



ŽELEZNIČNÁ SPOLOČNOSŤ SLOVENSKO
NÁRODNÝ DOPRAVCA

ANNUAL REPORT | 2017



Annual Report of Železničná spoločnosť Slovensko, a.s. for 2017

Bratislava, on 24 April 2018

For and on behalf of the Company: **Mgr. Filip Hlubocký**
Chairman of the Board of Directors
of Železničná spoločnosť Slovensko, a.s.

Dipl. – Ing. Patrik Horný
Vice Chairman of the Board of Directors
of Železničná spoločnosť Slovensko, a.s.

BDR

DODATOK SPRÁVY NEZÁVISLÉHO AUDÍTORA

**Pre akcionárov, dozornú radu a predstavenstvo spoločnosti
Železničná spoločnosť Slovensko, a.s. Bratislava**

k výročnej správe

v zmysle § 27 odsek 6 zákona č. 423/2015 Z.z. o štatutárnom audite a o zmene a doplnení zákona č. 431/2002 Z. z. o účtovníctve v znení neskorších predpisov (ďalej len „zákon o štatutárnom audite“).

Overili sme účtovnú závierku spoločnosti Železničná spoločnosť Slovensko, a.s. so sídlom v Bratislave, IČO: 35 914 939, (ďalej aj „Spoločnosť“) k 31. decembru 2017, uvedenú v priloženej výročnej správe Spoločnosti, ku ktorej sme dňa 1. marca 2018 vydali správu nezávislého audítora z auditu účtovnej závierky v nasledujúcom znení:

Správa z auditu účtovnej závierky

Názor

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 2017, výkaz komplexného výsledku, výkaz zmien vo vlastnom imaní, výkaz peňažných tokov za rok končiaci k uvedenému dátumu, a poznámky k účtovnej závierke, ktoré obsahujú súhrn významných účtovných zásad a účtovných metód a ďalšie vysvetľujúce informácie.

Podľa nášho názoru priložená účtovná závierka poskytuje pravdivý a verný obraz finančnej situácie spoločnosti Železničná spoločnosť Slovensko, a.s. k 31. decembru 2017 a výsledku jej hospodárenia za rok končiaci k uvedenému dátumu v súlade s Medzinárodnými štandardami pre finančné výkazníctvo v znení prijatom Európskou úniou.

Základ pre názor

Audit sme vykonali podľa medzinárodných auditorských štandardov (International Standards on Auditing - ISA). Naša zodpovednosť podľa týchto štandardov je uvedená v odseku Zodpovednosť audítora za audit účtovnej závierky. Od Spoločnosti sme nezávislí podľa ustanovení zákona č. 423/2015 o štatutárnom audite a o zmene a doplnení zákona č. 431/2002 Z. z. o účtovníctve v znení neskorších predpisov (ďalej len „zákon o štatutárnom audite“) týkajúcich sa etiky, vrátane Etického kódexu audítora, relevantných pre náš audit účtovnej závierky a splnili sme aj ostatné požiadavky týchto ustanovení týkajúcich sa etiky. Sme presvedčení, že auditorské dôkazy, ktoré sme získali, poskytujú dostatočný a vhodný základ pre náš názor.

Zdôraznenie niektorých skutočností

1. Ako je uvedené v Poznámke č.2.3. a č.15 priloženej účtovnej závierky, Spoločnosť má dlhodobý hmotný majetok, ku ktorému boli v súlade s IAS 37 vytvorené v minulých účtovných obdobiach rezervy na environmentálne záťaž. K 31.12.2017 bola výška rezervy posúdená a je vo výške 370 tis. EUR na základe zostávajúcich povinností ekologického charakteru, ktoré vyplývajú Spoločnosti v zmysle platnej legislatívy SR. Spoločnosť uskutočňuje odhady budúcich peňažných tokov, súvisiacich s environmentálnymi záväzkami pomocou porovnávania cien, použitím analógií s podobnými aktivitami v minulosti a inými odhadmi. Výška rezervy a predpoklady, na základe ktorých bola daná rezerva vypočítaná, sa prehodnocujú na ročnej báze vždy k súvahovému dňu. Hoci tieto odhady sú založené na najlepšom poznaní aktuálnych udalostí a postupov, skutočné výsledky sa môžu od týchto odhadov líšiť.
2. Ako je uvedené v Poznámke č.2.3 a č.15 priloženej účtovnej závierky, Spoločnosť vykazuje rezervy na súdne spory týkajúce sa viacerých právnych nárokov. Najvýznamnejšia rezerva k 31.12. 2017 vo výške

16,7 mil. EUR je vzhľadom na neistý výsledok na pasívny obchodno-právny spor s navrhovateľom so spoločnosťou LANCILLON LIMITED vo veci náhrady ušlého zisku z dôvodu zmarenia rekonštrukcie ŽKV. Rozdiel v celkovej výške požadovanej náhrady Spoločnosť naďalej vykazuje ako podmienený záväzok. Ako je uvedené v Poznámke č.16 b) priloženej účtovnej závierky (Podmienené záväzky), voči Spoločnosti je v tejto veci vedený súdny spor o náhradu škody vo výške 51 752 tis. EUR s príslušenstvom. Hoci tieto odhady sú založené na najlepšom poznaní aktuálnych udalostí a postupov, skutočné výsledky sa môžu od týchto odhadov líšiť. Spoločnosť využíva služby aj externých právnych poradcov a skúsenosti z podobných predchádzajúcich súdnych konaní na určenie pravdepodobných výsledkov sporov a potreby tvorby rezervy.

Zodpovednosť štatutárneho orgánu za účtovnú závierku

Štatutárny orgán účtovnej jednotky Železničná spoločnosť Slovensko, a.s. je zodpovedný za zostavenie tejto účtovnej závierky tak, aby poskytovala pravdivý a verný obraz podľa zákona o účtovníctve a za tie interné kontroly, ktoré považuje za potrebné na zostavenie účtovnej závierky, ktorá neobsahuje významné nesprávnosti, či už v dôsledku podvodu alebo chyby.

Pri zostavovaní účtovnej závierky je štatutárny orgán zodpovedný za zhodnotenie schopnosti Spoločnosti nepretržite pokračovať vo svojej činnosti, za opísanie skutočností týkajúcich sa nepretržitého pokračovania v činnosti, ak je to potrebné, a za použitie predpokladu nepretržitého pokračovania v činnosti v účtovníctve, ibaže by mal v úmysle Spoločnosť zlikvidovať alebo ukončiť jej činnosť, alebo by nemal inú realistickú možnosť než tak urobiť.

Zodpovednosť auditora za audit účtovnej závierky

Našou zodpovednosťou je získať primerané uistenie, či účtovná závierka ako celok neobsahuje významné nesprávnosti, či už v dôsledku podvodu alebo chyby, a vydať správu auditora, vrátane názoru. Primerané uistenie je uistenie vysokého stupňa, ale nie je zárukou toho, že audit vykonaný podľa medzinárodných auditorských štandardov vždy odhalí významné nesprávnosti, ak také existujú. Nesprávnosti môžu vzniknúť v dôsledku podvodu alebo chyby a za významné sa považujú vtedy, ak by sa dalo odôvodnene očakávať, že jednotlivito alebo v súhrne by mohli ovplyvniť ekonomické rozhodnutia používateľov, uskutočnené na základe tejto účtovnej závierky.

V rámci auditu uskutočneného podľa medzinárodných auditorských štandardov, počas celého auditu uplatňujeme odborný úsudok a zachovávame profesionálny skepticizmus. Okrem toho:

- Identifikujeme a posudzujeme riziká významnej nesprávnosti účtovnej závierky, či už v dôsledku podvodu alebo chyby, navrhujeme a uskutočňujeme auditorské postupy reagujúce na tieto riziká a získavame auditorské dôkazy, ktoré sú dostatočné a vhodné na poskytnutie základu pre náš názor. Riziko neodhalenia významnej nesprávnosti v dôsledku podvodu je vyššie ako toto riziko v dôsledku chyby, pretože podvod môže zahŕňať tajnú dohodu, falšovanie, úmyselné vynechanie, nepravdivé vyhlásenie alebo obídenie internej kontroly.
- Oboznamujeme sa s internými kontrolami relevantnými pre audit, aby sme mohli navrhnúť auditorské postupy vhodné za daných okolností, ale nie za účelom vyjadrenia názoru na efektivnosť interných kontrol Spoločnosti.
- Hodnotíme vhodnosť použitých účtovných zásad a účtovných metód a primeranosť účtovných odhadov a uvedenie s nimi súvisiacich informácií, uskutočnené štatutárnym orgánom.
- Robíme záver o tom, či štatutárny orgán vhodne v účtovníctve používa predpoklad nepretržitého pokračovania v činnosti a na základe získaných auditorských dôkazov záver o tom, či existuje významná neistota v súvislosti s udalosťami alebo okolnosťami, ktoré by mohli významne spochybniť schopnosť Spoločnosti nepretržite pokračovať v činnosti. Ak dospejeme k záveru, že významná neistota existuje, sme povinní upozorniť v našej správe auditora na súvisiace informácie uvedené v účtovnej závierke alebo, ak sú tieto informácie nedostatočné, modifikovať náš názor. Naše závery vychádzajú z auditorských dôkazov získaných do dátumu vydania našej správy auditora. Budúce udalosti alebo okolnosti však môžu spôsobiť, že spoločnosť prestane pokračovať v nepretržitej činnosti.
- Hodnotíme celkovú prezentáciu, štruktúru a obsah účtovnej závierky vrátane informácií v nej uvedených, ako aj to, či účtovná závierka zachytáva uskutočnené transakcie a udalosti spôsobom, ktorý vedie k ich vernému zobrazeniu.

Správa k ďalším požiadavkám zákonov a iných právnych predpisov

Správa k informáciám, ktoré sa uvádzajú vo výročnej správe – dodatok správy nezávislého audítora

Štatutárny orgán je zodpovedný za informácie uvedené vo výročnej správe, zostavenej podľa požiadaviek zákona o účtovníctve. Naš vyššie uvedený názor na účtovnú závierku sa nevzťahuje na iné informácie vo výročnej správe.

V súvislosti s auditom účtovnej závierky je našou zodpovednosťou oboznámenie sa s informáciami uvedenými vo výročnej správe a posúdenie, či tieto informácie nie sú vo významnom nesúlade s auditovanou účtovnou závierkou alebo našimi poznatkami, ktoré sme získali počas auditu účtovnej závierky, alebo sa inak zdajú byť významne nesprávne.

Posúdili sme, či výročná správa Spoločnosti obsahuje informácie, ktorých uvedenie vyžaduje zákon o účtovníctve.

Na základe prác vykonaných počas auditu účtovnej závierky, podľa nášho názoru:

- informácie uvedené vo výročnej správe zostavenej za rok 2017 sú v súlade s účtovnou závierkou za daný rok,
- výročná správa obsahuje informácie podľa zákona o účtovníctve.

Okrem toho, na základe našich poznatkov o účtovnej jednotke a situácii v nej, ktoré sme získali počas auditu účtovnej závierky, sme povinní uviesť, či sme zistili významné nesprávnosti vo výročnej správe, ktorú sme dostali pred dátumom vydania tejto správy audítora. V tejto súvislosti neexistujú zistenia, ktoré by sme mali uviesť.

Banská Bystrica, 24.apríla 2018

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Nezávislý člen Moore Stephens International Limited

Ing. Miroslav Čiampor
Kľúčový auditorský partner
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BDR

SUPPLEMENT TO THE INDEPENDENT AUDITOR'S REPORT

**To the shareholders, the Supervisory Board and the Board of Directors
of Železničná spoločnosť Slovensko, a.s. Bratislava**

concerning the Annual Report

in terms of Article 27 (6) of Act No. 423/2015 Coll. on Statutory Audit and on Amendments and Supplements to Act No. 431/2002 Coll. on Accounting, as amended (hereinafter only the "Statutory Audit Act").

We have audited the Financial Statements of Železničná spoločnosť Slovensko, a.s., with the registered seat in Bratislava, company ID no.: 35 914 939 (hereinafter referred to as the Company), as on 31 December 2017 annexed to the Annual Report of the Company, to which we issued the Independent Auditor's Report on 1 March 2018 as follows:

Report on the Financial Statements Audit

Opinion

We have audited the annexed Financial Statements of Železničná spoločnosť Slovensko, a.s. with the registered seat in Bratislava, company ID no.: 35 914 939, containing the Balance Sheet as on 31 December 2017, Comprehensive Income Statement, Statement of Changes in Equity, Cash Flow Statement for the year ended on the same date, and Notes to the Financial Statements containing the summation of significant accounting principles and accounting methods, and further explanations.

In our opinion, the annexed Financial Statements present a faithful and objective overview of the financial situation of Železničná spoločnosť Slovensko, a.s. as on 31 December 2017, 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.

Background to the Opinion

We conducted the audit pursuant to the International Standards on Auditing (ISA). Our responsibility according to these Standards is stipulated under the paragraph on the Auditor's responsibility concerning the audit of the financial statements. We are independent of the Company in terms of the provisions of Act no. 423/2015 on Statutory Audit and on Amendments and Supplements to Act No. 431/2002 Coll. on Accounting, as amended (hereinafter only the "Statutory Audit Act") concerning the ethics, including the Auditor's Code of Ethics, relevant to our audit of the financial statements. We also met other ethical requirements of these provisions. We believe that the obtained auditing evidence provides sufficient and suitable basis for our opinion.

Emphasis on certain facts

1. As stated in Notes no. 2.3 and no. 15 to the annexed Financial Statements, the Company owns long-term tangible assets, for which reserves on environmental burden were created in the past reporting periods in compliance with IAS 37. As on 31 December 2017 the reserve was assessed in the amount of EUR 370 thousand based on the remaining obligations of ecological nature imposed on the Company in terms of the effective Slovak legislation. The Company estimates future cash flows related to environmental liabilities via price comparisons, analogies with similar past activities and other estimates. The reserve amount and the basis for the reserve

calculation are revaluated on an annual basis, always on the date of the balance. Even if these estimates are based on the best knowledge of current events and procedures, the actual results may differ from these estimates.

2. As stated in Notes no. 2.3 and no. 15 to the annexed Financial Statements, the Company reports reserves on lawsuits concerning several legal claims. As on 31 December 2017, the most significant reserve in the amount of EUR 16.7 million concerned an uncertain result of a passive commercial and legal lawsuit with the complainant, the company LANCILLON LIMITED, as regards compensation of lost profit due to failed reconstruction of the rolling stock. The Company continues to report the difference in the total claimed compensation as a contingent liability. As stated in Note no. 16 b) of the annexed Financial Statements (Contingent Liabilities), the Company is a defendant in a law-suit in this matter concerning compensations in the amount of EUR 51,752 thousand with interests. Even if these estimates are based on the best knowledge of current events and procedures, the actual results may differ from these estimates. The Company makes use also of services of external legal advisors and experience from similar previous lawsuits to determine the probable results of lawsuits and the need to create a reserve.

Responsibility of the Statutory Body for the Financial Statements

The Statutory Body of the reporting entity – Železničná spoločnosť Slovensko, a.s. – is responsible for elaboration of these Financial Statements so as to provide an objective and truthful presentation in compliance with the Accounting Act, as well as for the internal control it considers necessary to elaborate the Financial Statements without any material inconsistencies whether due to fraud or mistake.

When preparing the Financial Statements, the Statutory Body is responsible for assessment of the Company's ability to continue as a going concern, for description of the facts relevant to continue as a going concern, if necessary, and for applying the going concern assumption to the accounting, unless it intends to dissolve the Company or to end its activities, or there would be no other realistic option other than doing so.

Responsibility of the Auditor for the audit of the Financial Statements

It is our responsibility to acquire reasonable assurance that the Financial Statements as such do not contain material inconsistencies, whether due to fraud or mistake, and to issue the Auditor's Report, including its opinion. A reasonable assurance is assurance of a high degree, however, it is not a guarantee that the audit conducted pursuant to the International Standards on Auditing must always disclose material inconsistencies, if any. Inconsistencies might occur due to fraud or mistake and are considered significant if there is a reasoned assumption that, individually or in total, they could affect the economic decisions of the users based on these Financial Statements.

Professional judgement is applied and professional scepticism is maintained within the audit carried out pursuant to the International Standards on Auditing and throughout the whole audit. Besides:

- We identify and assess the risks of material misstatements in the financial statements, whether due to fraud or mistake, propose and apply auditing procedures reacting to these risks, and acquire auditing evidence that is sufficient and adequate to provide a basis for our opinion. The risk of not discovering a material misstatement due to fraud is higher than such a risk due to mistake as a fraud might include a secret agreement, falsification, deliberate omission, false statement or evasion of an internal control.
- We learn about the internal controls relevant for the audit so as to be able to propose auditing procedures suitable for the respective circumstances, however, not with the purpose of expressing an opinion on efficiency of the Company's internal controls.
- We assess appropriateness of the used accounting principles and accounting methods and adequacy of the accounting estimates and presentation of the related information as carried out by the Statutory Body.
- We conclude whether the Statutory Body makes an appropriate use of the going concern assumption in its accounting and, based on the obtained auditing evidence, we conclude whether there is a material uncertainty related to events or circumstances that could significantly affect the ability of the Company to continue as a going concern. If we conclude that there is

such material uncertainty, we are obliged to draw the attention within the Auditor's Report to the relevant information presented in the Financial Statements or, if the information is insufficient, to modify our opinion. Our conclusions are based on auditing evidence obtained by the date of issuance of our Auditor's Report. Any future events or circumstances, however, can cause the Company to cease its continuation as a going concern.

- We assess the overall presentation, structure and content of the Financial Statements, including the presented information, as well as the fact whether the Financial Statements present the carried-out transactions and events in a way leading to their truthful presentation.

Report on further requirements imposed by law and other legal regulations

Report on the information presented in the Annual Report – Supplement to the Independent Auditor's Report

The Statutory Body is responsible for the information presented in the Annual Report prepared pursuant to the requirements of the Accounting Act. Our opinion above on the Financial Statement does not apply to other information in the Annual Report.

In respect of the Financial Statements audit, it is our responsibility to get familiar with the information presented in the Annual Report and to assess whether the information is not in material inconsistency with the audited Financial Statements or our knowledge as obtained during the audit of the Financial Statements, or seem otherwise incorrect.

We have assessed whether the Company's Annual Report contains information as required by the Accounting Act.

Based on the findings obtained during the audit of the Financial Statements, our opinion is that:

- the information presented in the Annual Report for 2017 is consistent with the Financial Statements for the same year,
- the Annual Report contains the information in compliance with the Accounting Act.

Besides, based on our knowledge of the accounting entity and its situation obtained during the audit of the Financial Statements, we are obliged to state whether we discovered any material misstatements in the Annual Report we obtained before issuing the Auditor's Report. In this respect, there are no findings to be reported.

In Banská Bystrica, 24 April 2018

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Ing. Miroslav Čiampor
Key Audit Partner
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[signature in hand]

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FOREWORD OF THE CHAIRMAN OF THE BOARD OF DIRECTORS

Dear customers, dear business partners,

you are opening the Annual Report of Železničná spoločnosť Slovensko, a.s. (ZSSK) for 2017. It was a successful year for the Company, with historically the highest number of transported passengers as well as an increased labour productivity and growth of revenues.

Since introduction of free-of-charge transport services in November 2014, the number of passengers on board of ZSSK trains has been constantly increasing. In 2017 ZSSK transported a total of 72.5 million passengers. The year-to-year increase compared to 2016 amounted to a double-digit figure of 10.5 %. We have thus recorded more passengers by 53 % since 2014!

While the number of transported passengers grew mostly thanks to children, students and pensioners after the introduction of free-of-charge transport, in 2017 ZSSK saw a year-to-year increase in paying passengers by 17.5 %. Re-introduction of IC trains by ZSSK and redoubling of their numbers had its impact. The total number of passengers travelling free of charge has already stabilized and grew year-to-year only by 2.6 %.

The total revenues from passenger transport amounted to EUR 80.7 million. Our plan for 2018 already counts with revenues from passenger transport at the level before introduction of free-of-charge services, while assuming the same number of employees and fewer vehicles!

It was improvement in utilisation of the rolling stock fleet that had a positive impact on the Company economic results as one of the most significant measures. By improving circulation of our rolling stock and flexibility of maintenance, we were able to substantially increase labour productivity, which was lagging behind in an international comparison. The year-to-year labour productivity expressed in passenger-km and calculated per one employee increased by 17.5 %, while the costs calculated per passenger-km reduced by 11 %. This is the trend we wish to continue.

Further goal of ZSSK is to better use its rolling stock fleet. We increased the kilometres driven by motive power units (locomotives) year-to-year by 5.5 % and in case of passenger coaches even by 6.9 %. Through further investments into purchase of new vehicles and modernisation of the existing ones, we intend to enhance the quality of railway passenger transport. An important part of the change in strategy involves transfer of a part of responsibility to partners and contractors. In line with this decision, in 2017 ZSSK won tenders for 10 new motive power units in the form of their lease, where a part of the entrepreneurial risk remains with the vehicle owner.

Restructuring of the Company financing is another of our successes. Compared to the plan, it brought along saved costs of almost EUR 800 thousand. The total economic result of 2017 is a loss of EUR 4,045 thousand (the loss in 2016 amounted to EUR 5.2 million). In the course of the next two years, we intend to balance the economy of the Company for our shareholder.

At the end of 2017 ZSSK had loans in the amount of EUR 350 million. The total indebtedness of the Company compared to the value of assets amounted to 45.7 % (a year-to-year increase by only one percentage point).

While summarizing the facts about the Company economic results, I would like to mention a positive change in the employee remuneration system. In an effort to keep the best people, we saw a significant system change at the end of 2017. We increased the emphasis on the motivation part of the salary

in the existing remuneration, based so far mostly on the number of worked years. The new system is more motivating for the employees in operation and maintenance who are able to modify their salary thanks to their performance. Locomotive drivers, for instance, who are able to enhance smooth operation and are willing to increase their professional training, might get an increase of more than two hundred euros per month.

Having summarised the figures, one might declare the previous year a success. More people chose to travel by train; the state spent less on the trains of ZSSK calculated per one invested euro, and the majority of our operation employees got a raise of salary. These are the key employees for Železničná spoločnosť Slovensko, and they deserve my greatest gratitude.



Filip Hlubocký,
Chairman of the Board of Directors
and Director General of ZSSK

COMPANY PROFILE

Železničná spoločnosť Slovensko, a.s. (ZSSK)
Rožňavská 1,
832 72 BRATISLAVA

Company ID no.: 35 914 939
Tax registration no.: 20 219 200 76

Established on: 13 December 2004

Share capital: 212,441 million EUR

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 the District Court of Bratislava I as of 1 January 2005. Its founder and the sole owner (the only shareholder) is the State. The rights of the State as the shareholder are executed by the Ministry of Transport and Construction of the Slovak Republic (MTC SR) with the seat at Námestie slobody 6, 811 06 Bratislava. The Company does not figure as an associate partner with unlimited liability in any other company.

In terms of Article 21 (4) of the Act on State Statistics as amended, in April 2016 ZSSK was included into the statistical register of organisations in S13 sector – Public Administration.

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 Transport Services in Public Interest concluded pursuant to Act of the Slovak National Council no. 514/2009 Coll. on transport by rail as amended, between ZSSK as the transport operator and the State (represented by MTC SR) as the contracting authority.

The bodies of ZSSK:

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

Mgr. Filip HLUBOCKÝ

Chairman of the Board of Directors

Director General of ZSSK

Since 18 June 2016

Dipl. - Ing. Patrik HORNÝ

Vice Chairman of the Board of Directors

Director of the Economy and Information Management
Division of ZSSK

Since 21 June 2016

Member from 18 June to 20 June 2016

Ing. Karol MARTINČEK

Member of the Board of Directors

Business Division Director of ZSSK

Since 18 June 2016

SUPERVISORY BOARD

Ing. Jaroslav MIKLA

Chairman of the Supervisory Board

From 1 September 2015 to 15 August 2017

Ing. Peter BARTALOS

Chairman of the Supervisory Board

Since 20 September 2017

Mgr. Ladislava CENGELOVÁ

Vice Chairman of the Supervisory Board

Since 9 September 2015

Ing. Martin KAPITULÍK

Member of the Supervisory Board

from 18 June 2016 to 22 June 2017

Ing. Ivan ČERNEGA

Member of the Supervisory Board

Since 23 June 2017

Peter CIBULA, Mgmt.

Member of the Supervisory Board

Since 18 June 2016

Jozef HLAVATÝ

Member of the Supervisory Board

Since 20 January 2010

Peter DUBOVSKÝ

Member of the Supervisory Board

Since 23 January 2015

Based on Act no. 423/2015 Coll. on Statutory Audit and on Amendments and Supplements to Act no. 431/2002 Coll. on Accounting as amended, ZSSK is an entity subject to oversight and is obliged to establish an audit committee since 17 June 2016. In compliance with Article 34(5) d) of the above Act, the Supervisory Board of ZSSK acts as the audit committee.

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) operation of transport on the infrastructure – nationwide and regional infrastructure,
- 3) advertising and promotional activities,
- 4) administrative and photographic activity,
- 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) lease of real estates including provision of supplementary services – procurement activities,
- 12) national irregular bus transport,
- 13) national freight road transport,
- 14) exchange activities,
- 15) software provision – sale of ready-made programmes under the contract with the author,
- 16) automated data processing,
- 17) counselling and consultancy services in the field of hardware and software,
- 18) accounting consultants' services,
- 19) bookkeeping,
- 20) forwarding,
- 21) repairs of machines,
- 22) repairs of road motor vehicles,
- 23) provision of mailing services,
- 24) lease of transport vehicles and mechanisms,
- 25) lease of consumer and industrial goods,
- 26) publishing activity within the scope of free trade,
- 27) storage of goods, except for administration of a public bonded warehouse,
- 28) activity of the chief clearance agent,
- 29) metal working,
- 30) geodetic and cartographic work,
- 31) running of technical libraries,
- 32) carrying out of assemblies, inspections, maintenance, servicing, revisions and testing of specified technical pressure devices,
- 33) carrying out of assemblies, inspections, maintenance, repairs, reconstruction, servicing and testing of specified electric devices,
- 34) welding of rolling stock,
- 35) heat generation,
- 36) heat production, heat distribution,
- 37) operation of transport on a special line – Detská železnica (Children's Railway) in Košice,
- 38) carrying out of servicing of selected technical gas equipment,
- 39) luggage storage,
- 40) procurement activity in the field of civil engineering,
- 41) accommodation services without board or catering,
- 42) repairs, maintenance, revision and testing of specific technical lifting and transportation devices,
- 43) non-destructive testing of rolling stock,
- 44) carrying out of inspections and non-destructive testing of lifting steel structures,
- 45) carrying out of specific activities: assembly, repairs, maintenance, reconstruction, revision, tests of specified electric technical devices on railway infrastructure,
- 46) carrying out assembly, repairs, revision and testing of specific technical gas devices,
- 47) carrying out assembly, repairs, revision and testing of specific technical pressure devices,
- 48) carrying out technical inspection of rolling stock before their commissioning and during their operation, and testing of technical capability of rolling stock for operation,
- 49) carrying out training and testing of professional capability to work with specified technical lifting and transportation devices – operation of lifting devices and operation of transportation devices,

- 50) carrying out training and testing of professional capability to work with specified technical devices - operation of pressure devices,
- 51) carrying out training and testing of professional capability to work with specified technical electric devices,
- 52) carrying out training and testing of professional capability to work with specified technical devices - operation of gas devices.

The company may run the 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
- 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

Special authorisations:

- Authorisation of the Transport Authority no. K - 18/2016 to carry out assembly, maintenance, revision and testing of specific technical pressure devices
- Authorisation of the Transport Authority no. P - 11/2015 to carry out assembly, repairs, revision and testing of specific technical gas devices
- Authorisation of the Transport Authority no. E - 63/2015 to carry out specific activities: assembly, repairs, maintenance, reconstruction, revision, tests of specified electric technical devices on railway infrastructure
- Authorisation of the Transport Authority no. Zv - 12/2016 for welding of rolling stock
- Authorisation of the Transport Authority no. Z 28/2015 to carry out inspection and non-destructive testing of lifting steel structures
- Authorisation of the Transport Authority no. Z - 32/2016 to carry out repairs, maintenance, re-vision and testing of specific technical lifting and transportation devices
- Authorisation of the Transport Authority no. D - 10/2014 for non-destructive testing of rolling stock
- Authorisation of the Transport Authority no. D - 07/2017 for non-destructive testing of rolling stock
- Authorisation of the Transport Authority no. P-Z/17-2016-18 to carry out training and testing of professional capability to work with specified technical lifting and transportation devices - operation of lifting devices and operation of transportation devices
- Authorisation of the Transport Authority no. P-Z/06-2016-18 to carry out training and testing of professional capability to work with specified technical devices - operation of pressure devices
- Authorisation of the Transport Authority no. P-Z/05-2016-18 to carry out training and testing of professional capability to work with specified technical devices - operation of gas devices
- Authorisation of the Transport Authority no. P-E/20-2016-18 to carry out training and testing of professional capability to work with specified technical electric devices
- Authorisation of the MTC SR no. 28058/2016/C350-SŽDD/z.75851 to carry out technical inspection of rolling stock before their commissioning and during their operation, and testing of technical capability of rolling stock for operation
- Authorisation of the Transport Authority no. D - 08/2017 for non-destructive testing of steel bridge and bridge-like infrastructure structures.

PASSENGER TRANSPORT

During 2017, **72,473 thousand passengers** were transported by rail, which meant an increase by 3,061 thousand passengers against the plan, i.e. fulfilment of the plan in 104.41 %. In comparison with the last year 6,867 thousand passengers more were transported, i.e. a year-to-year increase by 10.47 %, of which:

- national transport recorded an increase of passengers against the plan by 2,748 thousand passengers (4.17 %) and a year-to-year increase by 6,731 thousand passengers (10.88 %), of which IC trains saw an increase of passengers compared to the plan by 374 thousand passengers, and a year-to-year growth by 681 thousand passengers,
- international transport recorded increase against the plan by 313 thousand passengers (8.84 %) and a year-to-year increase by 136 thousand passengers (3.65 %).

The total transport volume in **passenger-kilometres** in 2017 amounted to **3,759,924 thousand passenger-km**, which meant an increase by 297,424 thousand against the plan (8.59 %). Compared to the last year, the transport performance increased by 566,202 thousand passenger-km (17.73 %).

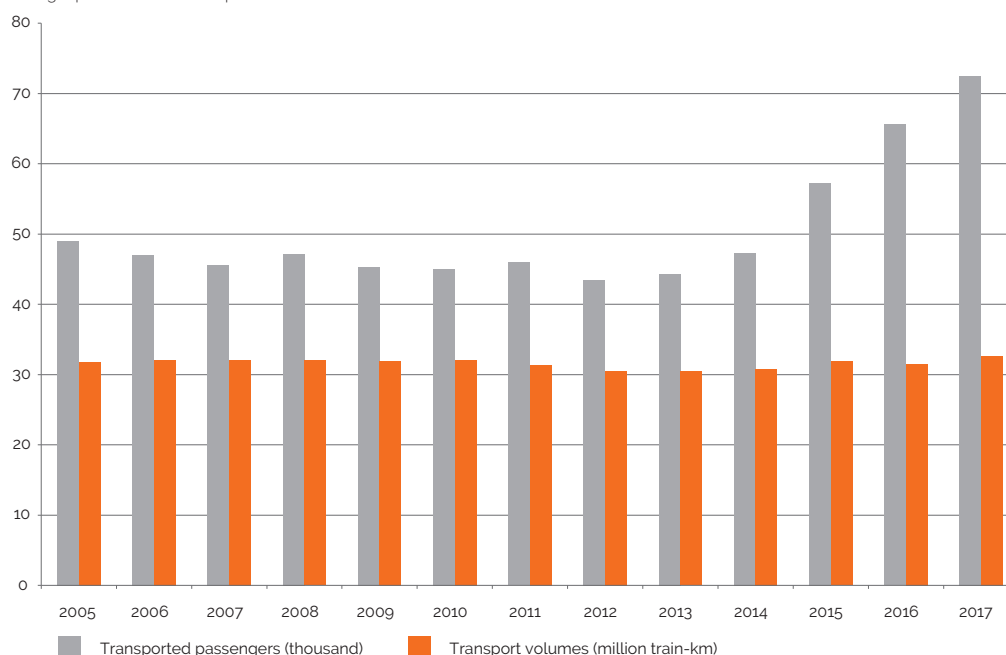
The significant year-to-year increase of transported passengers and passenger-km in national transport was influenced primarily by an increase in the number of irregular passengers, also thanks to an indirect impact of free-of-charge transport introduced since 17 April 2014, renewal of IC trains' operation since 11 December 2016 and commissioning of more IC trains since 1 February 2017 on the line of Bratislava - Košice.

The total transport volume in **train-km** including replacement bus transport in 2017 amounted to **32,641 thousand train-km**, which meant an increase by 697 thousand train-km against the plan (2.18 %). Compared to the last year, the transport performance increased by 1,163 thousand train-km (3.70 %), which was affected by renewal of IC operation and commissioning of more IC trains since 1 February 2017.

Development of volumes in passenger transport:

Total passenger transport	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2017/ 2016
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	3,081.25	3,193.72	3,759.92	118
Passengers (million)	49,054	47,021	45,598	47,184	45,342	45,004	45,959	43,445	44,287	47,286	57,275	65,606	72,473	1105
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	31,856	31,477	32,641	1,037

*/ train-km including replacement bus transport



QUALITY MANAGEMENT SYSTEM, CERTIFICATES

Integrated Management System

The integrated management system (IMS) introduced within ZSSK includes several coordinated activities, which direct and manage enhancement of the quality of the services delivered by the Company.

The certified systems focus on the quality management concerning operation of long-distance trains of national significance, employee training, ticket sale, and occupational health and safety, and guarantee that the activities are carried out in compliance with the requirements of the respective standards.

In 2017 the integrated management system **included the following certified products of QMS:**

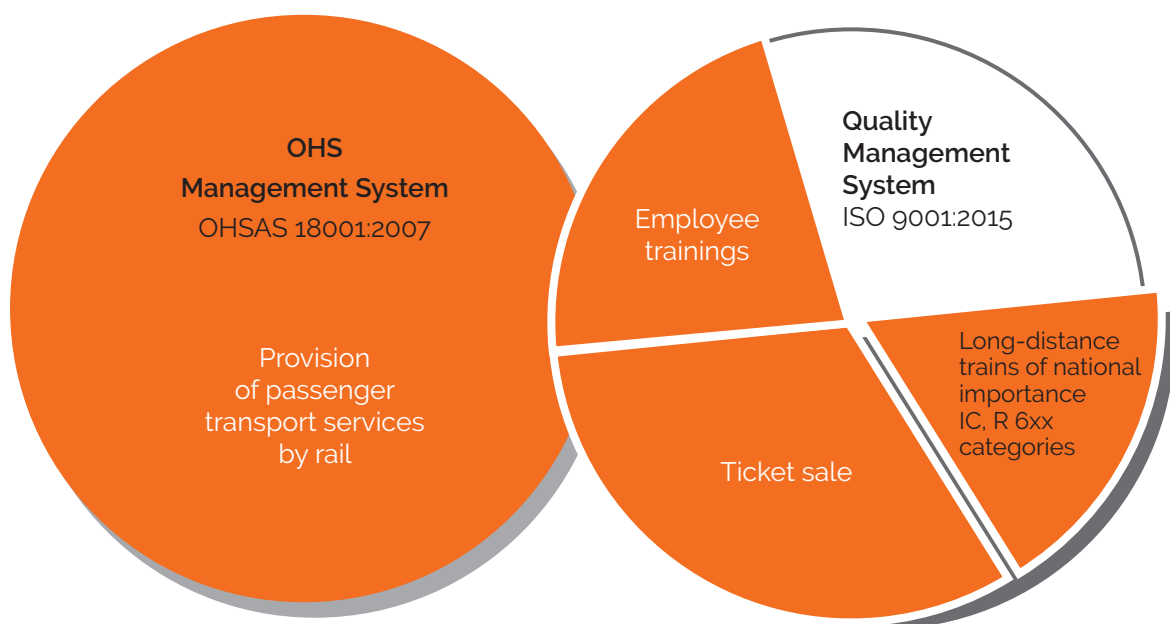


- ✓ Operation of long-distance transport of national importance of IC, R 6xx categories on the line of Bratislava – Žilina – Košice and back
- ✓ Ticket sale
- ✓ Employee trainings pursuant to ISO 9001:2015.



- ✓ Provision of passenger transport services by rail pursuant to OHSAS 18001:2007

Integrated Management System Scheme



● certified products

STRATEGIC OBJECTIVES

Who we are

We are an efficient and modern national transport operator. We are a transport company providing passenger railway regional, long-distance and international services. We provide for a mutually interconnected network services from regional trains to commercial trains of the highest quality. In cooperation with foreign transport operators we offer sale of transport documents to travel throughout the whole Europe.

Our goal

We wish to be the railway transport operator of the first choice for the customers as well as the for the public service contracting authorities. Therefore, we have to take a clear position on the open market as an innovative leader in mobility and approach to customers, with a leadership in the railway sector.

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 and new 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, increasing, at the same time, the labour productivity of our employees
- We enhance the reliability of train operation and the quality of delivered services by establishing a network of workplaces for repairs and technical and hygienic maintenance
- We introduce modern and innovative elements into the Company, we actively participate in research and development in the field of predictive maintenance

We care about our passengers

2017 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 stabilise the 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.

The Contract on delivery of twenty-one diesel units became efficient in November. Public procurement concerning delivery of twenty-five electric units took place in the course of the year. During the whole year, ZSSK carried out a project of humanisation of the rolling stock fleet at its own expense and, besides modernisation of the rolling stock fleet for regional transport, it focused also on renewal of the vehicles for long-distance services.

The Ministry of Transport and Construction of the Slovak Republic, followed by the European Commission have issued positive opinions on the projects of establishing centres of technical and hygienic maintenance of rolling stock in the hubs of Nové Zámky, Humenné and Zvolen. We have prepared public procurement for the construction contractors that will be opened in 2018.

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.

Reintroduction and increased number of IC trains in 2017 had a positive impact on the overall efficiency of the operation. Thanks to a better strategy of the rolling stock utilisation, ZSSK increased the volume of driven kilometres by 5.5 % year-to-year in case of locomotives and by as much as 6.9 % in case of passenger coaches. The fastest IC trains shortened the journey time between the cities of Bratislava and Košice down to 4 hours 42 minutes. Since December, there is one pair of IC trains running between Košice and Vienna, which is the fastest connection of the East Slovakia and Vienna.

In June we launched a sale of tickets through text messages valid for slow passenger trains. They allow customers a fast and comfortable purchase of their ticket without any need to queue at the stations.

In June we became one of the nine founders of the Industry Innovation Cluster (IIC) under the auspices of the French and Slovak Trade Chamber. Its ambition is to accelerate innovations in the Slovak industry, with an objective to join companies that are leaders in the Slovak industry and wish to push Slovakia towards competitiveness and innovativeness.

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 whole state to this citizen group. We participate in projects that will make use of our services easier for passengers with reduced mobility.

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 to make use of the options of transport integration and further renewal of the rolling stock fleet cofinanced from the EU funds.

ECOLOGY

In 2017 the environmental activities of ZSSK focused on updating the managing documents; due to major legislation changes, a new document on the "Environment protection in the context of ZSSK" was issued, and the "Regulation 6/2016 of the Director General of ZSSK on introduction of separated collection of communal waste in specified objects of ZSSK" was updated.

The 1st phase of "Rebuilding of the locomotive depot in Prievidza" by the Company was completed; the 2nd phase of rebuilding will be carried out by the Slovak Ministry of the Environment under the "State Programme for rebuilding of environmental burdens". Rebuilding of further seven registered environmental burdens will be carried out under the state programme.

In the respective period ZSSK pursued the following activities concerning the environment protection and ecology: establishment of contractual relationships in order to fulfil the requirements of the state administration bodies for the environment protection; inspections of observance of individual provisions of legislative regulations applicable to the environment; monitoring of released waste water quality and underground water quality, notifications in terms of the Waste Act and Air Act.

Three extraordinary events related to worsening of water quality as a consequence of leaked pollutants occurred in 2017.

OWNERSHIP INTERESTS OF ZSSK as on 31 December 2017

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

	Number of shares in the equity (pieces) as on 31/12/20017	Share against the equity in %	Acquisition price of the ownership interest in thousand EUR	As on 31 December 2016 in thousand EUR	As on 31 December 2017 in thousand EUR
EUROFIMA	1,300	0.50%	5,805	5,676	5,208
Bureau Central de Clearing, s. c.r.l. Brusel (BCC)	1	0.68%	1	1	1
Total	x	x	5,806	5,677	5,209

In 2017 ZSSK did not obtain any new shares.

BUSINESS RESULTS

The Separate Financial Statements of ZSSK for 2017 are reported pursuant to the International Financial Reporting Standards.

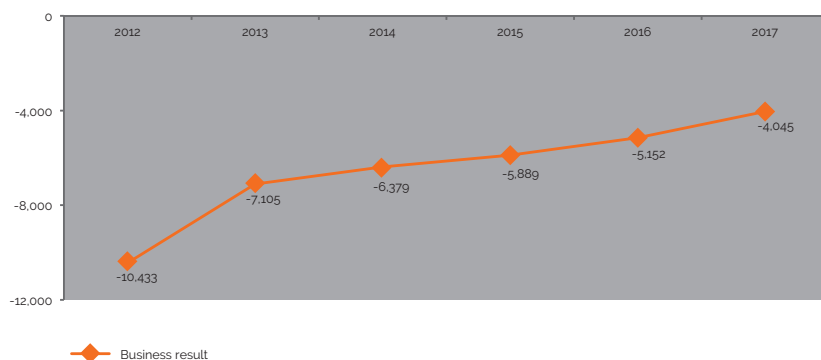
Business result

The business result of ZSSK planned for 2017 was a loss amounting to EUR 4,990 thousand. The actual business result ZSSK achieved was a loss of EUR 4,045 thousand.

(in thousand EUR)

	Actual figures 31 December 2016	Actual figures 31 December 2017	Difference	Index 2017/2016
Revenues				
Passenger transport and related revenues	90,635	102,446	11,811	113
Compensation for services in public interest	238,310	243,956	5,646	102
Other subsidies	31,826	30,289	-1,537	0.95
Other net operating (costs), revenues	3,398	3,328	-70	0.98
	364,169	380,019	15,850	1.04
Costs				
Consumption and services	-178,683	-188,710	-10,027	1.06
Personnel costs	-101,835	-106,220	-4,385	1.04
Depreciation, amortisation and impairment of tangible assets	-85,970	-86,625	-655	1.01
	-366,488	-381,555	-15,067	1.04
Financial (costs) revenues				
Financial revenues	73	62	-11	0.85
Financial costs	-3,719	-4,137	-418	1.11
Net financial derivatives	-111	16	127	-0.14
	-3,757	-4,059	-302	1.08
Tax costs	924	1,550	626	1.68
Profit (loss) in the accounting period	-5,152	-4,045	1,107	0.79
Other comprehensive results:				
Items not to be reclassified into results	-526	284	810	-0.54
Revaluation of employee benefits	-526	284	810	-0.54
Items that can be reclassified into results	0	0	0	
Other comprehensive results in the accounting period	-526	284	810	-0.54
Total comprehensive results in the accounting period	-5,678	-3,761	1,917	0.66

Profit (loss) development in thousand EUR



In 2017 ZSSK did not expend any costs on research and development.

INDICATORS

(in thousand EUR)

	Unit	Actual figures 2016	Actual figures 2017	Difference	Index 2017/2016
Costs	thousand EUR	376,108	390,546	14,437	1.04
Revenues	*	370,956	386,500	15,544	1.04
Expensive ratio		1.01	1.01	0.00	1.00
Operating revenues without compensation from public service contract and subsidies	thousand EUR	95,647	107,492	11,845	1.12
Operating costs without depreciation	*	282,062	296,649	14,589	1.05
Coverage of costs by revenues	%	33.91	36.24	2.33	1.07
Liabilities without accruals and deferrals*	thousand EUR	453,465	450,054	-3,411	0.99
Total assets	*	1,013,941	984,870	-29,071	0.97
Total indebtedness without accruals and deferrals *	%	44.72	45.70	0.97	1.02
Current assets	thousand EUR	80,836	80,229	-607	0.99
Short-term liabilities without accruals and deferrals*	*	178,547	134,386	-44,161	0.75
Total liquidity		0.45	0.60	0.15	1.33
Loans + aid	thousand EUR	341,646	349,837	8,191	1.02
Total assets	*	1,013,941	984,870	-29,071	0.97
Loan encumbrance of assets	%	33.69	35.52	1.83	1.05

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

DATA ON REMUNERATION OF THE STATUTORY AND SUPERVISORY BODIES OF ZSSK

(in thousand EUR)

	2016	2017
Current members		
of which: Board of Directors	18	34
Supervisory Board	20	22
Former members		
of which: Board of Directors	15	
Supervisory Board	3	8
Total remuneration:	56	64

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

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

SETTLEMENT OF THE REPORTED BUSINESS RESULTS OF 2017

In 2017 ZSSK reported an accounting loss of EUR 4,045,471.65. Proposal of settlement of the reported business results:

In its Decision no. 38/RA-2018 of 13 July 2018 the sole shareholder approved of the loss settlement in the amount of EUR 4,045,471.65 for the reporting period of 2017 by its recognition on account 429 – Unpaid loss of past years.

HUMAN RESOURCES

The planned number of employees as on 31 December 2017 was 6,002, while the actual number as on 31 December 2017 amounted to 5,952, which was less by 0.83% compared to the plan.

Compared to 2016, in 2017 ZSSK saw an increase in the recorded number of employees from 5,924 to 5,952, which is more by 0.47 % of employees.

Recorded number of employees:

	2016	2017
Managing processes	141	150
Business Division	1,076	1,076
Operation Division	3,182	3,205
Economy Division	77	127
Services Division	368	330
Maintenance Division	1,080	1,064
Total number of ZSSK employees	5,924	5,952

Break-down by sex:

Sex of employees	2016	2017
Men	3,830	3,835
Women	2,094	2,117
Total	5,924	5,952

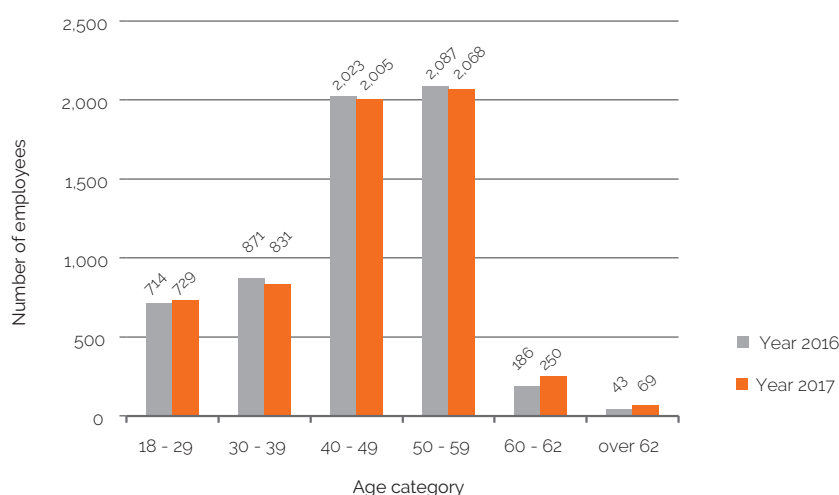
The average wage in ZSSK in 2017 reached the amount of EUR **1,038.24**. Compared to 2016 (with the average wage of EUR 990.50), the average wage increased by EUR 47.74, which is an increase of 4.82 %

Age structure of the employees in 2017

Out of the total number of employees of 5,952 there were:

- 729 employees of less than 29 years of age,
- 831 employees between 30 - 39 years of age,
- 2,005 employees between 40 - 49 years of age,
- 2,068 employees between 50 - 59 years of age,
- 250 employees between 60 - 62 years of age,
- 69 employees over 62 years of age.

Age structure of ZSSK employees



The above indicates that compared to 2016 ZSSK saw a decrease in the number of employees in 2017 in the age categories of 30 – 39, 40 – 49, and 50–59 years of age. Contrarily, the numbers of employees increased in the age categories of 18 – 29, 60 – 62 and over 62.

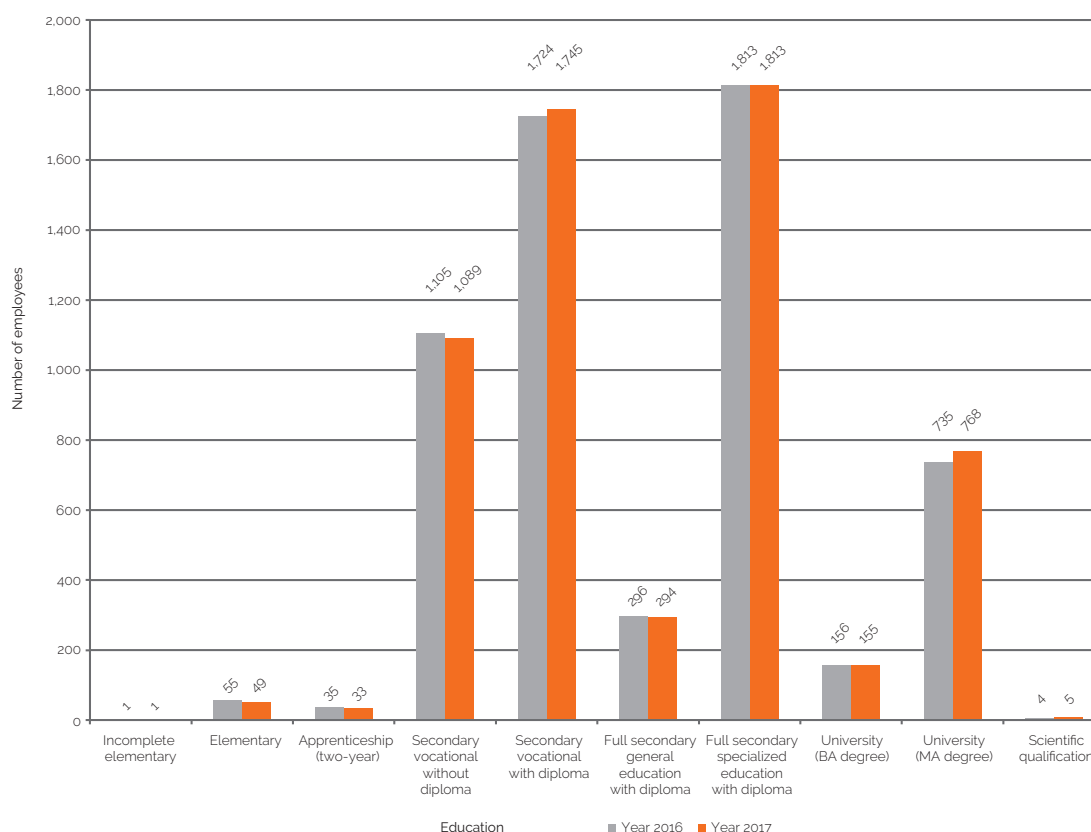
The average age of the employees of ZSSK as on 31 December 2017 was 45.68 years of age, which is an increase by 0.29 years compared to 2016 (45.39). It is less than natural ageing.

Despite 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.

The tools to achieve this objective in 2017 included, in particular, locomotive drivers trainings organised three times per year, twice-held Open Door Days in six Depot Operation Centres/Operation Centres, a national promotional event "Transport Studies", an internship graduate scheme of ZSSK, as well as an attractive cooperation with secondary schools and universities that signed Mutual Cooperation Agreements with ZSSK.

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.

Education structure of the employees in 2017



As regards the education structure in 2017, there was an increase of qualified employees compared to 2016:

- secondary vocational education without diploma by 84 employees,
- full secondary vocational education with diploma by 21 employees,
- University education (master's degree) by 33 employees,
- scientific qualification by 1 employee.

There was reduction in employees with:

- elementary education by 6 employees,
- apprenticeship (two-year) by 2 employees,
- full secondary general education with diploma by 2 employees,
- University education (bachelor's degree) by 1 employee.

Out of the total number of ZSSK employees, the major group consists of the employees with:

- full secondary vocational education with diploma – 1,813 employees, i.e. 30.46 %,
- secondary vocational education with diploma – 1,745 employees, i.e. 29.32 %,
- University education – 895 employees, i.e. 15.59 %.

NUMBER AND TYPES OF RECEIVED COMPLAINTS

Petitions, claims – initial, serious as well as repeated – plus other-than-customer motions, requests, comments and appraisals (last, but not least also passenger injuries) of natural as well as legal entities delivered to ZSSK are handled in terms of the Directive on Handling Claims.

The motions are recorded in the on-line databases, 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 the right of petition, Act no. 514/2009 Coll. on transport by rail, Act no. 250/2007 Coll. on consumer protection, Act no. 552/2003 Coll. on services in public interest, the Commercial Code and the Labour Code.

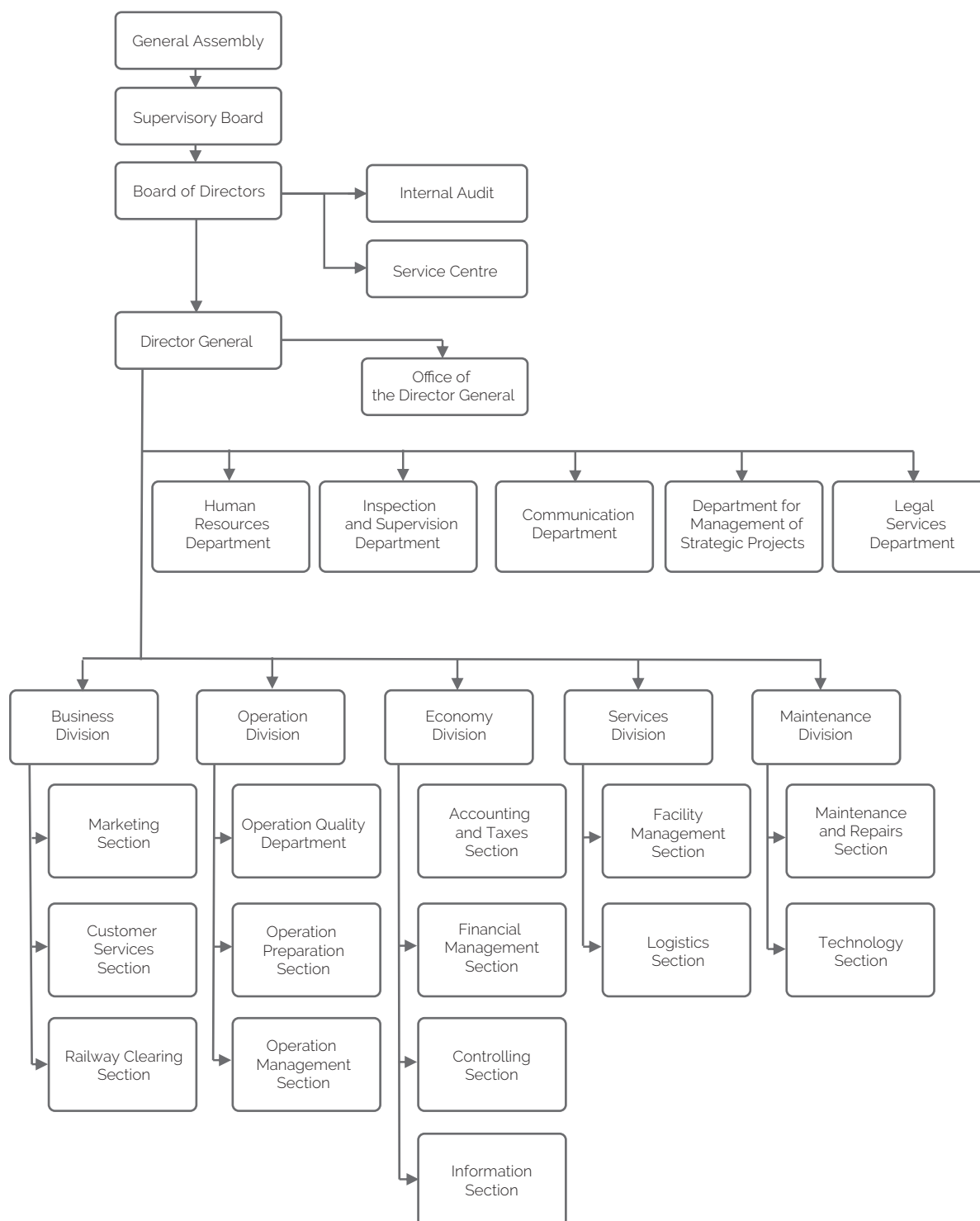
Total number of initial and repeated claims received in 2017:	5,245
• number of overall justified (customers') claims	2,294
• of which number of claims with external justification	49
• of which number of claims with internal justification	2,245
Form of delivery:	
• personally	31
• via conventional mail and entered in Complaints Books	1,010
• electronic claims	4,045
• indirect claims, media	139
• other	20
Number of claims by their subject and reasons:	
Comfort – cleanliness on board of train sets, heating, air-conditioning, functioning of toilettes, other technical shortcomings – doors, windows, seats, train formation, services provided by WGS	1,396
Time – delays due to exclusion of traffic on rail infrastructure, train delay due to a locomotive fault, delays – missed connecting services	898
Customer care – behaviour of employees towards customers	799
Availability of travel documents – at cash desks, higher frequency, other sale channels, internet sale of tickets, passengers with reduced mobility	304
Certified trains – complaints concerning all shortcomings, reasons and subjects	203
Safety – threats to safety of railway transport, criminal activity and health protection within railway infrastructure (at railway stations, on board of trains)	184
Free-of-charge transport – registration, cards, higher frequency	168
Information – travel information provided in general, during accidents and extraordinary situations	119
Other	872
Appreciation for employees of the company	302

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

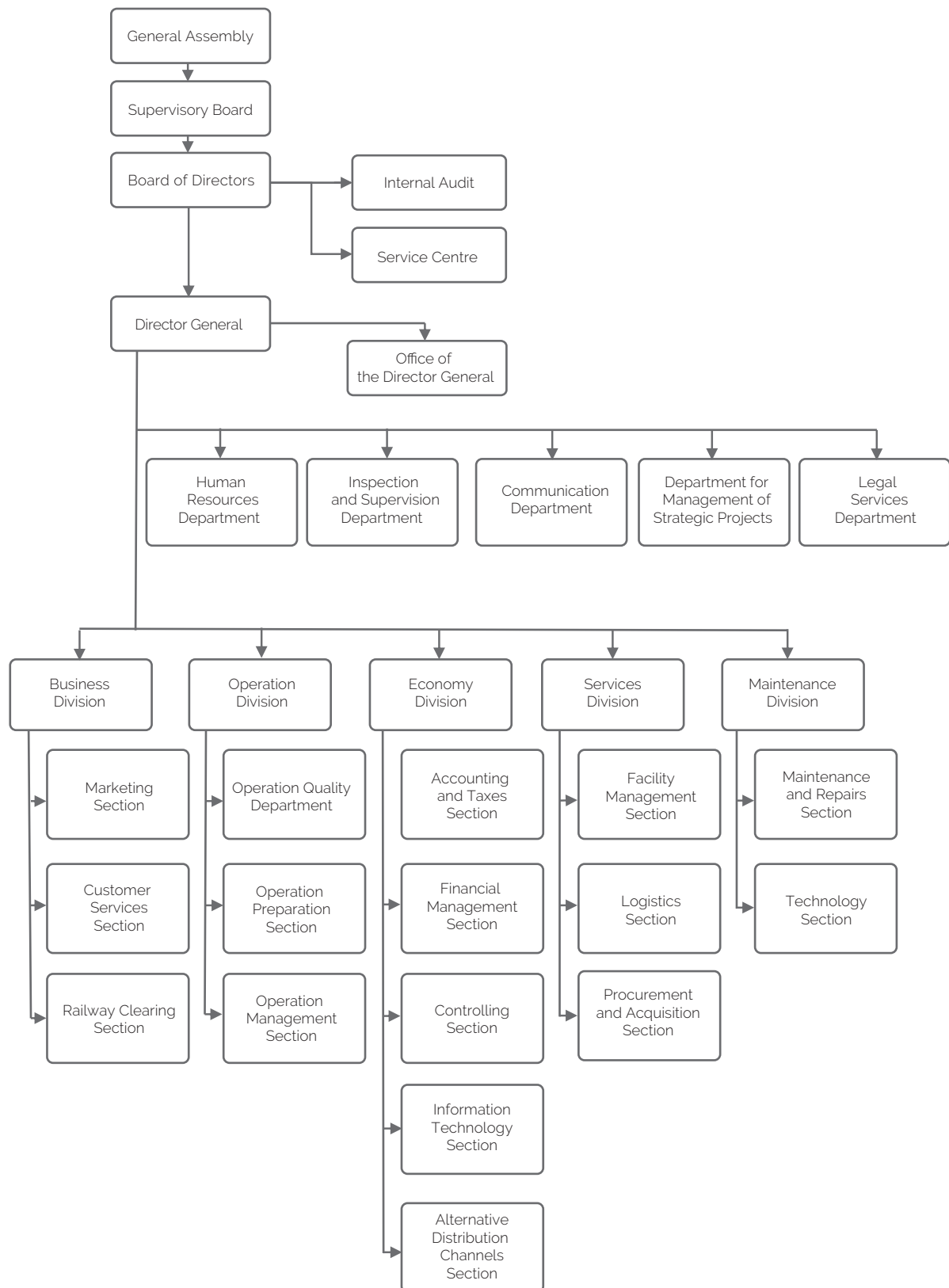
- measures under labour law (lower bonuses, an interview, an interview with possibility of a dismissal notice),
- organisational measures (increased inspections, instructions at regular trainings, extra testing in serious cases).

In case of justified complaints caused by the Company, refunds and compensations were paid, or a recovery was cancelled, or gift vouchers of "Train journey as a present" were sent.

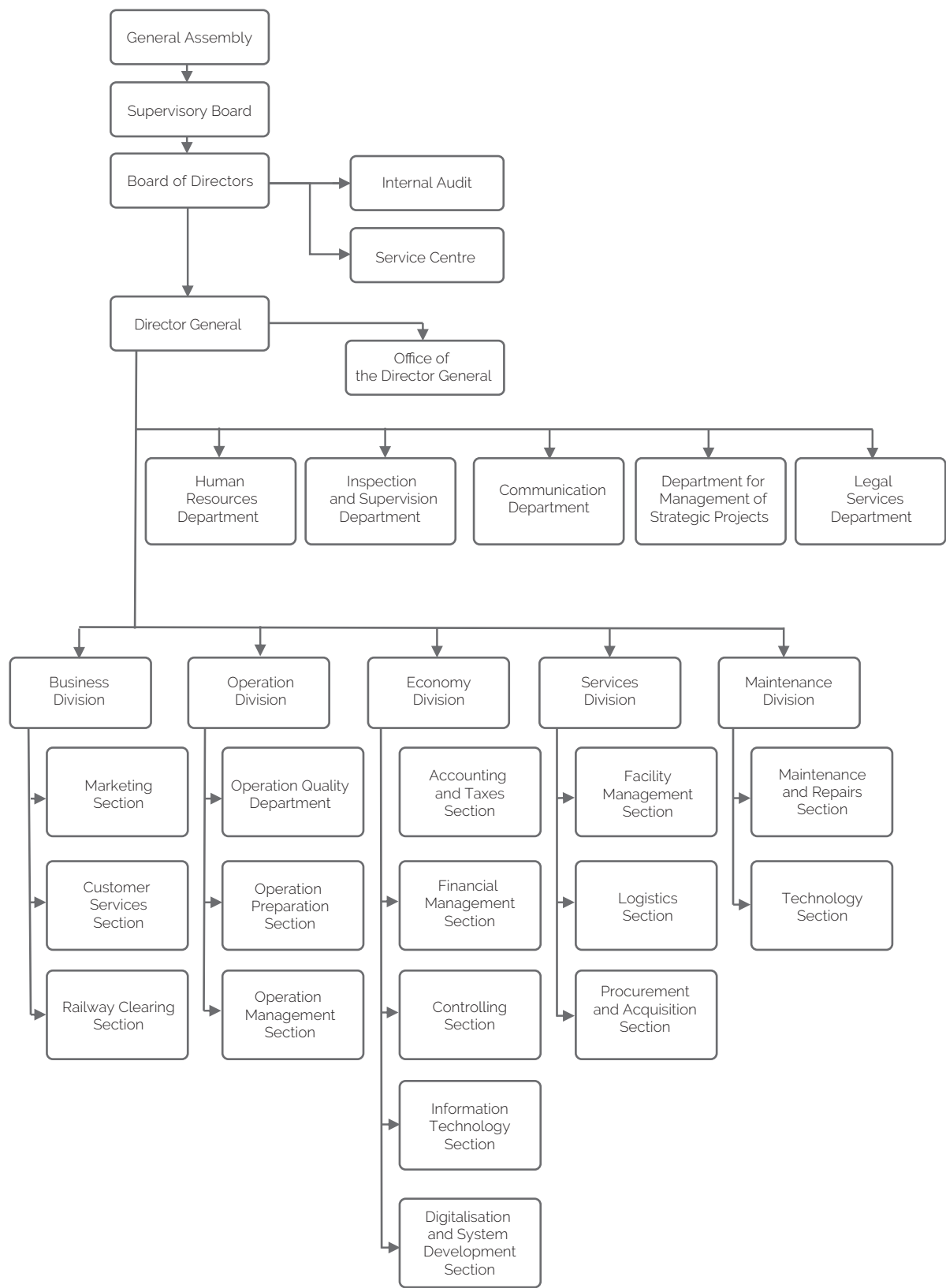
ORGANISATIONAL STRUCTURE OF ZSSK from 1 JANUARY 2017 to 1 April 2017



ORGANISATIONAL STRUCTURE OF ZSSK from 1 April 2017 to 1 July 2017



ORGANISATIONAL STRUCTURE OF ZSSK
from 1 July 2017 to 31 December 2017



ORGANISATIONAL UNITS

ZSSK has no organisational units.

LIST OF USED ABBREVIATIONS

BCC	Bureau Central de Clearing, s. c.r.l. Brusel
EU	European Union
IC trains	Commercial trains
IMS	Integrated Management System
ISO norms	Quality norms
MTC SR	Ministry of Transport and Construction of the Slovak Republic
ME SR	Ministry of the Environment of the Slovak Republic
NRFC	Non-repayable financial contribution
OHS	Occupational health and safety
OHSAS norms	Norms for occupational health and safety
PSC	Public service contract
R	Fast train
RS	Rolling stock
ÚRŽD	Railway Regulatory Authority
WSG	Wagon Slovakia (couchette and berth coaches)
ZSSK	Železničná spoločnosť Slovensko, a.s.
ZSSK CARGO	Železničná spoločnosť Cargo Slovakia, a.s.
ŽSR	Železnice Slovenskej republiky

Delegate of ZSSK at the International Union of Railways (UIC) in Paris:

Ing. Jozef FÁZIK
Chargé de Mission

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

16 rue Jean Rey
F-75015 Paris

tel.: +33 (0) 1 44 49 21 14
e-mail: fazik@uic.org

BDR



Nezávislý člen Moore Stephens International Limited

SPRÁVA NEZÁVISLÉHO AUDÍTORA

z auditu účtovnej závierky

a

Správa k ďalším požiadavkám zákonov a iných právnych predpisov

pre akciovú spoločnosť

Železničná spoločnosť Slovensko, a.s.

Bratislava

za rok 2017

BDR

SPRÁVA NEZÁVISLÉHO AUDÍTORA

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

Správa z auditu účtovnej závierky

Názor

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 2017, výkaz komplexného výsledku, výkaz zmien vo vlastnom imaní, výkaz peňažných tokov za rok končiaci k uvedenému dátumu, a poznámky k účtovnej závierke, ktoré obsahujú súhrn významných účtovných zásad a účtovných metód a ďalšie vysvetľujúce informácie.

Podľa nášho názoru priložená účtovná závierka poskytuje pravdivý a verný obraz finančnej situácie spoločnosti Železničná spoločnosť Slovensko, a.s. k 31. decembru 2017 a výsledku jej hospodárenia za rok končiaci k uvedenému dátumu v súlade s Medzinárodnými štandardami pre finančné výkazníctvo v znení prijatom Európskou úniou.

Základ pre názor

Audit sme vykonali podľa medzinárodných auditorských štandardov (International Standards on Auditing - ISA). Naša zodpovednosť podľa týchto štandardov je uvedená v odseku Zodpovednosť audítora za audit účtovnej závierky. Od Spoločnosti sme nezávislí podľa ustanovení zákona č. 423/2015 o štatutárnom audite a o zmene a doplnení zákona č. 431/2002 Z. z. o účtovníctve v znení neskorších predpisov (ďalej len „zákon o štatutárnom audite“) týkajúcich sa etiky, vrátane Etického kódexu audítora, relevantných pre náš audit účtovnej závierky a splnili sme aj ostatné požiadavky týchto ustanovení týkajúcich sa etiky. Sme presvedčení, že auditorské dôkazy, ktoré sme získali, poskytujú dostatočný a vhodný základ pre náš názor.

Zdôraznenie niektorých skutočností

1. Ako je uvedené v Poznámke č.2.3. a č.15 priloženej účtovnej závierky, Spoločnosť má dlhodobý hmotný majetok, ku ktorému boli v súlade s IAS 37 vytvorené v minulých účtovných obdobiach rezervy na environmentálne záťaž. K 31.12.2017 bola výška rezervy posúdená a je vo výške 370 tis. EUR na základe zostávajúcich povinností ekologického charakteru, ktoré vyplývajú Spoločnosti v zmysle platnej legislatívy SR. Spoločnosť uskutočňuje odhady budúcich peňažných tokov, súvisiacich s environmentálnymi záväzkami pomocou porovnávania cien, použitím analógií s podobnými aktivitami v minulosti a inými odhadmi. Výška rezervy a predpoklady, na základe ktorých bola daná rezerva vypočítaná, sa prehodnocujú na ročnej báze vždy k súvahovému dňu. Hoci tieto odhady sú založené na najlepšom poznaní aktuálnych udalostí a postupov, skutočné výsledky sa môžu od týchto odhadov líšiť.
2. Ako je uvedené v Poznámke č.2.3 a č.15 priloženej účtovnej závierky, Spoločnosť vykazuje rezervy na súdne spory týkajúce sa viacerých právnych nárokov. Najvýznamnejšia rezerva k 31.12. 2017 vo výške 16,7 mil. EUR je vzhľadom na neistý výsledok na pasívny obchodno-právny spor s navrhovateľom so spoločnosťou LANCILLON LIMITED vo veci náhrady ušlého zisku z dôvodu zmarenia rekonštrukcie ŽKV. Rozdiel v celkovej výške požadovanej náhrady Spoločnosť naďalej vykazuje ako podmienený záväzok. Ako je uvedené v Poznámke č.16 b) priloženej účtovnej závierky (Podmienené záväzky), voči Spoločnosti je v tejto veci vedený súdny spor o náhradu škody vo výške 51 752 tis. EUR s príslušenstvom. Hoci tieto odhady sú založené na najlepšom poznaní aktuálnych udalostí a postupov, skutočné výsledky sa môžu od týchto odhadov líšiť. Spoločnosť využíva služby aj externých právnych poradcov a skúsenosti z podobných predchádzajúcich súdnych konaní na určenie pravdepodobných výsledkov sporov a potreby tvorby rezervy.

Zodpovednosť štatutárneho orgánu za účtovnú závierku

Štatutárny orgán účtovnej jednotky Železničná spoločnosť Slovensko, a.s. je zodpovedný za zostavenie tejto účtovnej závierky tak, aby poskytovala pravdivý a verný obraz podľa zákona o účtovníctve a za tie interné kontroly, ktoré považuje za potrebné na zostavenie účtovnej závierky, ktorá neobsahuje významné nesprávnosti, či už v dôsledku podvodu alebo chyby.

Pri zostavovaní účtovnej závierky je štatutárny orgán zodpovedný za zhodnotenie schopnosti Spoločnosti nepretržite pokračovať vo svojej činnosti, za opísanie skutočností týkajúcich sa nepretržitého pokračovania v činnosti, ak je to potrebné, a za použitie predpokladu nepretržitého pokračovania v činnosti v účtovníctve, ibaže by mal v úmysle Spoločnosť zlikvidovať alebo ukončiť jej činnosť, alebo by nemal inú realistickú možnosť než tak urobiť.

Zodpovednosť audítora za audit účtovnej závierky

Našou zodpovednosťou je získať primerané uistenie, či účtovná závierka ako celok neobsahuje významné nesprávnosti, či už v dôsledku podvodu alebo chyby, a vydať správu audítora, vrátane názoru. Primerané uistenie je uistenie vysokého stupňa, ale nie je zárukou toho, že audit vykonaný podľa medzinárodných auditorských štandardov vždy odhalí významné nesprávnosti, ak také existujú. Nesprávnosti môžu vzniknúť v dôsledku podvodu alebo chyby a za významné sa považujú vtedy, ak by sa dalo odôvodnene očakávať, že jednotlivito alebo v súhrne by mohli ovplyvniť ekonomické rozhodnutia používateľov, uskutočnené na základe tejto účtovnej závierky.

V rámci auditu uskutočneného podľa medzinárodných auditorských štandardov, počas celého auditu uplatňujeme odborný úsudok a zachovávame profesionálny skepticizmus. Okrem toho:

- Identifikujeme a posudzujeme riziká významnej nesprávnosti účtovnej závierky, či už v dôsledku podvodu alebo chyby, navrhujeme a uskutočňujeme auditorské postupy reagujúce na tieto riziká a získavame auditorské dôkazy, ktoré sú dostatočné a vhodné na poskytnutie základu pre náš názor. Riziko neodhalenia významnej nesprávnosti v dôsledku podvodu je vyššie ako toto riziko v dôsledku chyby, pretože podvod môže zahŕňať tajnú dohodu, falšovanie, úmyselné vynechanie, nepravdivé vyhlásenie alebo obídenie internej kontroly.
- Oboznamujeme sa s internými kontrolami relevantnými pre audit, aby sme mohli navrhnúť auditorské postupy vhodné za daných okolností, ale nie za účelom vyjadrenia názoru na efektívnosť interných kontrol Spoločnosti.
- Hodnotíme vhodnosť použitých účtovných zásad a účtovných metód a primeranosť účtovných odhadov a uvedenie s nimi súvisiacich informácií, uskutočnené štatutárnym orgánom.
- Robíme záver o tom, či štatutárny orgán vhodne v účtovníctve používa predpoklad nepretržitého pokračovania v činnosti a na základe získaných auditorských dôkazov záver o tom, či existuje významná neistota v súvislosti s udalosťami alebo okolnosťami, ktoré by mohli významne spochybniť schopnosť Spoločnosti nepretržite pokračovať v činnosti. Ak dospejeme k záveru, že významná neistota existuje, sme povinní upozorniť v našej správe audítora na súvisiace informácie uvedené v účtovnej závierke alebo, ak sú tieto informácie nedostatočné, modifikovať náš názor. Naše závery vychádzajú z auditorských dôkazov získaných do dátumu vydania našej správy audítora. Budúce udalosti alebo okolnosti však môžu spôsobiť, že spoločnosť prestane pokračovať v nepretržitej činnosti.
- Hodnotíme celkovú prezentáciu, štruktúru a obsah účtovnej závierky vrátane informácií v nej uvedených, ako aj to, či účtovná závierka zachytáva uskutočnené transakcie a udalosti spôsobom, ktorý vedie k ich vernému zobrazeniu.

Správa k ďalším požiadavkám zákonov a iných právnych predpisov

Správa k informáciám, ktoré sa uvádzajú vo výročnej správe

Štatutárny orgán je zodpovedný za informácie uvedené vo výročnej správe, zostavenej podľa požiadaviek zákona o účtovníctve. Náš vyššie uvedený názor na účtovnú závierku sa nevzťahuje na iné informácie vo výročnej správe.

V súvislosti s auditom účtovnej závierky je našou zodpovednosťou oboznámenie sa s informáciami uvedenými vo výročnej správe a posúdenie, či tieto informácie nie sú vo významnom nesúlade s auditovanou účtovnou závierkou alebo našimi poznatkami, ktoré sme získali počas auditu účtovnej závierky, alebo sa inak zdajú byť významne nesprávne.

Výročnú správu sme ku dňu vydania správy audítora z auditu účtovnej závierky nemali k dispozícii.

Keď získame výročnú správu, posúdime, či výročná správa Spoločnosti obsahuje informácie, ktorých uvedenie vyžaduje zákon o účtovníctve, a na základe prác vykonaných počas auditu účtovnej závierky, vyjadríme názor, či:

- informácie uvedené vo výročnej správe zostavenej za rok 2017 sú v súlade s účtovnou závierkou za daný rok,
- výročná správa obsahuje informácie podľa zákona o účtovníctve.

Okrem toho uvedieme, či sme zistili významné nesprávnosti vo výročnej správe na základe našich poznatkov o účtovnej jednotke a situácii v nej, ktoré sme získali počas auditu účtovnej závierky.

Banská Bystrica, 1.marca 2018

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. Miroslav Čiampor
Kľúčový auditorský partner
licencia UDVA č. 1068



BDR

Independent Member of Moore Stephens International Limited

INDEPENDENT AUDITOR'S REPORT

concerning the audit of the Financial Statements
and
Report on further requirements of the law
and other legal regulations

for the joint-stock company

Železničná spoločnosť Slovensko, a.s.
Bratislava

2017

BDR

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements Audit

Opinion

We have audited the annexed Financial Statements of Železničná spoločnosť Slovensko, a.s. with the registered seat in Bratislava, company ID no.: 35 914 939, containing the Balance Sheet as on 31 December 2017, Comprehensive Income Statement, Statement of Changes in Equity, Cash Flow Statement for the year ended on the same date, and Notes expressing the summation of significant accounting principles and accounting methods, and further explanations.

In our opinion, the annexed Financial Statements present a faithful and objective overview of the financial situation of Železničná spoločnosť Slovensko, a.s. as on 31 December 2017, 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.

Background to the Opinion

We conducted the audit pursuant to the International Standards on Auditing (ISA). Our responsibility according to these Standards is stipulated under the paragraph on the Auditor's responsibility concerning the audit of the financial statements. We are independent of the Company in terms of the provisions of Act no. 423/2015 on Statutory Audit and on Amendments and Supplements to Act No. 431/2002 Coll. on Accounting, as amended (hereinafter only the "Statutory Audit Act") concerning the ethics, including the Auditor's Code of Ethics, relevant to our audit of the financial statements. We also met other ethical requirements of these provisions. We believe that the obtained auditing evidence provides sufficient and suitable basis for our opinion.

Emphasis on certain facts

1. As stated in Notes no. 2.3 and no. 15 to the annexed Financial Statements, the Company owns long-term tangible assets, for which reserves on environmental burden were created in the past reporting periods in compliance with IAS 37. As on 31 December 2017 the reserve was assessed in the amount of EUR 370 thousand based on the remaining obligations of ecological nature imposed on the Company in terms of the effective Slovak legislation. The Company estimates future cash flows related to environmental liabilities via price comparisons, analogies with similar past activities and other estimates. The reserve amount and the basis for the reserve calculation are revaluated on an annual basis, always on the date of the balance. Even if these estimates are based on the best knowledge of current events and procedures, the actual results may differ from these estimates.
2. As stated in Notes no. 2.3 and no. 15 to the annexed Financial Statements, the Company reports reserves on lawsuits concerning several legal claims. As on 31 December 2017, the most significant reserve in the amount of EUR 16.7 million concerned an uncertain result of a passive commercial and legal lawsuit with the complainant, the company LANCILLON LIMITED, as regards compensation of lost profit due to failed reconstruction of the rolling

stock. The Company continues to report the difference in the total claimed compensation as a contingent liability. As stated in Note no. 16 b) of the annexed Financial Statements (Contingent Liabilities), the Company is a defendant in a law-suit in this matter concerning compensations in the amount of EUR 51.752 thousand with interests. Even if these estimates are based on the best knowledge of current events and procedures, the actual results may differ from these estimates. The Company makes use also of services of external legal advisors and experience from similar previous lawsuits to determine the probable results of lawsuits and the need to create a reserve.

Responsibility of the Statutory Body for the Financial Statements

The Statutory Body of the reporting entity – Železničná spoločnosť Slovensko, a.s. – is responsible for elaboration of these Financial Statements so as to provide an objective and truthful presentation in compliance with the Accounting Act, as well as for the internal control it considers necessary to elaborate the Financial Statements without any material inconsistencies whether due to fraud or mistake.

When preparing the Financial Statements, the Statutory Body is responsible for assessment of the Company's ability to continue as a going concern, for description of the facts relevant to continue as a going concern if necessary, and for applying the going concern assumption to the accounting, unless it intends to dissolve the Company or to end its activities, or there would be no other realistic option other than doing so.

Responsibility of the Auditor for the audit of the Financial Statements

It is our responsibility to acquire reasonable assurance that the Financial Statements as such do not contain material inconsistencies, whether due to fraud or mistake, and to issue the Auditor's Report, including its opinion. A reasonable assurance is assurance of a high degree, however, it is not a guarantee that the audit conducted pursuant to the International Standards on Auditing must always disclose material inconsistencies, if any. Inconsistencies might occur due to fraud or mistake and are considered significant if there is a reasoned assumption that, individually or in total, they could affect the economic decisions of the users based on these Financial Statements.

Professional judgement is applied and professional scepticism is maintained within the audit carried out pursuant to the International Standards on Auditing and throughout the whole audit. Besides:

- We identify and assess the risks of material misstatements in the financial statements, whether due to fraud or mistake, propose and apply auditing procedures reacting to these risks, and acquire auditing evidence that is sufficient and adequate to provide a basis for our opinion. The risk of not discovering a material misstatement due to fraud is higher than such a risk due to mistake as fraud might include a secret agreement, falsification, deliberate omission, false statement or evasion of an internal control.
- We learn about the internal controls relevant for the audit so as to be able to propose auditing procedures suitable for the respective circumstances, however, not with the purpose of expressing an opinion on efficiency of the Company's internal controls.
- We assess appropriateness of the used accounting principles and accounting methods and adequacy of the accounting estimates and presentation of the related information as carried out by the Statutory Body.
- We conclude whether the Statutory Body makes an appropriate use of the going concern assumption in its accounting and, based on the obtained auditing evidence, we conclude whether there is a material uncertainty related to events or circumstances that could significantly affect the ability of the Company to continue as a going concern. If we conclude that there is such material uncertainty, we are obliged to draw the attention within the Auditor's Report to the relevant information presented in the Financial Statements or, if the information is insufficient, to modify our opinion. Our conclusions are based on auditing evidence obtained by the date of issuance of our Auditor's Report. Any future events or circumstances, however, can cause the Company to cease its continuation as a going concern.
- We assess the overall presentation, structure and content of the Financial Statements, including the presented information, as well as the fact whether the Financial Statements present the carried-out transactions and events in a way leading to their truthful presentation.

Report on further requirements imposed by law and other legal regulations

Report on the information presented in the Annual Report

The Statutory Body is responsible for the information presented in the Annual Report prepared pursuant to the requirements of the Accounting Act. Our opinion above on the Financial Statement does not apply to other information in the Annual Report.

In respect of the financial statements audit, it is our responsibility to get familiar with the information presented in the Annual Report and to assess whether the information is not in material inconsistency with the audited Financial Statements or our knowledge as obtained during the audit of the Financial Statements, or seem otherwise incorrect.

The Annual Report was not available at the date of issuing our Auditor's Report on the Financial Statements audit.

When we obtain the Annual Report, we will assess whether the Company's Annual Report contains information as required by the Accounting Act and, based on the findings obtained during the audit of the Financial Statements, we will express our opinion on whether:

- the information presented in the Annual Report for 2017 is consistent with the Financial Statements for the same year,
- the Annual Report contains the information in compliance with the Accounting Act.

Besides, based on our knowledge of the accounting entity and its situation obtained during the audit of the Financial Statements, we will state whether we discovered any material misstatements in the Annual Report.

In Banská Bystrica, 1 March 2018

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 firm of Moore Stephens International Limited

Ing. Miroslav Čiampor
Key Audit Partner
UDVA Licence no. 1068

[signature in hand]

ANNEX

– Separate Financial Statements of ZSSK for 2017

The Annual Report is annexed with the Separate Financial Statements of ZSSK reported pursuant to the International Financial Reporting Standards as on 31 December 2017.



ŽELEZNIČNÁ SPOLOČNOSŤ SLOVENSKO
NÁRODNÝ DOPRAVCA

Železničná spoločnosť Slovensko, a. s.
Rožňavská 1, 832 72 Bratislava 3, Slovenská republika