



Annual Report of Železničná spoločnosť Slovensko, a.s. for 2014

In Bratislava, on 4 May 2014

For and on behalf of the Company: Ing. Pavol Gábor
Chairman of the Board of Directors
and Director General of ZSSK

Ing. Ľubomír Húska,
Vice Chairman of the Board of Directors
and Economy Division Director of ZSSK

Dodatok správy audítora o overení súladu výročnej správy s účtovnou závierkou

v zmysle zákona č. 540/2007 Z.z. § - u 23 odsek 5

Pre akcionárov spoločnosti Železničná spoločnosť Slovensko, a.s. Bratislava

- I. Overili sme účtovnú závierku spoločnosti Železničná spoločnosť Slovensko, a.s. so sídlom v Bratislave, IČO: 35 914 939 k 31. decembru 2014 uvedenú v prílohe výročnej správy, ku ktorej sme dňa 27. februára 2015 vydali správu audítora a v ktorej sme vyjadrili svoj názor v nasledujúcom znení:

Názor

Podľa nášho názoru účtovná závierka poskytuje pravdivý a verný obraz finančnej situácie spoločnosti Železničná spoločnosť Slovensko, a.s. k 31. decembru 2014 a výsledku jej hospodárenia za rok končiaci k uvedenému dátumu v súlade s Medzinárodnými štandardmi pre finančné výkazníctvo v znení prijatom Európskou úniou.

Zdôraznenie niektorých skutočností

Bez vplyvu na náš názor upozorňujeme na nasledujúcu skutočnosť

1. Ako je uvedené v Poznámke č.2.3 a č.15 priloženej účtovnej závierky, v roku 2012 došlo k nákupu dlhodobého hmotného majetku – naftového hospodárstva od Železničnej spoločnosti Cargo Slovakia, a.s.. Pri ukončení prevádzok naftového hospodárstva v zmysle platnej legislatívy SR vyplývajú pre Spoločnosť povinnosti ekologického charakteru. Na tieto významné náklady bola tvorená rezerva vo výške 7 244 tis. EUR. Spoločnosť uskutočňuje odhady budúcich peňažných tokov súvisiacich s environmentálnymi záväzkami a záväzkami z vyradenia majetku z prevádzky pomocou porovnávania cien, použitím analógií s podobnými aktivitami v minulosti a inými odhadmi. Hoci tieto odhady sú založené na najlepšom poznaní aktuálnych udalostí a postupov, skutočné výsledky sa môžu od týchto odhadov líšiť.
- II. Overili sme taktiež súlad výročnej správy s vyššie uvedenou účtovnou závierkou. Za správnosť zostavenia výročnej správy je zodpovedný štatutárny orgán spoločnosti. Našou úlohou je overiť súlad výročnej správy s účtovnou závierkou a na základe toho vydať dodatok správy audítora o súlade výročnej správy s účtovnou závierkou.

Overenie sme vykonali v súlade s medzinárodnými audítorskými štandardmi. Tieto štandardy požadujú, aby auditor naplánoval a vykonal overenie tak, aby získal primeranú istotu, že informácie uvedené vo výročnej správe, ktoré sú predmetom zobrazenia v účtovnej závierke, sú vo všetkých významných súvislostiach v súlade s príslušnou účtovnou závierkou.

Informácie uvedené vo výročnej správe sme posúdili s informáciami uvedenými v účtovnej závierke k 31. decembru 2014. Iné údaje a informácie, ako účtovné informácie získané z účtovnej závierky a účtovných kníh sme neoverovali. Sme presvedčení, že vykonané overovanie poskytuje dostatočný a vhodný základ pre náš názor.



Podľa nášho názoru sú účtovné informácie vo výročnej správe spoločnosti Železničná spoločnosť Slovensko, a.s. v súlade s účtovnou závierkou k 31.decembru 2014.

V Banskej Bystrici, 4. máj 2015

BDR, spol. s r.o. Banská Bystrica
M.M.Hodžu 3, 974 01 Banská Bystrica
Licencia SKAu č. 6
Obchodný register Okresného súdu Banská Bystrica
Oddiel: Sro, Vložka číslo: 98/S, IČO: 00614556
Nezávislý člen Moore Stephens International Limited

Ing. Roman Juráš, DiplFR
Zodpovedný audítor
Licencia UDVA č. 1074





Supplement to the Auditor's Report
on examination of the consistency of the Annual Report with the Financial Statements
in terms of 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 ID no.: 35 914 939, as on 31 December 2014 annexed to the Annual Report, to which we issued the Auditor's Report on 27 February 2015 where we expressed our Auditor's opinion as follows:

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 2014, as well as the economic results for the year then ended, in accordance with the International Financial Reporting Standards as adopted by the European Union.

Emphasis on certain facts

Without an impact on our opinion, we hereby draw the attention to the following fact

1. As stated in Note no. 2.3 and no. 15 to the annexed Financial Statements, in 2012 long-term tangible assets were purchased – diesel facilities from Železničná spoločnosť Cargo Slovakia, a.s. When terminating operation of diesel facilities in terms of the effective Slovak legislation, the Company has an obligation of ecological nature. A reserve amounting to EUR 7,244 thousand was created for these significant costs. The Company estimates future cash flows related to environmental liabilities and liabilities related to decommissioning of assets via price comparisons, analogies with similar past activities and other estimates. Even if these estimates are based on the best knowledge of current events and procedures, the actual results may differ from these estimates.
- 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 Statutory Body. Our responsibility is to verify the consistency of the Annual Report with the Financial Statements and based on our audit to issue a supplement to the Auditor's Report on consistency of the Annual Report with the Financial Statements.

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 adequate 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 2014. 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 the financial information presented in the Annual Report of Železničná spoločnosť Slovensko, a.s. is consistent with the Financial Statements as on 31 December 2014.

In Banská Bystrica, 4 May 2015

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

Ing. Roman Juráš, DiplFR
Responsible Auditor
UDVA Licence no. 1074

A handwritten signature in blue ink, appearing to be 'R. Juráš', written over a horizontal line.



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FOREWORD OF THE CHAIRMAN OF THE BOARD OF DIRECTORS AND DIRECTOR GENERAL

The top event of 2014 for our Company, the whole railway sector, as well as public transport market was introduction of train services free of charge for selected citizens of Slovakia. It was a huge challenge for us, as well as a difficult task. ZSSK managed to estimate correctly the impacts of this decision on the passengers' behaviour, to come up with the technology, set up the sale system, prepare and repair a sufficient number of vehicles, mobilise people and do a great amount of work in order to cope with an increased interest in train travelling since 17 November. From a few-month distance, I can say that we coped well and have nothing to be ashamed of.

A similar mobilisation of forces was related to commercial, non-subsidised services by our IC trains where we reacted to impacts of free travelling as well as entry of competition. I think that both these factors helped us find new ideas and solutions inside the company. Whether it has been enough is still to be seen.

The year 2014 confirmed the tendency of a growing interest in services of ZSSK. The number of transported passenger grew in the third consecutive year. We transported **47.286 million persons**, which is a year-to-year increase by 3 million and, at the same time, a share higher by almost 4% compared to the plan. The growth of national transport was seen already in the spring months and free-of-charge travelling only supported the trend at the end of the year. The fact that passengers increased also in international services is gratifying.

In the course of 2014 we carried out services in the volume of 30.791 million train-kilometres, of which 29.595 million train-kilometres were based on the state's order of services in public interest. After a long time, the number of trains increased again this year. We made progress in improving interval timetable, and thickened long-distance and regional services. At the end of the year we added more trains in relation to the expected increased demand after introduction of free travelling.

The company's economy saw improvement last year. ZSSK achieved loss of EUR 6.379 million. The loss was reduced year-to-year by EUR 0.725 million and, at the same time, the economic results were better by one third compared to the plan. Improved results, despite unplanned increased volume of services and missing revenues due to free transport, were achieved by our rational approach to costs, in particular costs on consumed purchases and services.

At the same time, last year was the third consecutive year of renewal of the rolling stock fleet with help of the European Union funds. The renewal and modernisation of rolling stock accounted for the absolute majority – more than 89% - of the total investments of EUR 155.865 million. The fact that we were able to speed up the second major project focusing on support of integrated transport systems in Bratislava and Košice is extremely positive. Out of the total 29 procured train sets, as much as 13 train sets instead of just 9 were delivered in the course of the year. Together with the first project completed the previous year, at the end of 2014 we offered services in regional transport with 35 new electric or diesel units. Intensive activities and hard work brought along several other smaller projects, with a concrete results in 2014 in the form of 22 new and modernised coaches, and a start of establishing ETCS system on-board train units. These projects will bring more benefits to passengers in 2015. We also made significant progress in the project preparation for new workplaces for repairs and technical and hygienic maintenance of rolling stock. The crucial part of work – getting resources for construction – is the objective of this year.

At the close of last year we showed our ability to cope even with difficult tasks and achieve improvements. I would like to thank all colleagues and business partners – together, we faced the challenges of 2014 successfully. I would also like to thank all customers for having chosen ZSSK trains for travelling. We are here for you. Our efforts have no meaning without you.

Ing. Pavol Gábor
Chairman of the Board of Directors
and Director General

COMPANY PROFILE

Železničná spoločnosť Slovensko, a.s. (ZSSK)

**Rožňavská 1,
832 72 BRATISLAVA**

Company ID no.: 35 914 939

VAT registration no.: SK 20 219 200 76

Established on: 13 December 2004

Share capital: EUR 212.441 million

ZSSK is a joint-stock company with the seat in the Slovak Republic (SR), founded on 13 December 2004 and entered into the Companies Register of Bratislava I as of 1 January 2005. Its founder and a 100-percent shareholder is the Slovak Republic, represented by the Ministry of Transport, Construction and Regional Development of the Slovak Republic (MTCRD). ZSSK settles its needs and costs from income obtained from its business activities, as well as 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 of the company is to transport passengers on nationwide lines, regional lines and other related activities. The services in passenger transport are delivered in accordance with the state transport policy of the Slovak Republic and are based on the Contract on Passenger Rail Transport Services concluded pursuant to Act of the Slovak National Council no. 514/2009 Coll. on railways as amended, between ZSSK as the transport operator and the State (represented by MTCRD SR) as the contracting authority.

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.

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

The Director General is an executive body of ZSSK

BOARD OF DIRECTORS OF ZSSK

Ing. Pavol GÁBOR

Chairman of the Board of Directors

Director General of ZSSK

since 26 April 2012

Ing. Ľubomír HÚSKA

Vice Chairman of the Board of Directors

Economy Division Director of ZSSK

since 26 April 2012

Ing. Igor KRŠKO

Member of the Board of Directors

Operation Division Director of ZSSK

since 26 April 2012

SUPERVISORY BOARD (AS ON 31 DECEMBER 2014)

Ing. Viktor STROMČEK	Chairman of the Supervisory Board since 14 May 2013
Ing. Jaroslav MIKLA	Vice Chairman of the Supervisory Board since 3 September 2012
Ing. Štefan HLINKA	Member of the Supervisory Board since 15 August 2012
Ing. Vladimír ĽUPTÁK	Member of the Supervisory Board since 15 August 2012
Ing. Ján ANDREANIN	Member of the Supervisory Board since 20 January 2010
Jozef HLAVATÝ	Member of the Supervisory Board since 20 January 2010

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

- 36. heat production,
- 37. operation of transport on a special line – Detská železnica (Children's Railway) in Košice,
- 38. carrying out of assembly, inspections, maintenance, repairs and reconstruction of rolling stock,
- 39. carrying out of inspection, servicing, revision and testing of selected technical gas equipment,
- 40. carrying out of inspections, maintenance, repairs, servicing and testing of specified lifting devices,
- 41. transport of rolling stock of foreign undertakings by passenger trains,
- 42. luggage storage.

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

- Licence č.0950/2007/L to carry out transport services by rail, based on Decision of the Railway Regulatory Authority no. 5711/2006-ÚŘZD/Sk of 26 January 2007 for an unlimited period of time
- Licence no. 01/2007/ŠD/L to carry out transport on a special line - Detská železnica (Children's Railway) in Košice, issued on 29 May 2007 for an unlimited period of time
- Licence Deed no. OŽP-A/2005/48837-2/CR1 of 12 December 2005, for an unlimited period of time
- Licence Deed no. Žo-2005/12193/2/Z25 of 16 March 2005
- Trade Licence no. OŽP-A/2008/23329-2 of 23 May 2008
- Trade Licence no. Žo-2005/12195/2/Z25 of 16 March 2005
- Decision of the Railway Regulatory Authority no. 2005T 0017 of 31 May 2005 for heat generation, valid for an unlimited period of time
- Authorisation of the Railway Regulatory Authority no. K - 31/2013 to carry out assembly, revision and testing of specific pressure devices,
- Authorisation of the Railway Regulatory Authority no. E - 40/2012 to carry out specific activities: assembly, repairs, revisions and testing of electric railway devices,
- Authorisation of the Railway Regulatory Authority no. Zv – 20/2013 for welding of rolling stock,
- Authorisation of the Railway Regulatory Authority no. P -12/2012 to carry out assembly, repairs, revision and testing of specific gas devices,
- Authorisation of the Railway Regulatory Authority no. Z - 30/2013 to carry out specific activities on specific technical devices - lifting and transportation,
- Authorisation of the Railway Regulatory Authority no. D - 11/2012 for non-destructive testing of rolling stock,
- Authorisation of the Railway Regulatory Authority no. D - 10/2014 for non-destructive testing of rolling stock,
- Authorisation of the Railway Regulatory Authority no. Z - 35/2012 to carry out inspection of bridge-like railway infrastructure structures

PASSENGER TRANSPORT

During 2014, 47,286 thousand passengers were transported by rail, which meant an increase by 1,786 thousand passengers against the plan, i.e. fulfilment of the plan in 103.93 %. In comparison with the last year 2,999 thousand passengers more were transported, i.e. a year-to-year increase by 6.77 %, of which:

- domestic transport recorded increase of passengers against the plan by 1,750 thousand passengers (4.17 %) and a year-to-year increase by 2,889 thousand passengers (7.02 %), of which IC trains saw decline of passengers compared to the plan by 85 thousand passengers, and a year-to-year decrease by 43 thousand passengers. The number of passengers transported by national services was substantially affected by a change in the transport and tariff terms and conditions – introducing free-of-charge transport as of 17 November 2014,
- international transport recorded increase against the plan by 36 thousand passengers (1.02 %) and a year-to-year increase by 110 thousand passengers (3.18 %).

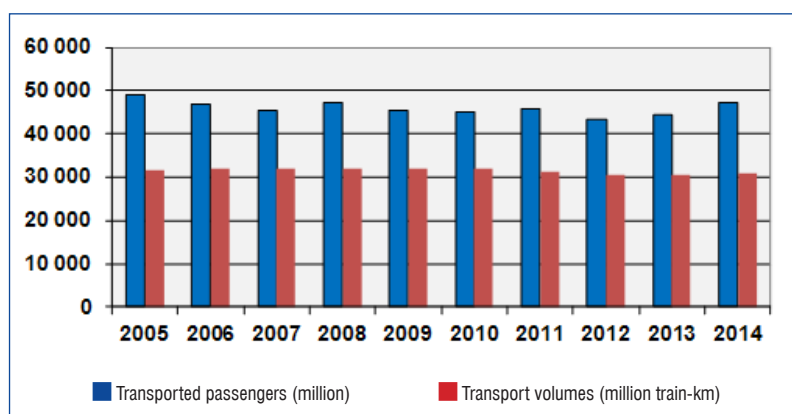
The total transport volume in passenger-kilometres in 2014 amounted to 2,503,130 thousand passenger-km, which meant increase by 33,830 thousand against the plan (1.37 %). Compared to the last year, the transport performance increased by 81,176 thousand passenger-km (3.35 %).

The total transport volume in train-km including replacement bus transport in 2014 amounted to 30,791 thousand train-km, which meant a decrease by 33 thousand train-km against the plan (0.11 %). In comparison with the last year it decreased by 353 thousand train-km (- 0.4 %).

Development of volumes in passenger transport:

Total passenger transport	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2014/2013
Transport volume (million passenger-km)	2,166.20	2,194.20	2,147.96	2,278.66	2,249.07	2,291.27	2,431.72	2,413.49	2,421.95	2,503.13	1.034
Passengers (millions)	49.054	47.021	45.598	47.184	45.342	45.004	45.959	43.445	44.287	47.286	1.068
Transport volume (million train-km)*	31.785	32.068	32.060	32.002	31.980	32.048	31.331	30.559	30.438	30.791	1.012

* / train-km including replacement bus transport



QUALITY MANAGEMENT SYSTEM, CERTIFICATES

Customer orientation

Our customers request quality – we deliver.

A strategic objective of ZSSK is to identify and fulfil the customer requirements with every activity in order to increase customer satisfaction.

ZSSK monitors and evaluates the quality of its products, services and processes using several defined indicators that are collected directly in the process of product and services provision. At the same time, by improving its processes, it fulfils the requirements of the Regulation (EC) No 1371/2007 of the European Parliament and of the Council on rail passenger rights and obligations.

The quality standards define the required quality level of services delivered to the customers. They are based on the requirements defined in the contract on transport services in public interest and requirements of the integrated management system in terms of the quality standards ISO 9001 and OHSAS 18001.



One of the basic managerial tools to ensure and achieve quality is **the quality management system pursuant to STN EN ISO 9001**.

Integration of the management systems

IMS introduced within ZSSK includes several coordinated activities, which direct and manage enhancement of the quality of provided activities. The certified systems focus on the quality management and occupational health and safety, and guarantee that the activities are carried out in compliance with the requirements of the respective standards.

Between 30 June and 7 July 2014 a re-certification audit of IMS of ZSSK took place, carried out by the certification company SGS Slovakia spol. s r.o. in selected premises and departments of the company with the aim of examining the compliance of the system with the requirements of the respective standards.

The audit assessed the level of integration of individual systems and, at the same time, confirmed continuing validity of the certificate on quality and occupational health and safety.

Integrated Management System Scheme



Quality management system:

- sale of tickets
 - operation of IC trains
- pursuant to ISO 9001: 2008.

OHS management system:

- operation of passenger transport by rail
- pursuant to OHSAS 18001: 2007.

- certified products

STRATEGIC OBJECTIVES

Who we are

We are a transport company providing passenger railway regional, long-distance and international services.

We care about our passengers

2014 saw continuing modernisation of our trains, focusing on the quality enhancement and extension of the offer of our services pursuant to the customer needs, by which we intend to achieve a trend of increasing passenger numbers. Improving the vehicle quality and more efficient services of regional and long-distance transport is one of the main pre-conditions for achieving the objectives of ZSSK in this segment. In 2014, Project no. 2 „Rolling stock for suburban and regional passenger railway transport within ITS“ followed the „Project of renewal of the rolling stock of ZSSK for suburban and inter-regional public railway passenger transport“, where a total of 9 electric units and 20 diesel multiple units will be procured for the needs of ITS Košice and ITS Bratislava.

At the same time, other projects co-financed from the EU funds are under implementation, focusing on procurement of new and modernised rolling stock and projects on enhancing the level and safety of communication within railway activities in transport hubs.

Project preparation for establishment of workplaces of technical and hygienic maintenance of rolling stock was completed, where the workplaces were included into the Phase I, priority A. We wish to continue our efforts further and believe that passengers have seen our effort in better quality, approach to customers and their needs.

We offer 24-hour services of a contact centre to our customers. We intend to make the offered services more attractive through a marketing mix redesign in order to keep the existing customers and attract new ones.

In 2014 the product in the commercial train segment was significantly innovated, a new price system was introduced supporting sale via alternative channels, and a programme of sale support for further establishment of a loyalty system was launched. We intend to introduce such modifications based on passenger reactions also in services under the Contract on Passenger Rail Transport Services with the aim of making the products more attractive and introducing additional services.

As a nationwide transport operator we see our irreplaceable role in improving the travelling conditions for people with health disabilities. We are the only operator offering the most options of a comfortable journey throughout the Republic to this citizen group. We participate in projects that will make use of our services easier for passengers with reduced mobility.

Our Strategy 2020

Changes in the external as well as internal environment in the past, which have a substantial impact on the running of the Company, incurred a need to update the ZSSK Strategy.

Our goal

We wish to be the first-choice railway transport operator for our customers.

How to achieve our goal

- We concentrate on the customer and try to make the use of our services easier and more pleasant
- We invest into renewal of the rolling stock fleet and introduce modern rolling stock into operation
- We introduce modern technologies of handling the passengers and sale of tickets
- We develop the key competencies of our employees through targeted trainings and education
- We intend to achieve a better reliability of train operation and quality of delivered services by establishing a network of workplaces for repair and technical and hygienic maintenance.

In 2014 several changes, such as free-of-charge services, entry of a competitor on the Slovak railway market, occurred and posed challenges to improve services and search for new sources of additional income. For that reason we started several projects with benefits that will help improve the company economy, partially already in 2015 and fully since the year to follow. They concern improvement and support of online sale, introduction of a loyalty programme, extension of additional services before and during the journey. Another important project will deal with better preparation of employees, in particular as concerns communication with the customers.

ZSSK is ready to react to the challenges brought along by modernisation of the infrastructure, entry of competitors on the transport market, possible increase in prices of electric energy and fuels, and is prepared to make use of the options of transport integration and further renewal of the rolling stock fleet co-financed from the EU funds.

ECOLOGY

At the moment, ecology is given a great importance also in the railway transport. Despite the fact that it is one of the most ecological transport modes, ZSSK tries to eliminate negative impacts on the environment, in particular by renewal of the rolling stock fleet, fulfilment of legislative requirements on the environment protection, reduction of the volume of produced dangerous waste, implementation of imposed remedies, as well as putting the emphasis on the prevention itself and controlling the environment pollution.

When purchasing the assets from ZSSK CARGO in 2012, ZSSK became an owner of lands with registered old environmental burdens which occurred in relation to long period of operation of these workplaces, in particular by repair activities and operation of diesel and oil facilities. Due to the continuing bad condition of the underground water quality (an emergency) in the locomotive depot of Prievidza, ZSSK started renovation of the polluted environment at the end of 2014 in order to return the site into an ecologically acceptable condition. In the course of 2014, monitoring of underground water quality was carried out at other sites with an environmental burden, as well as partial remedial measures in the locomotive depot of Kľačany.

OWNERSHIP INTERESTS OF ZSSK (AS ON 31 DECEMBER 2014)

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

(in thousand EUR)	Number of shares (pieces) against the equity as on 31/12/2014	Share against the equity in %	As on 31 December 2013	As on 31 December 2014
EUROFIMA	1,300	0.50%	4,965	5,069
Bureau Central de Clearing, s. c.r.l. Brusel (BCC)	1	0,68%	1	1
Total	x	x	5 806	4 966

In 2014 ZSSK did not obtain any new shares.

BUSINESS RESULTS

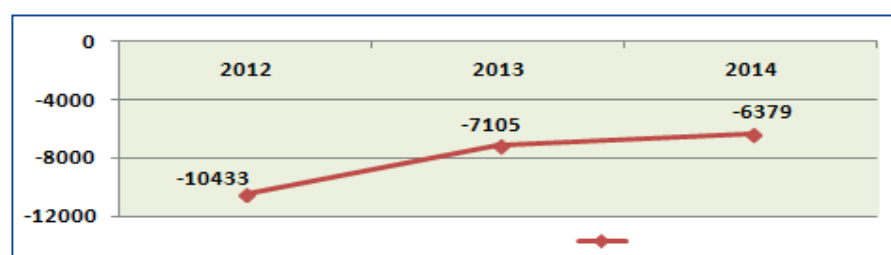
The Separate Financial Statements of ZSSK for 2014 are reported pursuant to the International Financial Reporting Standards.

Business result

The business result of ZSSK planned for 2014 was a loss amounting to EUR 9,490 thousand. The actual business result ZSSK achieved was a loss of EUR 6,379 thousand.

In thousand EUR	Actual figures 31 December 2013	Actual figures 31 December 2014	Difference	Index 2014/2013
Revenues				
Passenger transport and related revenues	112,544	110,043	-2,501	0.98
Compensation from Contract on Passenger Rail Transport Services	226,856	212,632	-14,224	0.94
Other subsidies	13,637	14,765	1,128	1.08
	353,037	33,440	-15,597	0.96
Costs and expenses				
Consumption and services	-182,673	-180,691	1,982	0.99
Personnel costs	-86,867	-90,409	-3,542	1.04
Depreciation, amortisation and impairment of tangible assets	-67,593	-68,521	-928	1.01
Other operational (costs), revenues, net	-17,356	-375	16,981	0.02
	-354,489	-339,996	14,493	0.96
Financial revenues and costs				
Financial revenues	9	1	-8	0.11
Financial costs	-4,926	-4,428	498	0.90
Net financial derivatives	293	-1,296	-1,589	-4.42
	-4,624	-5,723	-1,099	1.24
Tax costs	-1,029	1,900	2,929	-1.85
Profit (loss) in the accounting period	-7,105	-6,379	726	0.90
Other comprehensive results:				
Items not to be reclassified into results	442	-768	-1,210	-1.74
Revaluation of employee benefits (IAS 19)	442	-768	-1,210	-1.74
Items that can be reclassified into results	0	0	0	
Other comprehensive results in the accounting period	442	-768	-1,210	-1.74
Total comprehensive results in the accounting period	-6,663	-7,147	-484	1.07

In 2014 ZSSK did not expend any costs on research and development.



SELECTED ECONOMIC INDICATORS

	Unit	Actual figures 2013	Actual figures 2014	Difference	Index 2014/2013
Costs	thousand EUR	389,816	379,506	-10,310	0.97
Revenues	"	382,711	373,127	-9,584	0.97
Expensive ratio		1.02	1.02	0.00	1.00
Operating revenues without compensation from public service contract	thousand EUR	133,993	131,425	-2,567	0.98
Operating costs without depreciation	"	294,707	278,092	-16,615	0.94
Coverage of costs by revenues	%	45.47	47.26	1.79	1.04
Liabilities without accruals and deferrals*	thousand EUR	490,920	515,867	24,947	1.05
Total assets	"	854,537	938,103	83,566	1.10
Total indebtedness without accruals and deferrals *	%	57.45	54.99	-2.46	0.96
Current assets	thousand EUR	75,058	75,403	345	1.00
Short-term liabilities without accruals and deferrals*	"	241,773	287,593	45,820	1.19
Total liquidity		0.31	0.26	-0.05	0.84
Loans + aid	thousand EUR	315,717	321,232	5,515	1.02
Total assets	thousand EUR	854,537	938,103	83,566	1.10
Loan encumbrance of assets	%	36.95	34.24	-2.71	0.93

*) Accrued revenues (subsidy on modernisation of rolling stock and NRFC from EU funds and the State Budget on projects).

USE OF CONTRACTUAL COMPENSATION OF THE LOSS FOR SERVICES IN PUBLIC INTEREST IN 2014

in thousand EUR	2013	2014
ŽSR - track access charges	41,634	43,160
ŽSR - traction energy	31,092	24,865
ŽSR – other services	5,539	6,805
Services purchased from ZSSK CARGO	12,912	9,040
Railway repair and maintenance	5,400	9,111
Catering services and sleeping car services	3,557	3,598
Diesel	15,379	14,603
Operational interests	1,028	1,213
Cleaning of coaches	4,098	4,583
Rental	0	1,597
Meal vouchers	1,165	1,135
Personnel costs = wages + insurance	75,756	77,849
Total compensation for services in public interest	197,559	197,559

In terms of the Budget Provisions of the Ministry of Finance of the Slovak Republic in 2014 ZSSK was allocated financial means from the State Budget in the amount of EUR 197,559 thousand.

On 30 December 2014 MTCRD transferred the amount of EUR 217,998.10 to the account of ZSSK, and the amount of EUR 60,107,917.33 on 31 December 2014, which fully settled all liabilities of MTCRD incurred in relation to fulfilment of the Contract of Passenger Rail Transport Services in 2011, 2012 and 2013.

DATA ON REMUNERATION OF THE STATUTORY AND SUPERVISORY BODIES OF ZSSK

In thousand EUR	2013	2014
Board of Directors	29	29
Supervisory Board	10	10
Total remuneration:	39	39

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 FINANCIAL ASSETS STATEMENT

ZSSK does not report any significant events after the date of the Statement of Financial Position.

SETTLEMENT OF THE REPORTED BUSINESS RESULTS OF 2014

In 2014 the business result of ZSSK was an accounting loss of EUR 6,379,011.97.

In Decision no. 25/RA-2015 of 8 July 2015, the sole shareholder decided to settle the loss in the amount of EUR 6,379,011.97 for the accounting period of 2014 by reporting it under Account 429 - Uncovered loss of past years.

HUMAN RESOURCES

The planned number of employees as on 31 December 2014 was 5,766, while the actual number as on 31 December 2014 amounted to 5,841, which was more by 1.28% compared to the plan.

Compared to 2013 ZSSK saw an increase in the recorded number of employees from 5,724 to 5,841, which is more by 2.00 % of employees.

Recorded number of employees:

Total no. of ZSSK employees	2013	2014
	5,724	5,841
Managing processes	121	131
Business Division	1,051	1,048
Operation Division	3,058	3,122
Economy Division	82	76
Services Division	340	383
Maintenance Division	1,072	1,081

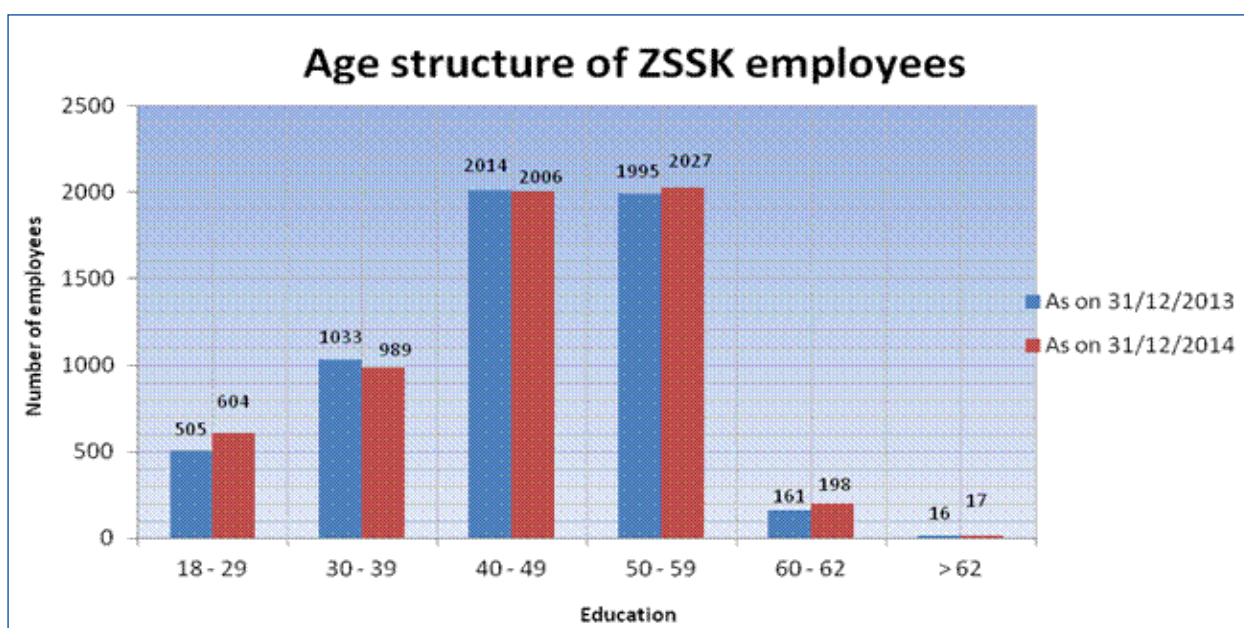
Break-down by sex:

Sex of employees	2013	2014
	5,724	5,841
Men	3,747	3,819
Women	1,977	2,022

The average wage in ZSSK in 2014 reached the amount of **EUR 912.58**. Compared to 2013 (EUR 886.69) the average wage increased by EUR 25.89, which is an increase by 2.92 %.

Age structure of the employees in 2014

Out of the total number of 5,841 employees; 604 were at the age below 29; 989 employees were at the age of 30 – 39; 2,006 employees at the age of 40 – 49; 2,027 employees at the age of 50 – 59; 198 employees at the age of 60 - 62 and 17 employees above 62.



The above indicates that compared to 2013 ZSSK saw a decrease in the number of employees in 2014 in the age categories of 30 – 39 and 40 – 49 years of age. Contrarily, the numbers of employees increased in the age categories of 18 – 29, 50 – 59, 60 – 62 and over 62.

Due to the global trend of the overall aging of the population and dominance of employees in the post-reproduction and production age (45 – 64 years), the intention of ZSSK is a gradual increase of the employees in the lower age categories, in particular in the key operation and repair professions.

Tools to achieve this goal in 2014 included regular train driver courses organised twice a year, as well as an active cooperation with secondary schools, with which ZSSK signed Cooperation Agreements. Since 1 April 2014 ZSSK launched a graduate programme, which consisted of 6 graduates by the end of 2014. Besides a gradual reduction of the average employee age, the aim is to ensure employment in the key professions of ZSSK in the future through raising qualified and productive resources of labour force.

As on 31 December 2014 the average age was 45.55, which is less by 0.20 % compared to 31 December 2013 (45.64 years of age).

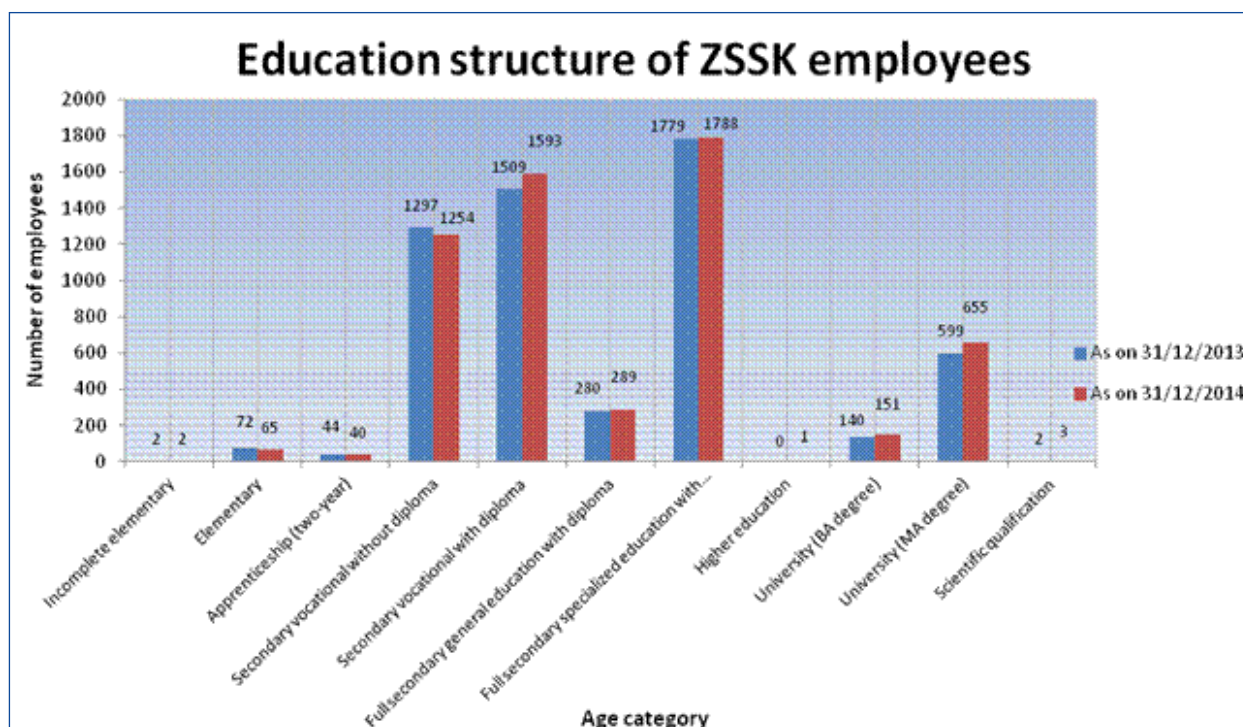
Education structure of the employees in 2014

As regards the education structure in 2014, there was an increase of qualified employees compared to 2013:

- | | |
|---|------------------|
| ○ Secondary vocational education with diploma | by 84 employees, |
| ○ Full secondary general education with diploma | by 9 employees, |
| ○ Full secondary specialized education with diploma | by 9 employees, |
| ○ University education (Bachelor's degree) | by 11 employees |
| ○ University education (Master's degree) | by 56 employees, |
| ○ Scientific qualification | by 1 employee |

There was reduction in employees with:

- Elementary education by 7 employees
- Apprenticeship (two-year) by 4 employees
- Secondary vocational education without diploma by 43 employees.



As regards the percentages, the major group of ZSSK employees is represented by employees with full secondary specialized education with diploma amounting to 30.61 %, employees with secondary vocational education with diploma amounting to 27.27 % and employees with secondary vocational education without diploma of 21.47 % of the total number of employees. 13.85 % of the total number of ZSSK employees have university education.

NUMBER AND TYPES OF RECEIVED COMPLAINTS

Initial customers' complaints and repeated petitions by passengers or entities, delivered to our company are handled in accordance with the Directive on "Handling of Claims". ZSSK has created on-line databases to process complaints, coded in the structure of quality criteria pursuant to EN STN 13 816 on „Public Passenger Transport“, in accordance with Regulation (EC) of the European Parliament and the Council no. 1371/2007 on rail passengers' rights and obligations; respecting the provisions of Act No. 85/1990 Coll. on Petition Right; Act No. 514/2009 Coll. on Railway Transport, Act No. 250/2007 on Consumer Protection, Act No. 552/2003 Coll. on the Performance of Work in Public Interest, Commercial Code and Labour Code.

Total number of initial and repeated claims received in 2014: 3,269

- number of overall justified (customers') claims..... 1,674
 - of which: number of claims with external justification..... 21
 - number of claims with internal justification..... 1,653

Form of delivery:

- personally 25
- via conventional mail and entered in Complaints Books..... 1,007
- electronic claims..... 2,161
- indirect claims, media 70
- other 6

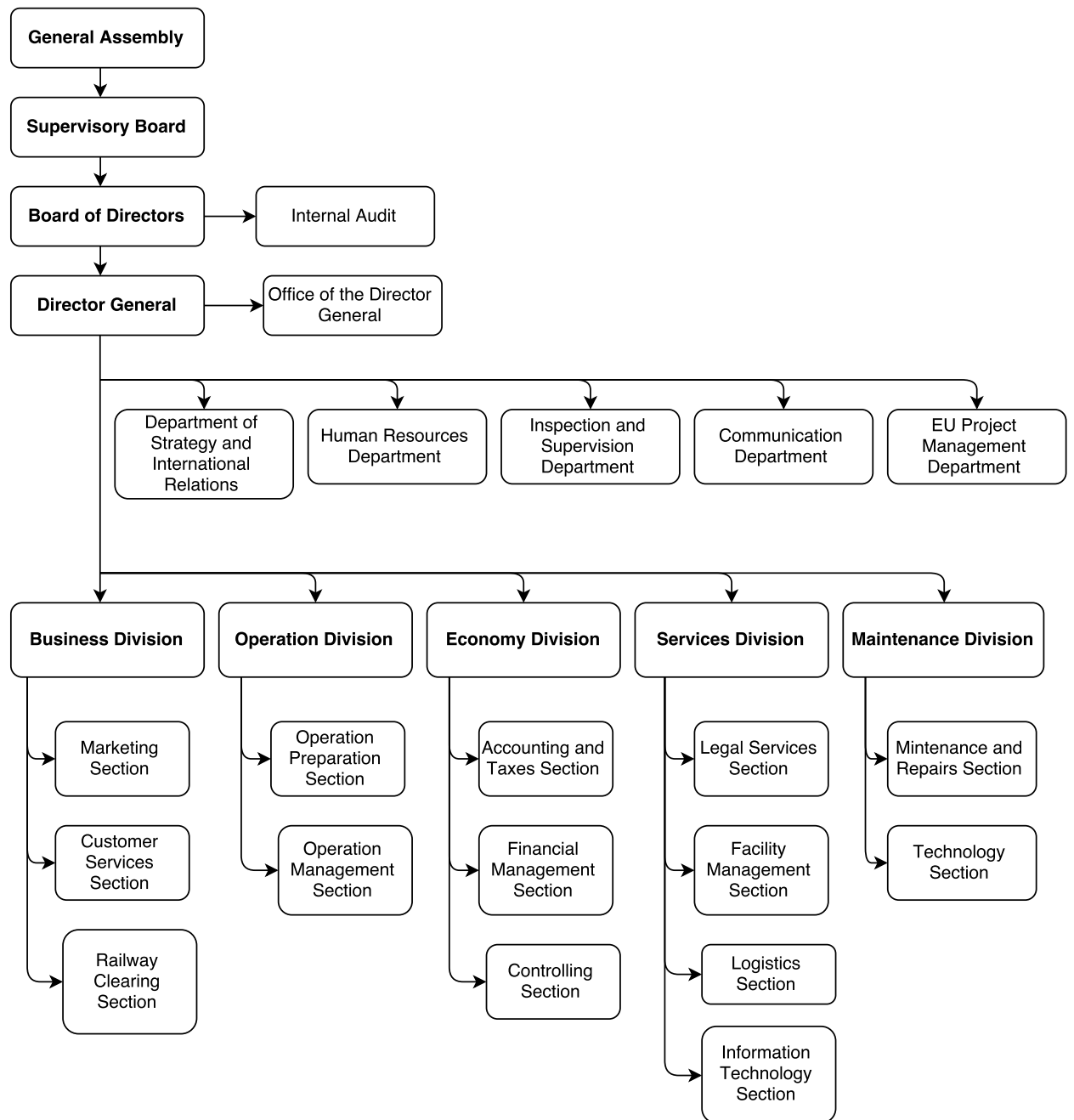
Number of claims by their subject and reasons:

- Time – duration of journey pursuant to the timetable due to infrastructure, train delays, missed connections 809
- Comfort – quality of transport, heating, air-conditioning, cleanliness of train sets, functioning toilets, technical shortcomings – doors, services provided by WGS..... 638
- Customer care – behaviour of employees towards customers..... 569
- Other – labour and wage relationship, situation in the company, misuse of position 541
- Availability of travel documents – at cash desks, higher frequency, other sale channels, internet sale of tickets, passengers with reduced mobility..... 273
- Information – travel information provided in general, during accidents and extraordinary situations..... 132
- Safety – threats to safety of railway transport, criminal activity and health protection within railway infrastructure (at railway stations, on board of trains)..... 106
- Serviceability of the rolling stock and infrastructure, operation hours, failures..... 69
- Impacts on the environment (ecologic accidents, noise, vibrations caused by the operation) 4
- Appreciation for employees of ZSSK..... 128

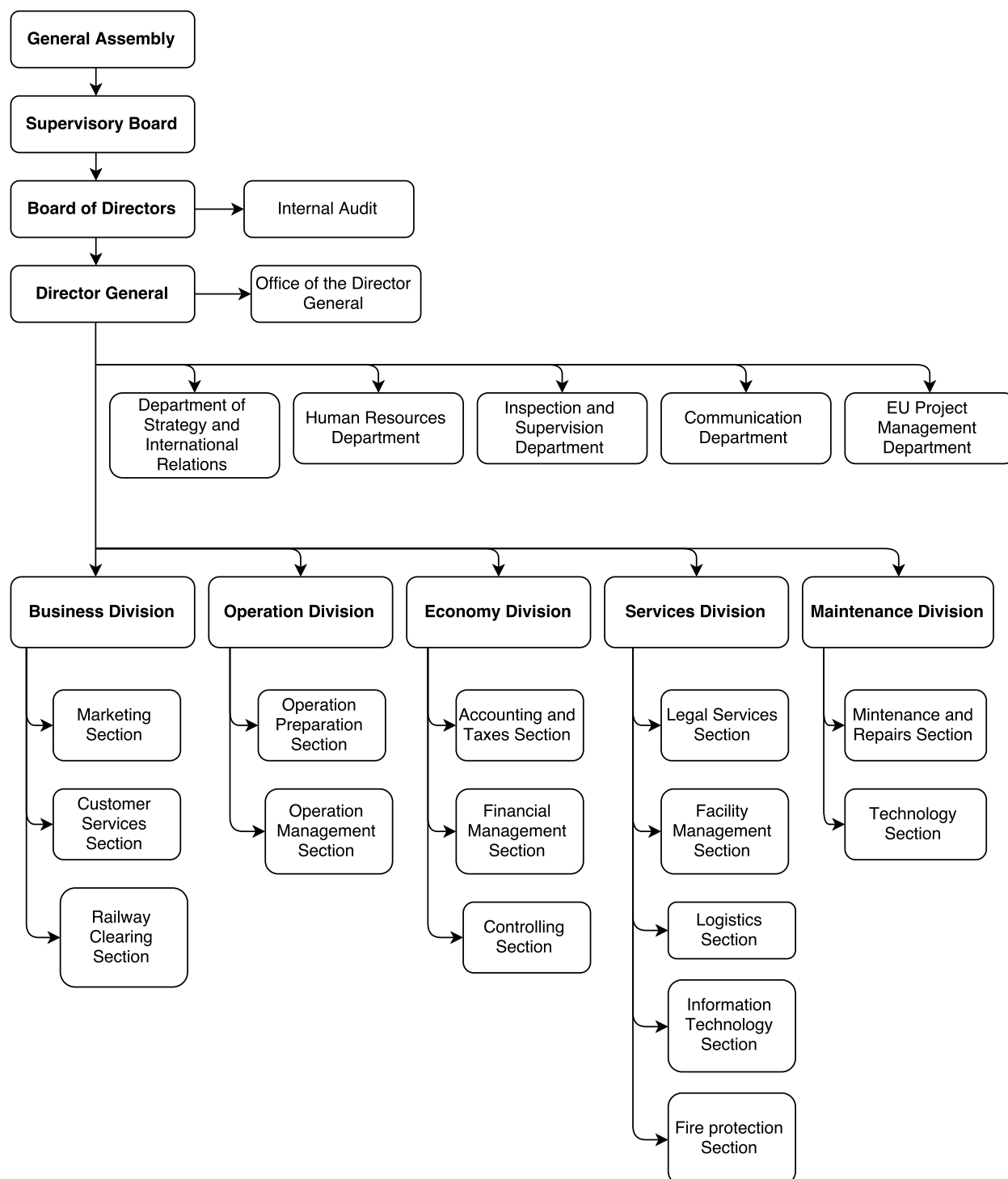
The following measures against responsible employees were adopted by their superiors to remove the shortcomings found out in justified claims:

- labour and legal (reduced wage bonuses, warning of a possible dismissal, termination of the employment relationship, payment of compensation, or stopped enforcement),
- organisational (extraordinary testing, joint controls).

ORGANISATIONAL STRUCTURE OF ZSSK BY 30 APRIL 2014



ORGANISATIONAL STRUCTURE OF ZSSK SINCE 01 MAY 2014



ORGANISATIONAL UNITS

ZSSK has no organisational units.

LIST OF USED ABBREVIATIONS

BCC	Bureau Central de Clearing, s. c.r.l. Brusel
DMU	Diesel multiple unit
EDU	Electric double-deck unit
ERDF	European Regional Development Fund
EU	European Union
IAS 19	International Accounting Standard – Employee benefits
IMS	Integrated Management System
ISO norms	Quality norms
MTCRD SR	Ministry of Transport, Construction and Regional Development of the Slovak Republic
NRFC	Non-repayable financial contribution
OHS	Occupational health and safety
OHSAS norms	Norms for occupational health and safety
PP	Push - pull
RS	Rolling stock
ÚŘŽD	Railway Regulatory Authority
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

16, rue Jean-Rey-F
75015 Paris



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fazik@uic.asso.fr

AN INDEPENDENT AUDITOR'S REPORT TO THE SEPARATE FINANCIAL STATEMENTS OF ZSSK AS ON 31 DECEMBER 2014



SPRÁVA NEZÁVISLÉHO AUDÍTORA
za rok 2014

**z preskúmania účtovnej závierky
akciovej spoločnosti**

Železničná spoločnosť Slovensko, a.s.
Bratislava

SPRÁVA NEZÁVISLÉHO AUDÍTORA

Pre akcionárov spoločnosti Železničná spoločnosť Slovensko, a.s. Bratislava

Uskutočnili sme audit priloženej účtovnej závierky spoločnosti Železničná spoločnosť Slovensko, a.s., so sídlom v Bratislave, IČO: 35 914 939, ktorá obsahuje výkaz finančnej pozície k 31. decembru 2014, výkaz komplexného výsledku, výkaz zmien vo vlastnom imaní, výkaz o peňažných tokoch za rok končiaci k uvedenému dátumu, ako aj prehľad významných účtovných zásad a účtovných metód a ďalších vysvetľujúcich poznámok.

Zodpovednosť štatutárneho orgánu za účtovnú závierku

Štatutárny orgán je zodpovedný za zostavenie a objektívnu prezentáciu tejto účtovnej závierky v súlade so Zákonom o účtovníctve č. 431/2002 Z.z. v znení jeho dodatkov a Medzinárodnými štandardami pre finančné výkazníctvo v znení prijatom Európskou úniou. Táto zodpovednosť zahŕňa návrh, implementáciu a zachovávanie interných kontrol relevantných pre prípravu a objektívnu prezentáciu účtovnej závierky, ktorá neobsahuje významné nesprávnosti v dôsledku podvodu alebo chyby, ďalej výber a uplatňovanie vhodných účtovných zásad a účtovných metód, ako aj uskutočnenie účtovných odhadov primeraných za daných okolností.

Zodpovednosť audítora

Našou zodpovednosťou je vyjadriť stanovisko k tejto účtovnej závierke na základe nášho auditu. Audit sme vykonali v súlade s Medzinárodnými audítorskými štandardmi. Podľa týchto štandardov máme dodržiavať etické požiadavky, naplánovať a vykonať audit tak, aby sme získali primerané uistenie, že účtovná závierka neobsahuje významné nesprávnosti.

Súčasťou auditu je uskutočnenie postupov na získanie audítorských dôkazov o sumách a údajoch vykázaných v účtovnej závierke. Zvolené postupy závisia od rozhodnutia audítora, vrátane posúdenia rizika významných nesprávností v účtovnej závierke, či už v dôsledku podvodu alebo chyby. Pri posudzovaní tohto rizika audítor berie do úvahy interné kontroly relevantné pre zostavenie a objektívnu prezentáciu účtovnej závierky v účtovnej jednotke, aby mohol navrhnúť audítorské postupy vhodné za daných okolností, nie však za účelom vyjadrenia názoru na účinnosť interných kontrol účtovnej jednotky. Audit ďalej obsahuje zhodnotenie vhodnosti použitých účtovných zásad a účtovných metód a primeranosti účtovných odhadov uskutočnených manažmentom, ako aj zhodnotenie prezentácie účtovnej závierky ako celku.

Sme presvedčení, že audítorské dôkazy, ktoré sme získali, poskytujú dostatočný a vhodný základ pre náš názor.

Názor

Podľa nášho názoru účtovná závierka poskytuje pravdivý a verný obraz finančnej situácie spoločnosti Železničná spoločnosť Slovensko, a.s. k 31. decembru 2014 a výsledku jej hospodárenia za rok končiaci k uvedenému dátumu v súlade s Medzinárodnými štandardami pre finančné výkazníctvo v znení prijatom Európskou úniou.

Zdôraznenie niektorých skutočností

Bez vplyvu na náš názor upozorňujeme na nasledujúcu skutočnosť

1. Ako je uvedené v Poznámke č.2.3 a č.15 priloženej účtovnej závierky, v roku 2012 došlo k nákupu dlhodobého hmotného majetku – naftového hospodárstva od Železničnej spoločnosti Cargo Slovakia, a.s.. Pri ukončení prevádzok naftového hospodárstva v zmysle platnej legislatívy SR vyplývajú pre Spoločnosť povinnosti ekologického charakteru. Na tieto významné náklady bola tvorená rezerva vo výške 7 244 tis. EUR. Spoločnosť uskutočňuje odhady budúcich peňažných tokov súvisiacich



Podľa nášho názoru sú účtovné informácie vo výročnej správe spoločnosti Železničná spoločnosť Slovensko, a.s. v súlade s účtovnou závierkou k 31.decembru 2014.

V Banskej Bystrici, 4. máj 2015

BDR, spol. s r.o. Banská Bystrica
M.M.Hodžu 3, 974 01 Banská Bystrica
Licencia SKAu č. 6
Obchodný register Okresného súdu Banská Bystrica
Oddiel: Sro, Vložka číslo: 98/S, IČO: 00614556
Nezávislý člen Moore Stephens International Limited

Ing. Roman Juráš, DiplFR
Zodpovedný audítor
Licencia UDVA č. 1074





INDEPENDENT AUDITOR'S REPORT

for 2014

concerning examination of the Financial Statements
of the joint-stock company

Železničná spoločnosť Slovensko, a.s.
Bratislava

INDEPENDENT AUDITOR'S REPORT

For the shareholders of Železničná spoločnosť Slovensko, a.s., Bratislava

We have audited the accompanying Financial Statements of the company Železničná spoločnosť Slovensko, a.s., with the seat in Bratislava, company ID no.: 35 914 939, containing the Statement of Financial Position reported as on 31 December 2014, Statement of Comprehensive Income, Statement of Changes in Equity, Cash Flow Statement for the year then ended, as well as an overview of the significant accounting principles, accounting methods and other explanatory notes.

Responsibility of the Statutory Body for the Financial Statements

The Statutory Body is responsible for elaboration and an objective presentation of these Financial Statements in compliance with Act on accounting no. 431/2002 Coll. as amended and the International Financial Reporting Standards as adopted by the EU. The responsibility includes proposal, implementation and observance of internal control relevant for elaboration and objective presentation of the Financial Statements, which shall not contain material inconsistencies whether due to fraud or mistake, selection and application of suitable accounting principles and accounting methods, as well as application of accounting estimates adequate to 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 adequate assurance that the Financial Statements do not contain material inconsistencies.

The audit comprises undertaking steps in order to obtain audit evidence on the amounts and data stated in the Financial Statements. The chosen methods depend on the decision of the auditor, including 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 of the reporting entity 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 reporting entity. Furthermore, the audit consists of evaluation of suitability of the applied accounting principles and accounting methods, and adequateness of accounting estimates applied 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 2014, as well as the economic results for the year then ended, in accordance with the International Financial Reporting Standards as adopted by the EU.

Emphasis on certain facts

Without an impact on our opinion, we hereby draw the attention to the following fact:

1. As stated in Note no. 2.3 and no. 15 to the annexed Financial Statements, in 2012 long-term tangible assets were purchased – diesel facilities from Železničná spoločnosť Cargo Slovakia, a.s. When terminating operation of diesel facilities in terms of the effective Slovak legislation, the Company has an obligation of ecological nature. A reserve amounting to EUR 7,244 thousand was created for these significant costs. The Company estimates future cash flows related to environmental liabilities and liabilities related to decommissioning of assets via price comparisons, analogies with similar past activities and other estimates. Even if these estimates are based on the best knowledge of current events and procedures, the actual results may differ from these estimates.

Banská Bystrica, 27 February 2015

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

Ing. Roman Juráš, DiplFR
Responsible Auditor
UDVA Licence no. 1074



ANNEX – SEPARATE FINANCIAL STATEMENTS OF ZSSK FOR 2014

The Annual Report is annexed with the Separate Financial Statements of ZSSK reported pursuant to the International Financial Reporting Standards as on 31 December 2014.

