the last year the transport volume decreased by 32,148 thousand passenger-km (-1.41%).

The total transport volume in **train-kilometres** in 2009 amounted to **31,809,414 train-km**, which meant a reduction by 149,586 train-km against the plan (-0.47 %). In comparison with the last year the transport volume increased by 71,691 train-km (+0.23 %).

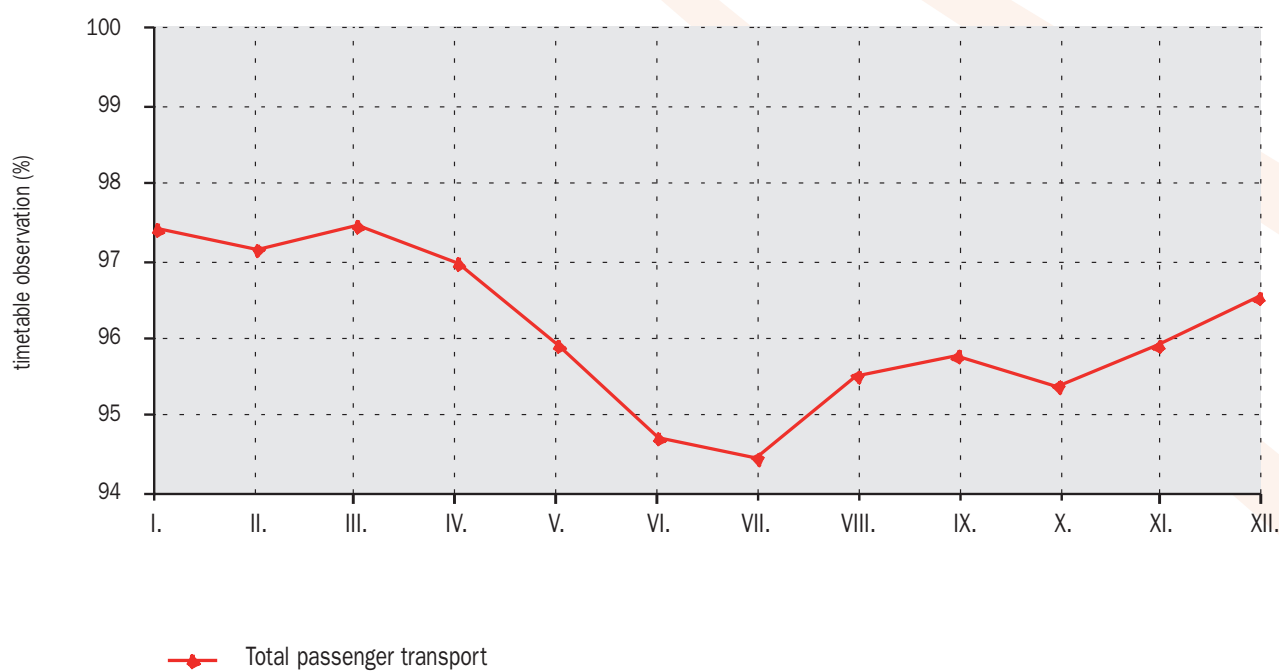
Development of volumes in passenger transport:

Total passenger transport	2002	2003	2004	2005	2006	2007	2008	2009	2009/2008
Transport volume (million passenger-km)	2,682.30	2,315.60	2,227.30	2,166.20	2,194.20	2,147.96	2,278.66	2,246.51	0.99
Passengers (million)	59.430	51.274	50.268	49.054	47.021	45.598	47.184	45.135	0.96
Transport volume (million train-km)	35.58	30.83	31.14	31.75	31.98	31.89	31.74	31.80	1.00



The decisive qualitative indicator in passenger transport - observation of the train timetable – was set under the PSO contract as 93.0 %. In 2009 ZSSK fulfilled this indicator in 96.11 %, which was a result better by 3.11 % as compared to the set limit.

Type of train	Timetable fulfilment (%)		Difference	PSO contract fulfilment in %	Actual numbers 2008	Index 2009/2008
	PSO Contract 2009	Actual numbers 2009				
Total passenger transport	93.00	96.11	3.11	103.34	96.72	0.99



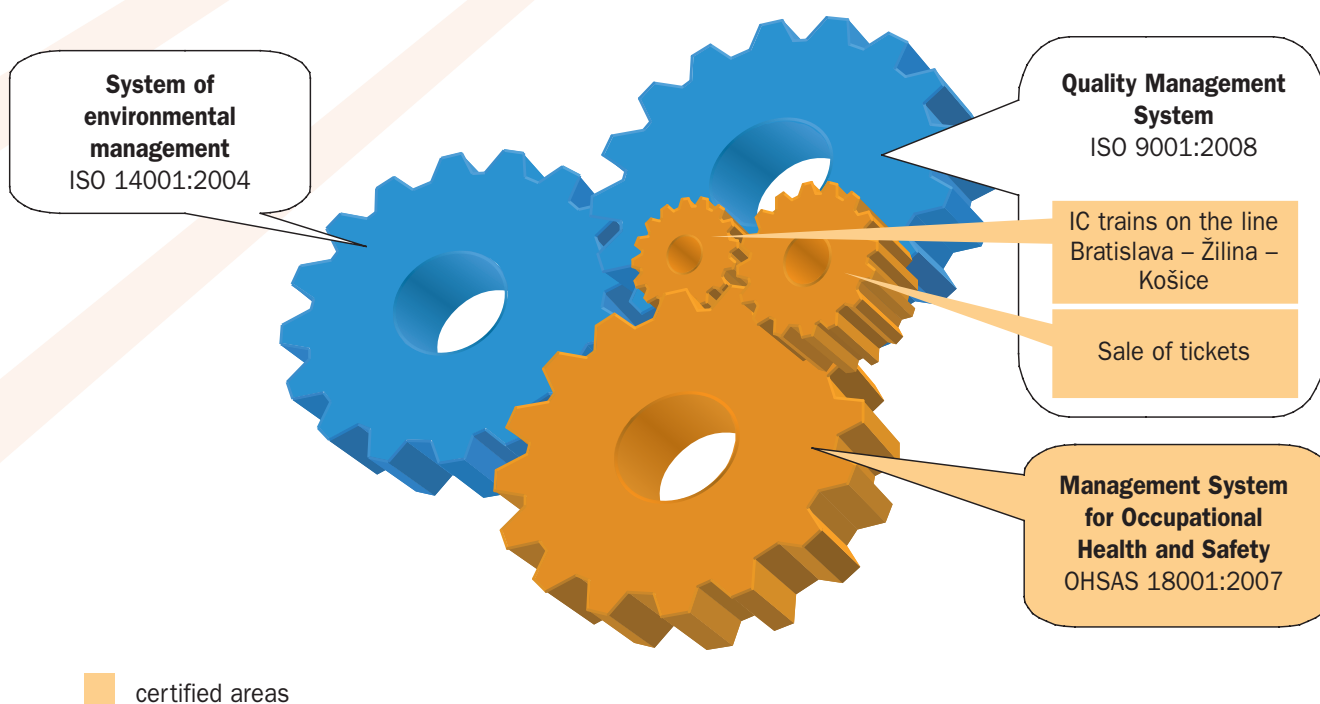
Quality Management System, Certificates

Establishment of an integrated management system of ZSSK in 2009 was carried out pursuant to the decision of the Board of Directors of ZSSK and the adopted plan of gradual certification steps by 2015.

The certification agency Bureau veritas certification, s.r.o. carried out an integrated audit of the management system on 28 to 30 September 2009 with the aim to verify the concordance of the system with the requirements of ISO 9001:2008 (on quality) and OHSAS 18001:2007 (on occupational health and safety).

The integrated management system of ZSSK includes the certified products of **IC trains on the line Bratislava - Žilina - Košice and back, sale of tickets** pursuant to ISO 9001:2008 (on quality) and **Management system for Occupational Health and Safety** – Operation of passenger transport on railway line pursuant to OHSAS 18001:2007 (on occupational health and safety).

Scheme of integrated management system of ZSSK



The results of the integrated audit of the management system are published in the “Report from the integrated audit of management system” elaborated by Bureau veritas certification.

Strategic Objectives

ZSSK vision

ZSSK vision continues to be a modern company and a leader on domestic market which is also well established on European market of passenger transport by rail, governed by the following principles:

PROFESSIONAL APPROACH

QUALITY

ECOLOGY

DYNAMISM

ZSSK Mission

The mission of ZSSK, as of an operator of passenger transport, is the priority of transporting passengers by rail in the territory of the Slovak Republic. Our strength is the environmentally friendly aspect of transport and the effort to continuously enhance the service quality. Our success is measured by the satisfaction of customers who were persuaded by our alternative to individual car transport. We would like to help people reach their targets in a comfortable and safe way, while we strive to provide solutions enabling them to make use of the journey time in a fruitful and pleasant manner. We have been creating new mobility and shortening distances between people.

ZSSK motto

Trains for people

Goals of ZSSK strategy

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

ZSSK Direction

Strategy of Železničná spoločnosť Slovensko, a.s. for 2009 to 2015 is the fundamental document of the company determining the scope of long-term objectives, priorities, tools and resources necessary to achieve the set strategic objectives. The task of ZSSK is to provide high-quality, available and integrated railway passenger transport, competitive services, user-friendly and ecological transport which is energy-efficient and safe. The strategic objectives are defined in four main areas resulting from the vision and focusing on the following: finances, customers, organisation and resources. All steps of ZSSK have to be directed in particular towards ensuring funding of the basic needs, achievement of balanced economy without any significant increase of debts, achievement of financial stability and ensuring resources necessary for implementation of planned investments on modernisation of rolling stock and increasing of the scope and quality of delivered services. Fulfilment of the strategic objectives will enable ZSSK to provide competitive services on European transport market and change the image of public passenger transport by rail into the image of a modern and attractive transport mode.

Given the future trends in the European transport policy and expected changes of external conditions affecting transport development, when assessing the strategy in mid-term, it will be necessary to evaluate the efficiency of the proposed measures and to adopt new ones in order to ensure fulfilment of the strategic objectives.

International Activities

Similarly to previous years, international activities of ZSSK continued in the process of active participation of the company as a rail passenger operator in various activities on the European transport market and in the European organisations.

Within its international activities, ZSSK participated especially in the work of international organisations active on regional level (associations G-4, V-4) and broader European and worldwide level (CER, UIC and OSJD).

Besides technical issues, a crucial theme of international events within the railway sector was the legislative document adopted by the European Parliament - the so-called "Third railway package" and preparation for its implementation. This document, and in particular the Regulation on rail passengers' rights and obligations (the Regulation), substantially stipulates the quality and the level of services to be delivered by rail operators in passenger transport. As the Regulation became effective on 3 December 2009, ZSSK paid adequate attention to preparation for its implementation.

A working group of ZSSK for Regulation implementation, consisting of representatives of respective departments and cooperating with ŽSR and MTPT as well as the international railway organisations (CIT, UIC, CER), tried to create optimal conditions for a comprehensive implementation of the Regulation in the train operation, while taking into account the exceptions from fulfilment of certain provisions of the Regulations granted by the Ministry of Transport, Post and Telecommunications. In cooperation with CER, an active dialogue of railway undertakings in the Central and Eastern Europe with various European institutions continued, in particular with the European Commission and its directorates.

In the scope of cooperation with UIC the company employees contributed to the implementation of PROTECTRAIL project. The project funded by the European Commission aims at elaborating possibilities of rendering the safety measures at railways more efficient, and relates to the previous activities of the European railway sector in the safety area. Thanks to its active participation in the project, ZSSK will have access to important knowledge from research activities in the field and at the same time, it will have the possibility to prove its outstanding experts' reputation within the European railway sector in the technical field, which opens up new opportunities of an active participation of ZSSK in further international projects.

In 2009 another important activity of ZSSK included cooperation with MTPT in preparation of documentation regarding EU financial support for procurement of passenger rolling stock. This documentation stipulates the main priorities of Slovakia for drawing financial support from the EU funds in the period of 2007 – 2013. Thanks to them, in years to come, our company will have the opportunity to use the EU funds to buy new rolling stock for regional and interregional passenger transport. In this respect the active cooperation and support of CER should be emphasised, especially CER activities towards respective European institutions.

In the framework of bilateral relations of ZSSK, several bilateral meetings with the highest representatives of the European railway undertakings were held in 2009, also at the occasion of meetings of international organisations. These meetings aimed at strengthening and enhancement of cooperation in various areas of passenger transport, especially with railway undertakings from neighbouring countries.

As regards international activities, 2009 was a successful year which proved the important position of ZSSK on the international transport market. At the same time, 2009 was a year creating good pre-conditions for successful development of our company in the international context in the future.

Ownership Interests of ZSSK (as on 31 December 2009)

Entity	Number of shares against equities as on 31 December 2009 (pieces)	Share against equities in %	As on 31 December 2009 in EUR	As on 31 December 2008 in EUR
EUROFIMA	1,300	0.50%	4,108,196	4,073,396
Bureau Central de Clearing, s.c.r.l. Brusel (BCC) **	1	0.68%	744	744

Transfer of Assets

Based on a decision of the Board of Directors the following sale of tangible assets was carried out in 2009:

Subject	Price in EUR
Sale of self-serving vending machines	7,000
Sale of rolling stock	9,000
Sale of cars	5,380

Acquisition of Non-Current Assets

Assets in thousand EUR	Acquisition as on 31 December 2009
Purchased software	454
Trademark, logo	75
Technical documentation	0
Total intangible assets	529
Procurement of intangible assets	214
TOTAL INTANGIBLE ASSETS	744
Lands	0
Buildings	293
Constructions	630
Total buildings and constructions	923
Spare parts IAS	-106
Total spare parts	-106
Power-producing machines	127
Working machines	412
Devices	183
Total machines and devices	722
Transport vehicles	74,957
of which: capitalisation	15,424
increase from used spare parts, IAS	230
Low-value tangible assets	102
Inventory	51
Total tangible assets	76,648
Procurement of tangible assets	1,657
TOTAL TANGIBLE ASSETS	78,305
TOTAL NON-CURRENT ASSETS	79,049

Business Results

The Individual Financial Statements of ZSSK for 2009 were prepared in terms of Article 17a of Act on Accounting no. 431/2002 Coll. as amended, as well as in accordance with the International Financial Reporting Standards (IFRS) as adopted by the International Accounting Standards Board (IASB) and International Financial Reporting Interpretations Committee (IFRIC), pursuant to 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 the Commission Regulation (EC) no. 1725/2003 of 29 September 2003.

Business result

The business result of ZSSK planned for 2009 was a loss amounting to EUR 62,542 thousand. The actual business result ZSSK achieved was a profit of EUR 27,151 thousand.

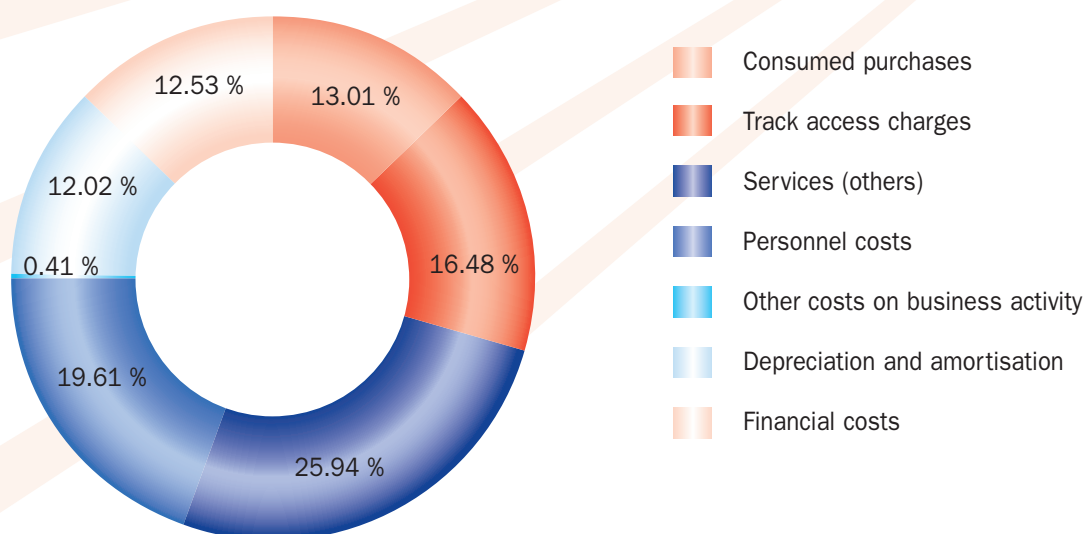
v thousand EUR

	Actual figures in 2008	Actual figures in 2009	Difference	Index 2009/2008
Costs	325,025	354,957	29,932	1.09
Revenues	294,090	382,108	88,018	1.30
Profit/Loss	-30,935	27,151	58,086	

Expended costs were affected by:

Costs in thousand EUR	Actual figures in 2008	Actual figures in 2009	Difference	Index 2009/2008
Material consumption	17,072	14,112	-2,960	0.83
Energy consumption	29,560	32,012	2452	1.08
Sold goods	40	42	2	1.05
Total consumed purchases	46,672	46,166	-506	0.99
Repairs and maintenance	38,002	44,047	6,045	1.16
Fare	1,980	2,120	140	1.07
Representation costs	80	68	-12	0.85
Track access charges	52,061	58,496	6,435	1.12
Other services	44,326	45,848	1,522	1.03
Total services	136,449	150,579	14,130	1.10
Total consumed purchases and services	183,121	196,745	13,624	1.07
Wages	47,549	50,140	2,591	1.05
Remuneration for the company body members	55	60	5	1.09
Statutory social insurance	16,796	17,536	740	1.04
Other personnel costs	1,898	1,886	-12	0.99
Total personnel costs	66,298	69,622	3,324	1.05
Taxes and fees	80	73	-7	0.91
Other costs on business activity	1,684	1,388	-296	0.82
Depreciation and amortisation	33,624	42,676	9,052	1.27
Total financial costs	40,218	44,453	4,235	1.11
Total extraordinary costs	0	0	0	
TOTAL COSTS	325,025	354,957	29,932	1.09

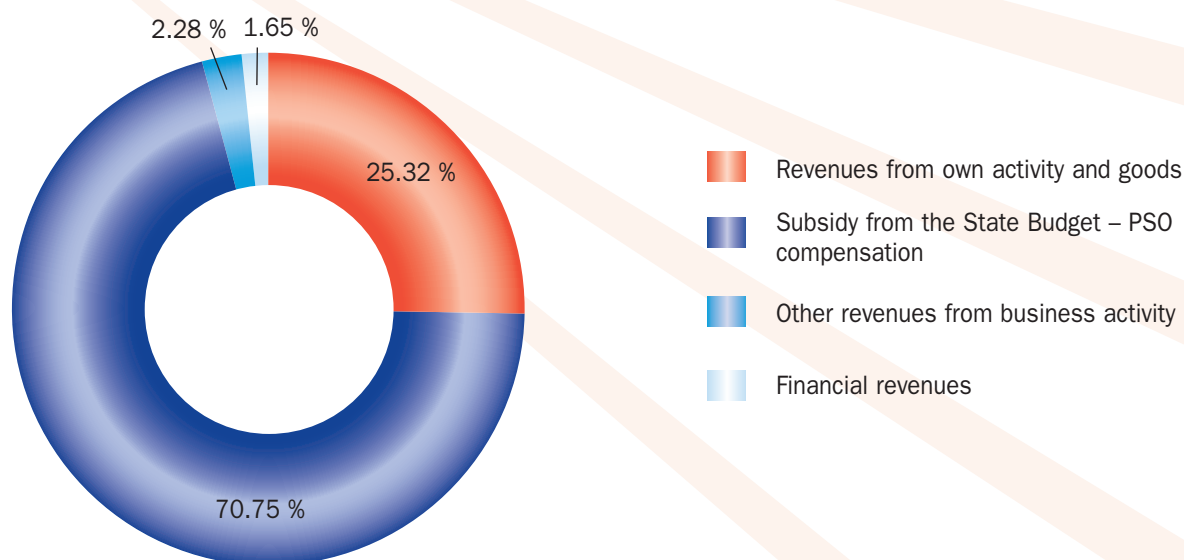
Cost structure



Revenues were affected by:

Revenues in thousand EUR	Actual figures in 2008	Actual figures in 2009	Difference	Index 2009/2008
Revenues from sale of services	12,937	13,184	247	1.02
Revenues from goods	49	50	1	1.02
Total revenues from transport (of passengers)	86,106	83,503	-2,603	0.97
of which: revenues from passenger transport	76,958	74,741	-2,217	0.97
revenues from passenger coaches	9,148	8,762	-386	0.96
Revenues from sale of long-term tangible and intangible assets	692	21	-671	0.03
Revenues from sale of material	1,434	1,628	194	1.14
Compensation of loss from services in public interest from the State Budget	165,970	202,483	36,513	1.22
Compensation of loss from services in public interest from the State Budget		67,856	67,856	
Subsidy on investments from the State Budget		1,216	1,216	
Other revenues from business activities	6,872	5,852	-1,020	0.85
Total financial revenues	20,024	6,307	-13,717	0.31
Total extraordinary revenues	6	0	-6	0.00
TOTAL REVENUES	294,090	382,108	88,018	1.30

Revenues structure



Use of Contractual Compensation of the Loss for Services in Public Interest in 2009

	2008 (in thousand EUR)	2009 (in thousand EUR)
Track access charges	50,760	54,958
Traction energy	27,375	29,463
Services purchased from ZSSK CARGO	39,114	28,829
Substitute bus transport	295	0
Catering services and sleeping car services	3,525	3,768
Diesel	1,553	1,417
Cleaning of coaches	3,283	3,803
Personnel costs = wages + insurance	40,065	49,267
Total use of the contractual compensation	165,970	171,505
Transitory settlement of loans		90,727
Transitory drawing of loans		-82,985
Compensation for services in public interest in 2009		179,247
Compensation for services in public interest in 2010		23,235
Total compensation for services in public interest in 2009	165,970	202,482

In terms of the Budget Provisions of the Ministry of Finance of the Slovak Republic in 2009 ZSSK was allocated financial means from the State Budget in the amount of EUR 202,483 thousand, of which a compensation for public services allocated additionally amounted to EUR 36,513 thousand.

Research and Development

Indicator (in thousand EUR)	As on 31 December 2008	As on 31 December 2009
Research costs	60	137

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

Data on Remuneration of the Statutory and Supervisory Bodies of ZSSK

In EUR	2008	2009
Current body members:	54,571	60,000
of which: statutory	42,621	45,600
supervisory	11,950	14,400

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

Significant Events after the Date of the Statement of Financial Position

On 2 March 2010 the company carried out restructuring of the financial derivative EUROFIMA VI (the risk became evident after reduction of the key interest rate by ECB to 1% p.a.) concluded in April 2006 with CALYON Bank. The derivative restructuring was caused by the effort to limit the risk of the current and future negative impact resulting from a rapid drop in interest rates, in the form of concluding a new financial derivative with NOMURA plc., which:

- fully compensates all negative fulfilments – payments resulting from the original derivative EUROFIMA VI until its maturity ("mirroring derivative"),
- expressly limits the risk of fulfilment- payments resulting from the new derivative by defining the maximum possible amount, a barrier not to be exceeded (derivative with a "cap").

The risk limitation of EUROFIMA VI derivative was positively responded to also by an external company which evaluated the derivatives of ZSSK as on 31 December 2009.

Settlement of Accounting Profit from 2009

In 2009 ZSSK achieved accounting profit of EUR 27,151 thousand. The proposal for settlement of the accounting profit:

– proportion for the statutory reserve fund	EUR 2,715,073
– reduction of the loss of previous years on the account 429	
– unsettled loss of previous years	EUR 24,435,659

Human Resources

The planned number of employees as on 31 December 2009 was 5,025.

The actual number of employees as on 31 December 2009 amounted to 4,979, which was less by 0.92% compared to the plan.

Compared to 2008, 2009 saw a reduction in the recorded number of employees from 4,983 to 4,979, which is less by 0.08%.

Recorded number of employees:

	2008	2009
Total no. of ZSSK employees	4,983	4,979
Managing processes	155	156
Business Division	1,127	1,123
Operation Division	3,406	3,394
Economy Division	81	83
Services Division	214	223

Break-down by sex:

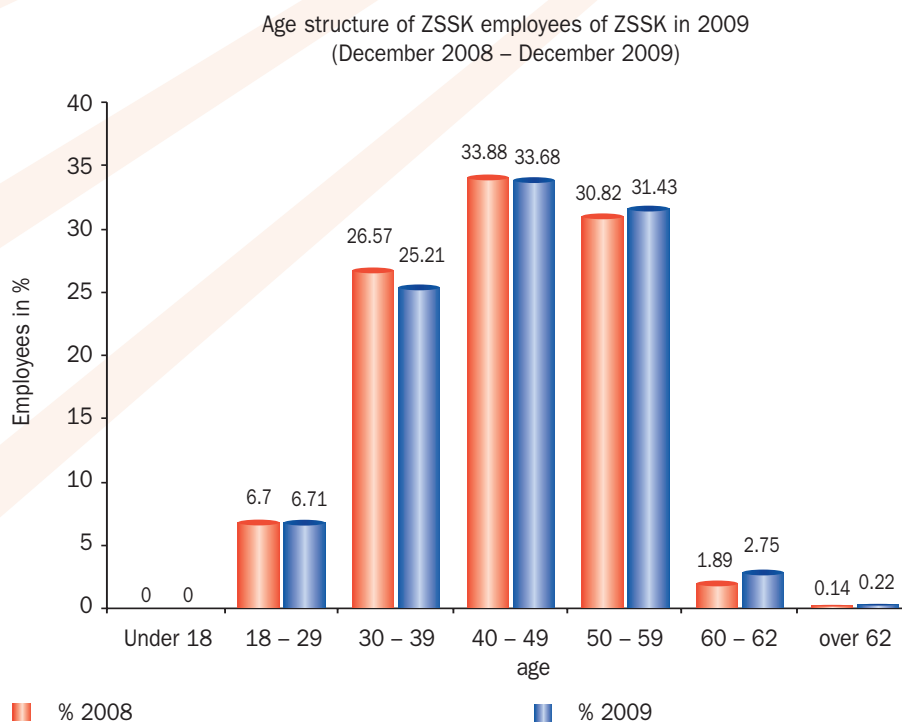
	2008	2009
Sex of employees	4,983	4,979
Men	3,083	3,072
Women	1,900	1,907

The average wage in ZSSK in 2009 reached the amount of EUR 826.81. Compared to 2008, the average wage increased by EUR 35.43; which is a growth by 4.48%.

Age structure of the employees in 2009

Out of the total number of 4,979 employees, 334 were at the age below 29, 1,255 employees at the age of 30 – 39, 1,677 employees at the age of 40 – 49, 1,565 employees at the age of 50 – 59, 137 employees at the age of 60 – 62 and 11 employees over 62.

Graph of the age structure of ZSSK employees

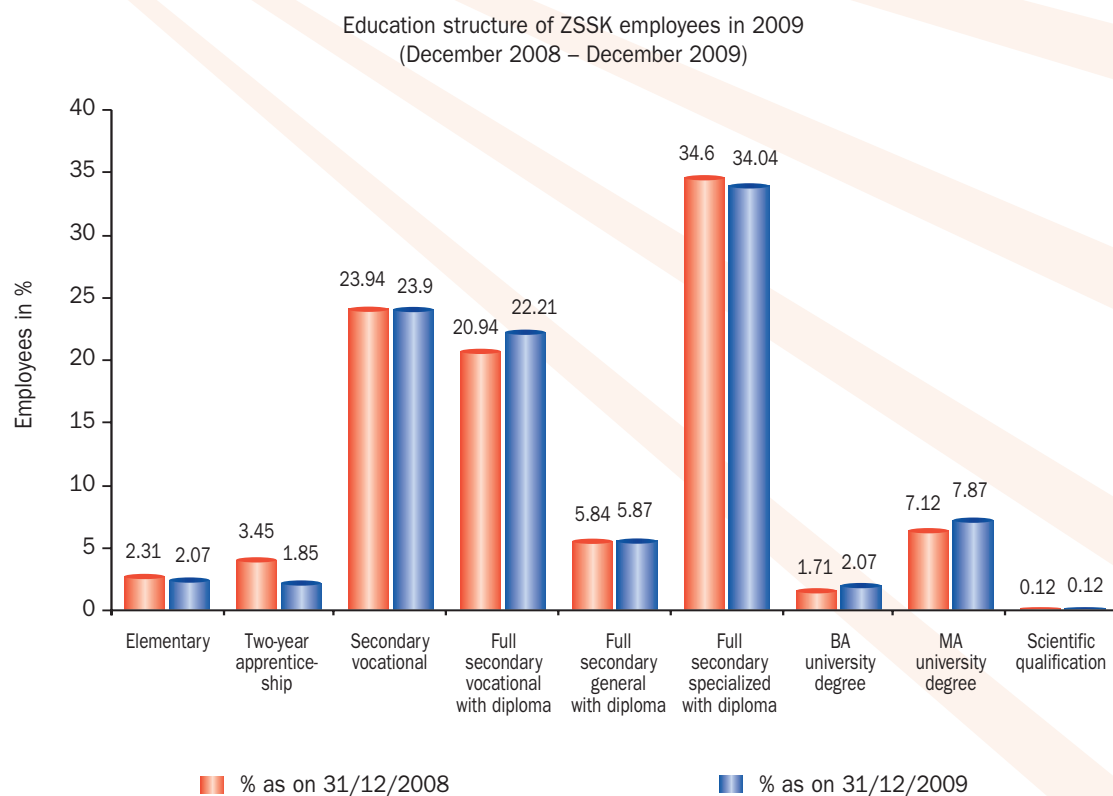


The facts above show a clear increase in the employees of higher age categories above 50. The future aim is to gradually increase the number of employees in the younger age categories.

Education structure of the employees in 2009

As regards qualification, as on 31 December 2009 the company employed 103 employees with elementary education, 92 employees with a two-year apprenticeship, 1,190 employees with secondary education without diploma, 1,106 employees with full upper secondary education with specialisation, 292 employees with full upper secondary education without specialisation, 1,695 employees with full secondary education at vocational schools, 103 employees with BA university degree, 392 employees with MA university degree, 6 employees with scientific qualification.

Graph of the education structure of ZSSK employees:



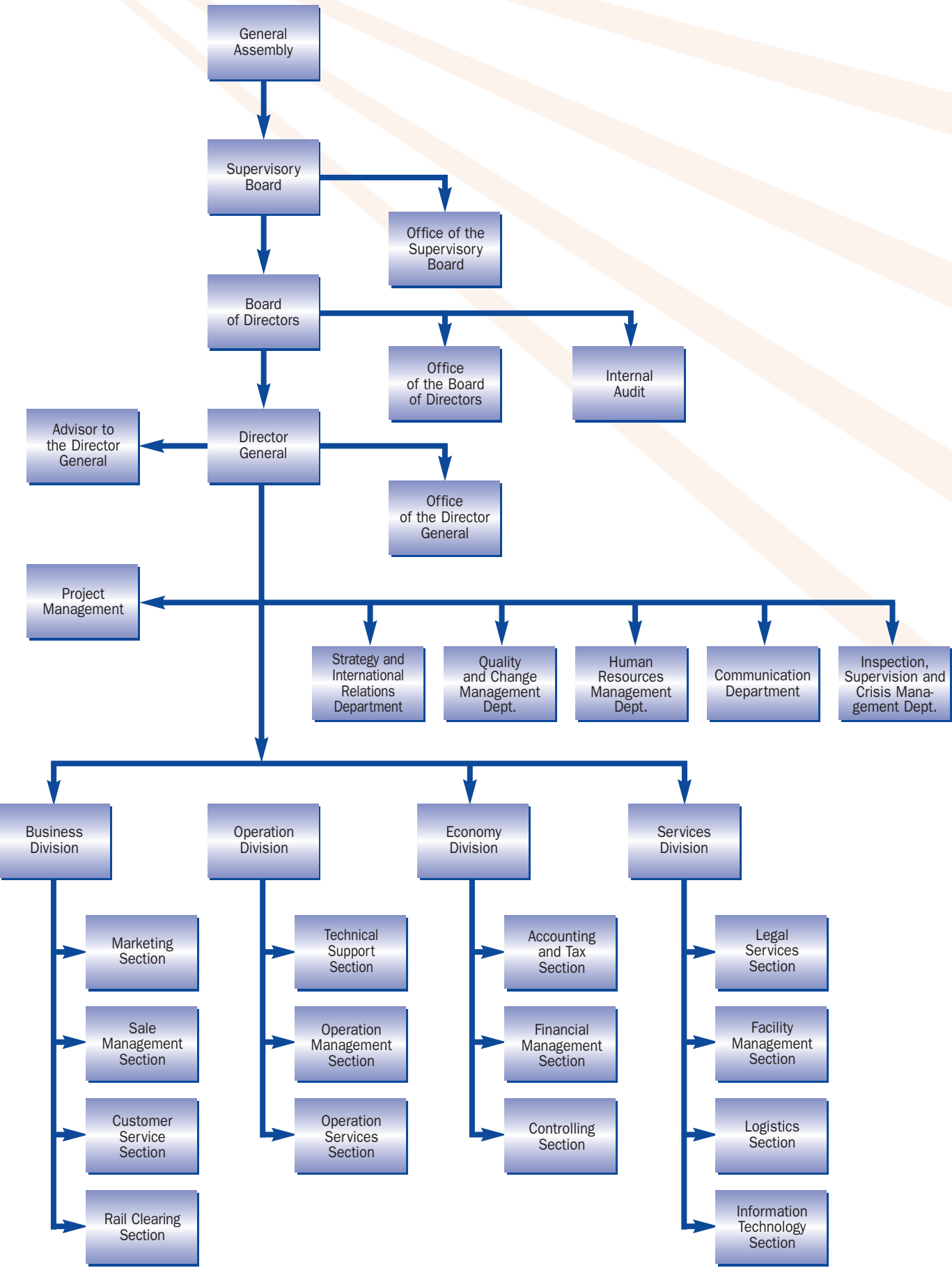
As compared to 2008, in 2009 the education structure improved. The number of employees with elementary education and two-year apprenticeship reduced, and the number of employees with full secondary education with diploma and a university degree increased. The education structure shows a positive development which corresponds to the long-term strategy of the company in the area of human resources management.

Number and Types of Received Complaints

Motions (petitions, customer and other complaints, claims and other motions) of natural and legal entities delivered or forwarded to our company are handled in accordance with the Regulation of the European Parliament and of the Council (EC) no. 1371/2007, and in terms of the methodology of Act of the National Council of the Slovak Republic no. 9/2010 Coll. on complaints.

TOTAL NUMBER OF MOTIONS RECEIVED IN 2009	1,925
– of which complaints	1,921
– of which petitions	4
METHOD OF HANDLING:	
– number of transferred motions	73
– number of directly investigated motions	1,761
– number of postponed motions	21
– number of motions unsolved in 2009	70
JUSTIFIED MOTIONS:	
– number of justified motions	1,104
– number of unjustified motions	657
Subject and reasons of received petitions:	
Change of departure and arrival times of trains, change of position and crossing of trains	4
Subject and reasons of received complaints:	
Usage (of vehicles and network, operation, reliability)	17
Availability (tickets, frequency, other sale forms, passengers with reduced mobility)	85
Information (transport info, specific information during accidents, labelling of trains)	39
Time (failure to observe the train timetable, delayed trains, missed connecting transport)	233
Customer care (behaviour of employees of the first contact, unwillingness)	190
Comfort (train sets, restaurant and sleeping cars, luggage, bicycles, services)	398
Security and safety (onboard trains, in railway premises, accidents)	18
Other (non-specified subjects)	93
LABOUR AND LEGAL MEASURES TO ELIMINATE DISCOVERED SHORTCOMINGS:	
reduced bonuses	109
termination of the employment relationship	1
warning about future notice	19
OTHER MEASURES:	
– motions passed for court proceedings	1
– organisational measures (joint inspections, extraordinary examination, ...)	42
– other (return confirmation – MÁV strike, calamity, compensations, cancelled enforcement)	2,321

Organisational Structure of ZSSK



Organisational Units

ZSSK has no organisational units.

List of Used Abbreviations

CER	Community of European Railway and Infrastructure Companies
CIT	International Rail Transport Committee
EU	European Union
IC	Inter City train
ISO norms	Quality norms
MÁV	Hungarian railways
MTPT SR	Ministry of Transport, Post and Telecommunications of the Slovak Republic
MF SR	Ministry of Finance of the Slovak Republic
OHSAS norms	Norms for occupational health and safety
OSJD	Organisation for Cooperation of Railways
PSO	Public Service Obligation
RRA	Railway Regulatory Authority
RS	Rolling stock
SR	Slovak Republic
UIC	International Union of Railways
ÚRSO	Regulatory Office for Network Industries
WGS	Wagon Slovakia
VAT	Value Added Tax
ZSSK	Železničná spoločnosť Slovensko, a.s.
ZSSK CARGO	Železničná spoločnosť Cargo Slovakia, a.s.
ŽSR	Železnice Slovenskej republiky

General Representation of ZSSK at UIC:

PARIS

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

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– to the Individual Financial Statements of ZSSK for 2009



INDEPENDENT AUDITOR'S REPORT for 2009

concerning the Financial Statements

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

BDR
Auditing Company

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

We have audited the accompanying Financial Statements of the joint-stock company Železničná spoločnosť Slovensko, a.s., with the registered seat in Bratislava, Company ID No.: 35 914 939, containing the Statement of Financial Position reported as on 31 December 2009, Statement of Comprehensive Income, Statement of Changes in Equity, Cash Flow Statement for the year then ended, as well as an overview of the main accounting principles and methods and other explanatory notes.

Company's management responsibility for the Financial Statements

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

Auditor's responsibility

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

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

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

Opinion

In our opinion, the Financial Statements present a faithful and objective overview of the financial situation of Železničná spoločnosť Slovensko, a.s. as on 31 December 2009, as well as the economic results and financial flows for the year then ended, in accordance with the International Financial Reporting Standards as adopted by the EU.

Highlighting certain facts

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

1. The Company presents financial derivatives in the Notes 2.5.1, 6.4. As on the date of the book closing, these derivatives were evaluated by an external company. The change in their real value based on these data was reported in accordance with IAS 39 Financial instruments into the Statement of Comprehensive Income.
2. As stated in Note 17 to the Financial Statements, the Company carries out important transactions with related parties, namely Železnice Slovenskej republiky, Železničná spoločnosť Cargo Slovakia, a.s. and EUROFIMA.

In Banská Bystrica, on 17 May 2010

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

[round stamp
Slovak Chamber of Auditors
BDR spol. s r.o., Banská Bystrica
Licence no. 6]

Ing. Viera Babjaková
Responsible Auditor
Licence SKAU no. 167

[signature in hand]

Annex – Individual Financial Statements of ZSSK for 2009

The Annual Report is annexed with the Individual Financial Statements of ZSSK reported pursuant to the International Financial Reporting Standards (IAS/IFRS) as on 31 December 2009.

