



ŽELEZNIČNÁ SPOLOČNOSŤ, a.s.



# ANNUAL REPORT OF ŽELEZNIČNÁ SPOLOČNOSŤ, A.S.

2004





ŽELEZNIČNÁ SPOLOČNOSŤ, a.s.

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## • LIST OF ABBREVIATIONS USED

ASPI	Automated system of legal information
CER	Community of European Railway and Infrastructure Companies
CF	Central Social Fund
CM	Foreign currency
ČD	České dráhy (Czech Railways)
DLHM	Long-term tangible assets
DLNM	Long-term intangible assets
DNP	Freight Transport Division
DOP	Passenger Transport Division
DPH	Value added tax
DR	Supervisory Board
DŽKV	Rolling Stock Division
EC	Euro city
GVD	Timetable
HDV	Motor traction vehicles
HSV	Management of wagons
HŽ	Croatian Railways
IC	Inter city
IS	Information system
MÁV	Hungarian Railways
MDPaT SR	Ministry of Transport, Posts and Telecommunications of the Slovak Republic
OJ	Organizational unit
OPC	Business - transshipment centre
Oskm	Passenger-kilometer
OSŽD	Organization for railway cooperation
PKP	Polish Railways
PP	Business Plan
SAP R/3	Corporate Information System
SR	the Slovak Republic
SZ	Slovenian Railways
SZNR	Machines and equipment not included in the budget
SŽKV	Administration of railway traction vehicles
TLD	Tatra Cable Line
UIC	International Union of Railways
USI	Institute of Forensic Engineering
UZ	Ukrainian Railways
Vlkm	Train kilometers
VO	Public procurement
VVZ	Performances in public interest
ZSSK	Železničná spoločnosť, a.s.
ZVVZ	Contract on performances in public interest
ŽDC	Railway transport route
ŽOS	Railway repair shops and machine works
ŽSR	Railways of the Slovak Republic



## • THE SPEECH OF THE DIRECTOR GENERAL OF ZSSK

The process of transformation of railways in Slovakia continued also in the year 2004. Our main task in that year was to arrange for and implement the division of Železničná spoločnosť, a.s into two independent companies dealing separately with freight and passenger transport. At same time we were preparing the transition of the company to the process management expecting the determination of the direct responsibility for the management of particular processes in the company and for the cost savings in all areas, first of all.

Currently there are no doubts those difficult tasks have been fulfilled. Since 1st January 2005 there have not only been two independent companies - Železničná spoločnosť Slovensko, a.s., a Železničná spoločnosť Cargo Slovakia, a.s., but the first months of the year 2005 have been the best evidence of their viability. And what is not less significant, we managed all this without affecting the customer in adverse way. Since the project of the process management had already been well prepared even at the end of 2004, its implementation could commence from the very beginning of the year 2005 and concurrently it could be reflected in the entire organizational structure and management system of both new companies. I am glad I can thank all our employees for their contribution to the implementation of those difficult tasks.

It is obvious, that in the year 2004 Železničná spoločnosť, a.s., was fulfilling also other tasks stemming from its business plans focused on the current economic year. However, I have to state we made a mistake because the plan for the year 2004 included too optimistic development on the transport market. Concurrently the real management of the company was to certain extent affected by the decrease in the volume of transported goods particularly in domestic freight traffic, where the performance dropped by 15% against the year 2003. Furthermore the company recorded the reduction of performance in the passenger transport by 2 % in the number of transported people in comparison with the previous year. The given freight and passenger transport performance reduction was reflected in the failure to fulfill the traffic sales plan in the amount of SKK 1.4 billion and consequently in the total economic result of the company for the year 2004. This shows the loss in the amount of SKK 1.45 billion.

This occurred despite our effort to correct the failure to fulfill the sales plan during the year 2004 by cost saving measures application. However, we did not succeed in the sufficient reduction of costs in order to cover the shortfall in earnings. Moreover, in this regard, the fact that in such a big company as Železničná spoločnosť, a.s. is, it is very difficult to respond in a flexible way to the plan deviations with respect to the high fixed costs of the company, was clearly displayed. The mentioned costs had to be incurred nevertheless how significant reduction of the transport performances was proved. Therefore I believe the implementation of the process management can be helpful in future to enable quick reaction to possible shortfalls in earnings by more substantial cost reduction.

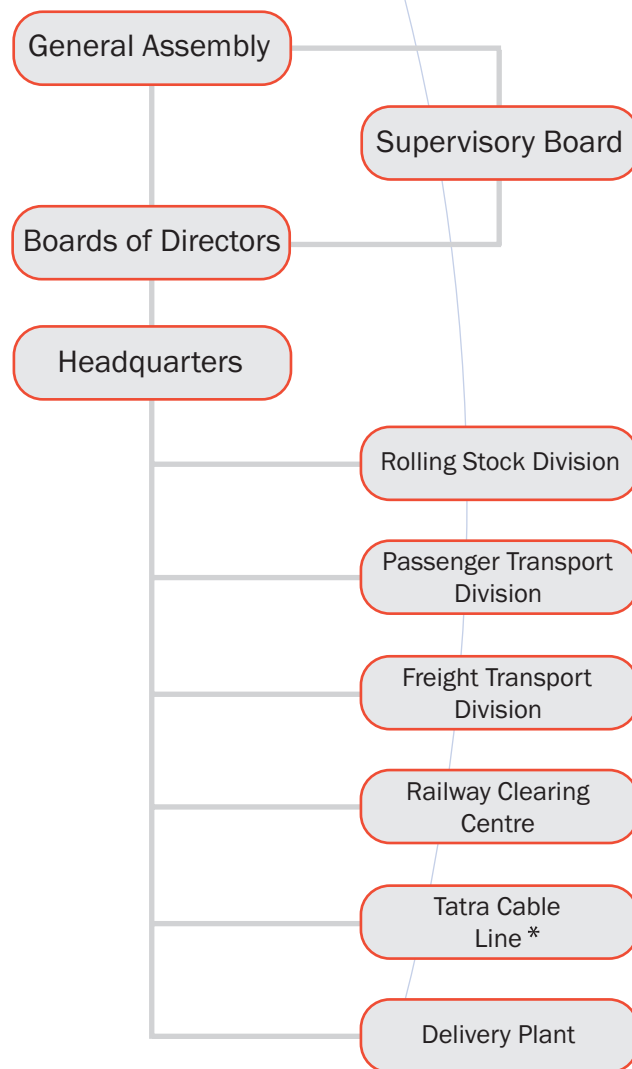
Furthermore, I have to point out that the volume of domestic transport was reduced mainly due to the shift of the part of transport from the railway transport to the road transport realized by trucks. Regarding our high transport route costs we pay to the Railways of the Slovak Republic and which represent about 35 % of the total transport price, we are not capable of competing with the truck transport having the transport route costs several times lower than ours. These kinds of transports can be equalized by the harmonization of the transport market conditions initiated by the state. Therefore in the future we expect the reduction of the transport route charge in the railway transport and at the same time a direct collection of transport route charges from the road carriers depending on their performances. This step would mean a strong enhancement of the railway transport competitiveness for us.

During the year 2004 we encountered a lot of positive facts. We continued in modernizing the fleet of freight wagons, thanks to the organizational changes in the business structure we achieved better cooperation with the customers, and we recorded a gradual reduction of receivables. Modernized, air-conditioned wagons were gradually put in the operation in the area of passenger transport, we have introduced several new products in the ticket sale and by launching the internet sale we approached the level of the advanced western railway administrations.

Looking into future of both new successor companies, I would like to express my conviction, that each of them will not only show its ambition but also the ability to provide better and better services of the enhanced quality through the common efforts of all their employees. I believe that in the field of passenger transport the successor company Železničná spoločnosť Slovensko, a.s will fulfill all the tasks ordered by the state both in terms of quantity and quality and that the number of passengers in this safest and most environmentally-friendly kind of transport will increase. The strategic investor is just about to enter the business of Železničná spoločnosť Cargo Slovakia, a.s., and the task of the company is to get prepared for that in the best way, preventing further transports reduction and improving the services provided to the customers.



## • ORGANIZATIONAL STRUCTURE



\* Upon the resolution of the Board of Directors and upon the recommendation of the Supervisory Board, the Ministry of Transport, Posts and Telecommunications of the Slovak Republic as a sole shareholder upon its decision provided the approval concerning the lease of assets of Tatra Cable Line to the commercial company RENTA Real Estates Management, a.s. Bratislava with effect from 15th May 2004.

## • BOARDS OF DIRECTORS OF COMPANY

ŽELEZNIČNÁ SPOLOČNOSŤ, a.s., registered in the Commercial Register of the District Court Bratislava I., was established as of 1st January 2002. Its founder and a 100% shareholder is the Slovak Republic represented by the Ministry of Transport, Posts and Telecommunications of the Slovak Republic. The General Meeting is the supreme body of the company. The Board of Directors is a statutory body of the company. They are authorized to act on behalf of the company in all matters and they represent the company against the third persons, in front of the court and in front of other bodies. The Board of Directors manages the activity of the company and decides on all matters of the company. It consists of five members.



### **ING. PAVOL KUŽMA**

**Chairman of the Board of Directors**  
Director General of  
Železničná spoločnosť, a.s.  
(in position from 01.01. to 31.12.)

### **ING. VLADIMÍR ĽUPTÁK**

**Deputy Chairman of the Board of Directors**  
Economic Director of  
Železničná spoločnosť, a.s.  
(in position from 01.01. to 31.12.)

### **ING. PAVOL GÁBOR**

**member of the Board of Directors**  
Director of Controlling Section of  
Železničná spoločnosť, a.s.  
(in position from 01.01. to 31.12.)

### **ING. JOZEF ŠIMLOVIČ**

**member of the Board of Directors**  
Director of Freight Transport Division Košice  
Železničná spoločnosť, a.s.  
(in position from 01.01. to 11.07.)

### **ING. PETER KLINKA**

**member of the Board of Directors**  
Director of Freight Transport Division Košice  
Železničná spoločnosť, a.s.  
in position from 12.07. to 31.12.)

### **ING. MIROSLAV DZURINDA**

**member of the Board of Directors**  
Director of Rolling Stock Division Bratislava  
Železničná spoločnosť, a.s.  
(in position from 01.01. to 31.12.)





## • SUPERVISORY BOARD

The Supervisory Board is the supreme control body of the company. They supervise the performance of activity of the Board of Directors and implementation of the entrepreneurial activity of the company. It consists of seven members.



**ING. ONDREJ MATEJ**

Chairman of Supervisory Board  
(in the position of a Chairman from 13.10.2003)

**ING. MIKULÁŠ KAČALJAK**

Deputy Chairman of Supervisory Board  
(in the position of a Deputy Chairman from 05.11.2003)

**ING. ROMAN VESELKA**

member of Supervisory Board  
(in the position from 02.09.2003)

**ING. ZOLTÁN ÁDÁM**

member of Supervisory Board  
(in the position from 02.09.2003)

**JÁN GRIEČ**

member of Supervisory Board  
(in the position from 25.11.2002)

**MGR. JOZEF SCHMIDT**

member of Supervisory Board  
(in the position from 25.11.2002)

**MGR. IMRICH SLOBODA**

member of Supervisory Board  
(in the position from 25.11.2002)

## • SCOPE OF ACTIVITY

Železničná spoločnosť, a.s. performs transport and commercial activities on the railway. The scope of activity of the company is as follows:

- operation of transport on the railway - national and regional railways,
- permission for cable railway operation,
- operation of transport on cable railways,
- verification of technical capability of traction vehicles before their putting into operation on railways and special railways and via performance of regular checks of traction vehicles in the operation,
- forwarding,
- performance of assemblies, reconstructions, repairs, maintenance, service, inspections and tests of the specified electric devices,
- carrying out maintenance, service, revisions and tests of the specified gas technical devices,
- carrying out maintenance, inspections, service and tests of the specified pressure technical devices,
- welding of traction vehicles,
- carrying out inspections, maintenance, repairs, service, revisions and tests of lifting devices,
- repair of working machines,
- engineering activity except for the selected activities in construction,
- advertising and promotional activity,
- carrying out repairs of working machines,
- copying and photographic activity,
- organizational provision of education in the field of railway transport,
- purchase of goods for the purpose of their sale to other trading license holders (wholesale trade),
- purchase of goods for the purpose of their sale to the end consumer (retail trade),
- intermediary activity within the scope of free sole trader's license,
- lease of real estates including provision of supplementary services,
- heat production, electricity distribution, heat distribution,
- activity of accounting counselors,
- bookkeeping,
- provision of software - sale of ready-made programmes under the contract with the author,
- automated data processing,
- counselling and consultancy in the field of hardware, software,
- provision of mailing services,
- lease of transport vehicles and mechanisms,
- storage of things,
- activity of the chief clearance agent,
- domestic freight road traffic,
- domestic irregular and bus traffic,
- exchange activities,
- lease of consumer and industrial goods,
- publishing activity within the free sole trader's license,
- repair of road motor vehicles,
- production of spare parts for machines and mechanisms,
- metal working,
- geodetic and cartographic works,
- running of technical libraries.



The company may run a business within the scope of the stated activities under:

- License for transport operation on the railway - electric railway Reg. No. 0659/2003/L
- Permission for cable railway operation issued by the State Railway Office (ŠDÚ) File No. 3061/2003-ŠDÚ-Z/Ki
- Permission for cable railway operation issued by the State Railway Office (ŠDÚ) File No. 3059/2003-ŠDÚ-Z/Ki
- Permission for cable railway operation issued by State Railway Office (ŠDÚ) File No. 2386/2003-ŠDÚ-Z/Ki
- Permission for cable railway operation issued by the State Railway Office (ŠDÚ) File No. 3057/2003- ŠDÚ-Z/Ki
- License for the transport on cable railway issued by the State Railway Office File No. 2388/2003-ŠDÚ-Z/Ki
- License for the transport on cable railway issued by the State Railway Office File No. 3060/2003-ŠDÚ-Z/Ki
- License for the transport on cable railway issued by the State Railway Office File No.2387/2003-ŠDÚ-Z/Ki
- License for the transport on cable railway issued by the State Railway Office File No.3058/2003-ŠDÚ-Z/Ki
- Decision of the Ministry of Transport, Posts and Telecommunications of the Slovak Republic No. 369/220-2002/Do for the verification of technical capability of traction vehicles and for performance of technical checks of traction vehicles
- Authorization of the State Railway Office of 2nd July 2003 File No. 1474/2003-ŠDÚ-P/Jg Reg. No. P 6/2003 for carrying out maintenance, service, revisions and tests of the determined gas technical devices
- Authorization of the State Railway Office of 12th May 2003 File No. 974/2003-ŠDÚ-E/Šo Reg. No. E -14/2003 for carrying out assemblies, reconstructions, repairs, maintenance, service, inspections and tests of the specified electric devices
- Authorization of the State Railway Office of 5th May 2003 File No.2806/2002-ŠDÚ-Z/Lš Reg. No. Z-14/2003 for carrying out inspections, maintenance, repairs, service, revisions and tests of lifting devices
- Authorization of the State Railway Office of 5th September 2003 File No. 1475/03-ŠDÚ-K/Vr Reg. No. K - 21/2003 for carrying out maintenance, inspections, service and tests of the specified pressure technical devices
- Authorization of the State Railway Office of 19th December 2003 for welding of traction vehicles
- Decision of the Regulatory Office for Network Industries on granting the license for running business in power industries No. ET0287/2002 of 10th December 2002
- Trading License Reg. No. 15597/2002 of 2nd October 2002
- Trading License Reg. No. 101-23176 of 13th February 2003
- Trading License Reg. No. 101-23176 of 6th May 2003
- License Deed No. 101-23176 of 2nd May 2003

## • PASSENGER TRANSPORT

During the year 2004 there were transported **50,268,274** persons in the passenger transport what meant the reduction by 3,033 thous. persons against the plan, i.e. the performance to 94.3 %. In comparison with the reality of the last year there were transported 1 mil. persons less, i.e. decrease by 2.0 %, out of which :

- the domestic traffic recorded the reduction of persons against the plan by 3,362 thous. persons (-6.5 %) and the interannual reduction by 1,034 thous. persons (-2.1 %),
- the international traffic recorded the increase against the plan by 329 thous. persons (+18.0 %) and interannual increase by 28 thous. persons (+1.4 %).

The total transport capacity in **passenger-kilometers** for the year 2004 amounted to **2,227,317 thous.** what meant the reduction by 238,283 thous. (-9.7 %) against the plan. In comparison with the last year there was recorded a decrease by 88,268 thous. (-3.8 %).

The total transport capacity in train-kilometers for the year 2004 amounted to 31,143,472 train-kilometers, what meant the reduction by 189,528 train-kilometers (- 0.6 %) against the plan. In comparison with the last year there was recorded an increase by 314,364 train-kilometers (+ 1.01 %).

Development of capacity in passenger transport:

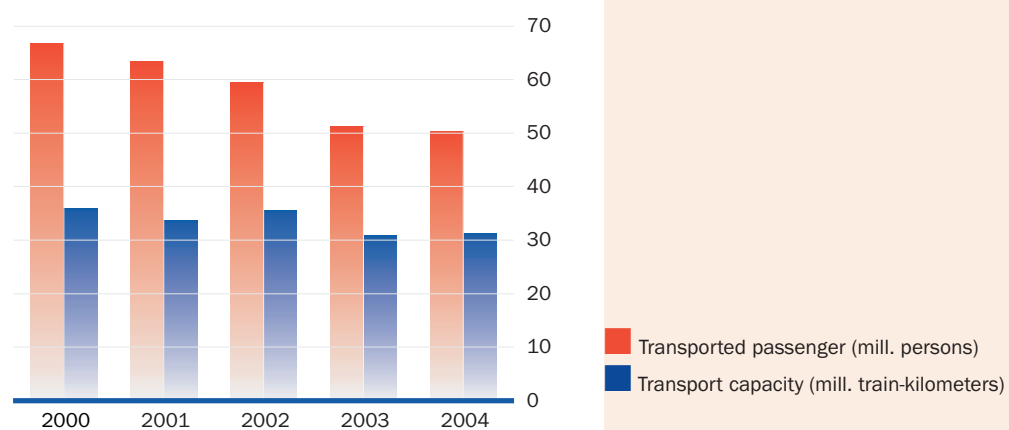
Total passenger transport	2000	2001	2002	2003	2004	04/03
Transportation capacity (mil. pass.-kms)	2 870,1	2 805,4	2 682,3	2 315,6	2 227,3	96,19%
Transported passengers (mil. of per.)	66,806	63,473	59,430	51,274	50,268	98,04%
Transport capacity (mil. train-kms )	35,85	35,56	35,56	30,83	31,14	101,01%

The reduction of the transportation capacity against the plan (persons, man-kilometers) occurred despite the balanced train-kilometer plan fulfillment (99.4 %). The plan of the number of persons transported per year 2004 was determined including the expected increase by 2 mil. persons (3.8 %) despite the multiyear trend of reduction of interest by the traveling public. The interannual values prove the reduction of this trend where despite the reduction of regional railway operation in the last year, the numbers of persons transported were almost on the same level. The plan considered the fact that the operation of regional railways shall be partially reduced thus increasing the ratio of railways with higher transport distance. The actual achieved average distance was less by 1.95 km/person against the plan what influenced the failure to fulfill the plan in man-kilometers. The interannual reduction by 0.85 km/person means the increase of the passenger ratio per shorter distances. The plan of gross tonne kilometers was fulfilled only to 95.7 % due to reduction of the train average weight by 4.2 % (reduction of train sets).

The percentage share of the Contract on performance in public interest and Euro city and Inter city trains on the total passenger transport was as follows:

Year 2004	Persons	Pass.-kms	Earnings
Contract on performance in public interest	98,97 %	94,34 %	92,40 %
Euro city, Inter city	1,03 %	5,66 %	7,60 %

### Trend of performance in passenger transport



The decisive qualitative indicator in passenger transport - observation of the train timetable - was set under the contract to 96.0 %. Železničná spoločnosť, a.s. fulfilled this indicator to 101.27 % for the year 2004.

Kind of train	Fullfillment of the train timetable (%)			Contract performance in %	Reality year 2003	Index 2004 /2003
	Contract 2004	Reality year 2004	Difference			
- international fast trains	90,50	92,38	1,88	102,08	94,05	0,98
- domestic fast trains	90,50	92,97	2,47	102,73	93,02	1,00
- passenger trains	96,70	97,52	0,82	100,85	97,84	1,00
<b>Total passenger transport</b>	<b>96,00</b>	<b>97,22</b>	<b>1,22</b>	<b>101,27</b>	<b>97,46</b>	<b>1,00</b>



## • FREIGHT TRANSPORT

Železničná spoločnosť, a.s. has made a transport plan for the year 2004 in the amount of 50,900 thous. tonnes. As a matter of fact in 2004 Železničná spoločnosť, a.s. transported 49,756 thous. tonnes what represents plan fulfillment to 97.75 %, in absolute representation the non-fulfillment represented 1,143.9 thous. tonnes.

In terms of individual segments the fulfillment was as follows:

- **domestic transport** - the plan fulfilled to 79.67 %. Except for the iron ore the company failed to fulfill the plan in any commodity. The failure to fulfill the plan was most influenced by the non-fulfillment of food loading by 377 thous. tonnes, building materials by 416 thous. tonnes and wood by 618 thous. tonnes which is caused mostly by the transfer of carriers to the road transport. In this regard only in case of wood transport to Ružomberok there was recorded an interannual decrease by 77.5 thous. tonnes, with the concurrent increase of wood import to Ružomberok by 60 thous. tonnes.
- **export** - the plan fulfilled to 96.58 % what in absolute presentation means 451 thous. tonnes. The failure to fulfill the plan was substantially influenced by the reduced volume of wood export (74.47 %) i.e. -434 thous. tonnes, food export (76.25 %), building material export (91.5 %), metal export (93.49 %) and coal export (75.32 %). In comparison with the last year the total export was 97.67 %, i.e. less by 304 thous. tonnes. In total, the export was implemented especially to the Czech Republic 39.9 %, Austria 15.7 % and Poland 13 %.
- **import** - the plan fulfilled to 104.26 %. There was recorded the increase of imported goods by 773 thous. tonnes against the plan. The highest performance in terms of volume against the plan is in coal 112.16 %, i.e. by 681 thous. tonnes more and iron ore 102.28 %, i.e. by 164 thous. tonnes more. The adverse fulfillment in the import in terms of the company was especially with the commodities non-defined (85.72 %), food (56.17 %), wood (94.53 %) and metals (93.01 %). The highest import share was 36.7 % from Russia, 21 % from the Czech Republic, 20.9 % from the Ukraine and 11.1 % from Poland.
- **transit** - the fulfillment of the transport plan in the transit segment amounted to 103.64 %, i.e. increase by 382 thous. tonnes. In comparison with the last year it was 102.97 % i.e. increased by 314 thous. tonnes. The company achieved the highest plan excess with metals (125.62 %), iron ore (103.13 %) and chemistry (141.1 %). On the other hand the lowest fulfillment was recorded in coal, food and wood. The highest share on transport was from Russia to the Czech Republic 35.4 %, from the Ukraine to the Czech Republic 12.5 % and from the Czech Republic to Hungary 13.3 %

In comparison with the last year the volume of transport was decreased by 765 thous. tonnes, i.e. the interannual decrease by 1.5 % which was caused especially by the decrease in wood transport (-489 thous. tonnes), food transport (-500 thous. tonnes), building material transport (-513 thous. tonnes). On the other hand there was recorded a markedly increase in chemistry and oil product transport.

The greatest decrease in transport was recorded in domestic transport -13.4 %, i.e. -1,117 thous. tonnes, a slight decrease was recorded in export -2.3 %, i.e. -304 thous. tonnes. On the other hand the import (1.8 %) and transit (3 %) recorded a slight increase.

### Freight transport

(in thous. tonnes)

	2000	2001	2002	2003	2004	2004/03
<b>Real transport volume</b>	<b>54 177,0</b>	<b>53 588,4</b>	<b>49 863,1</b>	<b>50 521,3</b>	<b>49 756,1</b>	<b>98,49%</b>
out of that:						
domestic	11 877,7	11 316,9	10 438,4	8 359,2	7 242,2	86,64%
export	14 749,2	14 345,6	12 514,6	13 023,2	12 719,2	97,67%
import	18 524,5	18 795,4	17 583,2	18 561,1	18 902,6	101,84%
transit	9 025,6	9 130,5	9 326,9	10 577,8	10 892,2	102,97%
<b>planned transport volume</b>	<b>49 150,0</b>	<b>52 970,0</b>	<b>53 200,0</b>	<b>51 900,0</b>	<b>50 900,0</b>	<b>98,07%</b>
% of fulfilment	110,23%	101,17%	93,73%	97,34%	97,75%	



## Freight transport

(in thous. tonnes)

	2000	2001	2002	2003	2004	2004/03
0 - non-specified	1,355	1,168	1,107	1,361	1,189	87.35%
1 - chemistry	6,120	3,780	3,679	3,551	3,815	107.45%
2 - wood	5,161	4,983	4,224	3,509	3,021	86.07%
3 - food	2,431	2,346	1,909	1,877	1,377	73.33%
4 - building material	7,103	6,971	6,356	5,676	5,164	90.97%
5 - metals	6,088	6,799	7,090	7,195	7,375	102.50%
6 - fertilizers (oil prod.)	1,017	3,572	3,609	3,590	4,005	111.56%
7 - coal	9,510	9,559	8,875	9,027	8,859	98.14%
8 - iron ore	14,887	13,810	12,194	13,805	14,011	101.49%
9 - comb. transport	505	600	820	930	941	101.22%
<b>Total</b>	<b>54,177</b>	<b>53,588</b>	<b>49,863</b>	<b>50,521</b>	<b>49,756</b>	<b>98.49%</b>

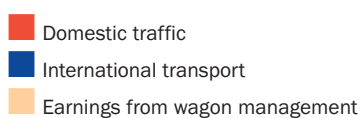
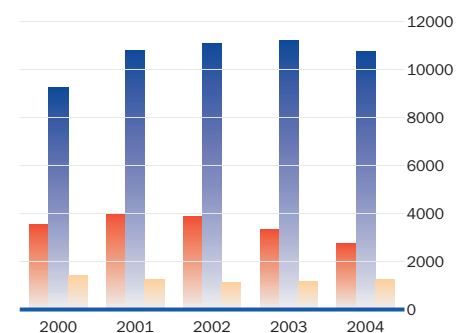
Out of the total transport earnings (SKK 17,355.1 mill.) the freight traffic represents the volume of SKK 14,765.2 mill., i.e. 85.08%. In comparison with the reality of the year 2003 the freight traffic earnings recorded the decrease by SKK 962.6 mill.

## Freight transport earnings

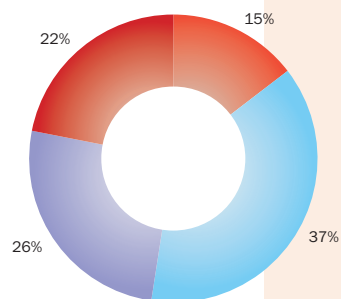
(SKK mill.)

	2000	2001	2002	2003	2004	2004/03
domestic transport	3 531.8	4 011.5	3 858.1	3 340.7	2 752.4	82.39%
international transport	9 234.6	10 779.4	11 091.8	11 190.7	10 732.4	95.90%
earnings of Business-transshipment centre Čierna nad Tisou	42.4	43.4	48.1	36.1	32.6	90.37%
earnings from wagon management	1 394.4	1 263.8	1 112.9	1 160.4	1 247.7	107.53%
<b>Total freight traffic</b>	<b>14 203.2</b>	<b>16 098.1</b>	<b>16 110.9</b>	<b>15 727.9</b>	<b>14 765.2</b>	<b>93.88%</b>

## Development of freight traffic according to commodities



## Structure of freight traffic in 2004



## • INTERNATIONAL ACTIVITIES

The year 2004 was characterized by the national economy reforms which became a decisive factor for further transformation of railway companies in Slovakia and the resulting change of commercial orientation of Železničná spoločnosť, a.s. The necessity to achieve the success of Železničná spoločnosť, a.s. in the globalised transport market was reflected in the field of international activities and participation of Železničná spoločnosť, a.s. in the whole range of international railway organizations as well as in commercially and geographically conditioned working clusters the task of which was deepening of multilateral and bilateral relationships.

In the year 2004 the international activities were influenced by three basic areas:

- new potential strategic foreign customers,
- European railway legislation,
- tasks resulting for the railway sector from the expected entry into Schengen space.

In regard to the orientation to the potential strategic customers for Železničná spoločnosť, a.s. from the automotive industry, the Managing Director of Železničná spoločnosť, a.s. participated in several bilateral meetings with the representatives of KIA Motors Slovakia and a logistic company Glovis. The requirements on the customer's part were presented by the Managing Director and were discussed in several sessions of international railway organizations while the emphasis was put on Coordination Committee of Trans-Siberian Transport which unifies the representatives of the railway industry and expedition companies from Asia and Europe. The plenary sessions of this Committee were held on 21st September 2004 in Moscow and from 19th - 20th October 2004 in Vienna.

Within the issue of European railway legislation, in 2004 the European Parliament started the first reading of III. Railway package consisting of four legislative proposals within the co-decision process:

- Directive on liberalization of the railway passenger transport,
- Directive on train personnel certification,
- Regulation on passenger rights,
- Regulation on quality in freight traffic.

Železničná spoločnosť, a.s. as a member of an international organisation of Community of European Railways participated actively in the process of making comments, analysis and informing the individual relevant authorities on the level of government, parliament and European institutions on the real impacts of proposals forming III. Railway package. In this regard the Managing Director of Železničná spoločnosť, a.s. participated in the top-level sessions of the Community of European Railways - general meetings which form the platform for approval of strategic documents and decisions of European railway companies associated in this Community.

Regarding the EU enlargement by new member states, there was established a special group in the international organization of the Community of European Railways for member state railways of countries from Central and Eastern Europe. In regular sessions the Managing Directors of those railways were informed in detail about the impacts of accession of new ten states to the EU on the run of the railway plants themselves, as well as on the railway branches of individual new member states. The greatest attention was paid to the examination of possibilities of financial resources withdrawal from the EU funds. On 18th February 2004 the Managing Director of Železničná spoločnosť, a.s. participated in the seminar on investments into railway tracked vehicles in Brussels.

In regard to the membership of Železničná spoločnosť, a.s. in the second strategic international railway organization - International Union of Railways there occurred several key presentations of the Managing Director of Železničná spoločnosť, a.s. in 2004. In June 2004 the beginning of Schengenrail project was announced in the plenary session of the Mission East - West of the International Union of Railway. The project objective was to analyze the solution of issues concerning the space protection of the European Community on the external border in places of the railway border crossings. This project of International Union of Railways was classified as a priority one. The pilot crossings of this nature include a railway border crossing in Čierna nad Tisou - Čop and consequently there was established a team of solvers under the management of Železničná spoločnosť, a.s..

In November 2004 in the session of the Association of active members of the International Union of Railways after the project completion, the Managing Director of Železničná spoločnosť, a.s. submitted the final report to the Schengenrail project for the border crossing Čierna nad Tisou - Čop for approval which gained highly positive reactions from other member railways as well as from the members of the International Union of Railways management.

Regarding the preparation for the division of Železničná spoločnosť, a.s. into two independent subjects at the beginning of the year 2005, the Managing Director of Železničná spoločnosť, a.s. submitted the application for the membership of both newly-established entities in all key international organizations in the work of which Železničná spoločnosť, a.s. has participated so far.

The last significant international organisation in which Železničná spoločnosť, a.s. is a member, is the Organisation for Railways Cooperation and associates especially railway and transfer companies from Asia and Eastern Europe. The Managing Director represents the interests of the company on the level of Conference of Managing Directors. XIX Session of the Conference of Managing Directors of the Organisation for Railway Cooperation was held on 19th - 23rd April 2004 in Astana and there participated Ministries of Transport and Managing Directors of railways of member states of the Organisation for Railway Cooperation.

On 26th May 2004 and 19th November 2004 there were held two meetings of Managing Directors of railways of geographical group G-4 in which the participating parties dealt especially with commercial-strategic issues. Group G-4 associates railway companies from the Slovak Republic, Hungary, Austria, Slovenia and Croatia.

Within the bilateral relationships the Permanent working groups created by the neighbouring railway administrations continued their activities: ČD, MÁV and PKP. Apart from those sessions during the year 2004 there were organized bilateral meetings of Managing Directors of surrounding railways.

## • STRATEGIC CONCEPTS OF ŽELEZNIČNÁ SPOLOČNOSŤ, A.S.

In 2004 Železničná spoločnosť, a.s., in the same way as the Slovak Republic within EU, appeared to be on a new starting line when apart from the internal organisational changes in process it had to prepare responsibly for further transformation. This short period was important for the creation of a stable platform to keep the market position of a newly-founded company for freight traffic and the creation of a new partnership with higher territorial units as the future customers and partners for the provision of services in the passenger transport.

A newly-founded company for the freight traffic after a short transitional period of the project change implementation, entire consolidation and after the selection of a strategic partner and privatization shall re-evaluate its strategic concepts. For the short following period there is considered that the main activities and company orientation consists continuously in a freight traffic and logistics and provision of services to its partners in the field of maintenance and operation of tracked vehicles. The material change of market orientation and the entire concept of the company, its further division and transformation shall be influenced by the investor selected by the government. However, it is highly probable that the strategic investor shall, apart from a new know-how and financial resources necessary for the update of technologies, bring along new markets and entire extension of a product portfolio. Fully liberalized environment shall make even more important a higher intensity of active influence on all potential customers in new industrial parks and car factories and the effective promotion and marketing to achieve the entire improvement of the name and image of the company outside the forecasted economic indicators also in the eyes of public not directly using the services provided by Železničná spoločnosť Cargo Slovakia, a.s.

Pursuant to the "Development strategy of Železničná spoločnosť, a.s." which is a basic institutional plan of the company we shall make efforts to do our best to use the current human resources and technical potential of the company to satisfy the requirements of all "interested parties". Our basic slogan with which all our employees should come to work every day are satisfied shareholders, employees and first of all our customers.

In a short period the company shall finish the process of changes to put greater emphasis on the orientation of the company to the main activity (so called core business) and supplementary activities not directly related to the entrepreneurial activities in a railway transport shall be gradually outsourced.

The current strategic concepts are based on the real picture and prognoses of the economy development of the Slovak Republic and the European Union. Outside the standard economic and managerial management tools it shall be necessary to strengthen the pressure concerning the equalization of the railway transport and road transport and to use all forms of legal lobbying to secure as vast support of the railway transport and completion of a legislative process as possible. Together with Železničná spoločnosť Slovensko, a.s. we shall make efforts to achieve especially the harmonization and more real charging of the use of infrastructure and prices of additional services provided by the infrastructure manager.



The following period should prove if the efforts made for the change of the product portfolio, introduction of a quality management system and the implementation of the process management are reflected in a positive way in the improvement of Železničná spoločnosť, a.s. position on the freight traffic market and certainly in the company revenues. In 2005 both companies shall “defend” the acquired certificates and extend “quality” products in passenger and freight traffic.

Železničná spoločnosť Slovensko, a.s. as a successor in the passenger transport enters the transport market in a difficult situation. During the following four years it shall pass from almost monopoly position on the market in the field of implementation of performances in public interest on the railway to the business partner which shall offer the higher territorial units and the state represented by the Ministry of Transport, Posts and Telecommunications attractive, cost effective and efficient services. In case this step is successful, the consequent market opening and the liberalization in the approach to the performances in public interest after the year 2010 shall be less painful.

Of course, this objective supposes strong active participation of the company in the legislative process, preparation of concept materials, and active promotion of services. It is, however, necessary to say, towards the inside of the company, that the quality and cost attractive services promote themselves, that is why a lot of work shall be made in a short period and weaknesses of the company shall be eliminated. The mirror held up to us by our customers shows that there is lots of work awaiting in the field of quality enhancement of vehicle fleet, cleanness, connection, coordination with other kinds of public transport and especially in the field of work improvement of our employees. All the above described facts are included in the strategic plan which shall be supported by the employees in all positions through their quality work. One of further important steps shall include searching of strategic partners to secure complex services including the bus traffic.

In the period of the following two years there is waiting an implementation period of a huge amount of legislation and technical measures supporting the liberalization of the railway transport. That is why one of the basic priorities in the field of investments shall be the interoperability of a vehicle fleet, enhancement of security, reduction of costs for energies and human work.

All partial tasks and objectives are subordinated to the basic strategic priorities and objectives which can be characterized for both new companies as follows:

- **To achieve economic indicators comparable with railway companies in the EU**
- **To achieve the long-term economic stability, performance of the company and attractiveness for shareholders and investors**
- **To extend the complexity and quality of the provided products**
- **To maintain and gradually extend the current market share**
- **To permanently improve the satisfaction of customers**
- **To create a motivating environment for employees**

## • BUSINESS RESULT

### ECONOMIC RESULT

(according to the Slovak Accounting Standards)

For the year 2004 Železničná spoločnosť, a.s. achieved the total revenues amounting to SKK 26,001.5 mil. at withdrawal of costs in the amount of SKK 27,451.1 mil. The economic result of Železničná spoločnosť, a.s. was the loss in the amount of SKK - 1,449.6 mil. which meant the increase by SKK 1,131.2 mil. against the plan (loss of SKK 318.4 mil.)

(SKK mill.)

	Reality 2003	Plan 2004	Reality 2004	Difference against the plan	% of performance
Costs	29,515.9	24,703.7	27,451.1	2,747.4	111.12%
Revenues	24,689.6	24,385.3	26,001.5	1,616.2	106.63%
<b>Profit/Loss</b>	<b>-4,826.3</b>	<b>-318.4</b>	<b>-1,449.6</b>	<b>-1,131.2</b>	

The economic result of Železničná spoločnosť, a.s. in the year 2004 was influenced by:

- higher withdrawn costs by SKK 2,747,341.00 thous.
- higher accounted revenues by SKK 1,616,182.00 thous.

#### Costs - development against the plan:

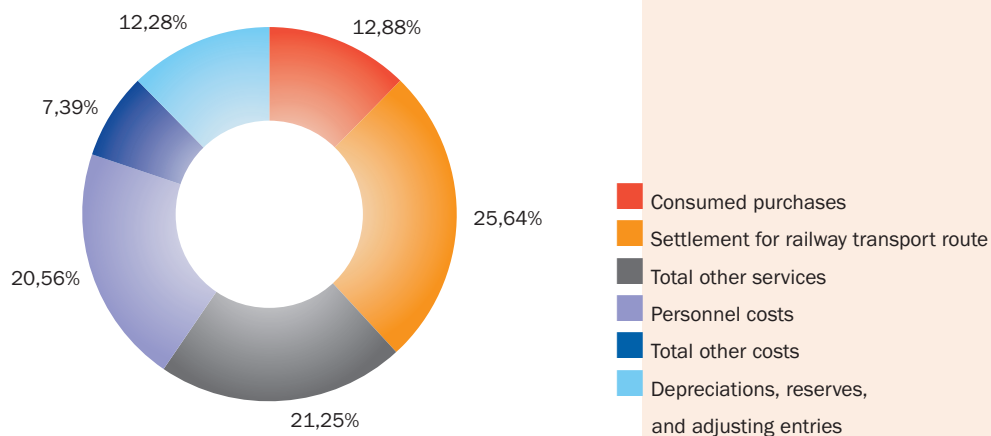
- **consumed purchases** were withdrawn in a lower amount by SKK 252,213.00 thous., out of which the material consumption was less by SKK 167,268.00 thous., diesel fuel consumption grew by SKK 40,998.00 thous., energy consumption less by SKK 9,566.00 thous., out of which the consumption of the traction energy was reduced by SKK 116,377.00 thous.,
- **total services** were withdrawn in less amount by SKK 125,479.00 thous., out of which the repairs and maintenance were less by SKK 37,496.00 thous., charge for the railway transport route less by SKK 579,689.00 thous. and a total of other services grew by SKK 487,905.00 thous., while the reserve withdrawal created in the year 2003 was accounted for outside the plan in the amount of SKK 663,394.00 thous.,
- **personnel costs** were withdrawn in a higher amount by SKK 457,256.00 thous., out of which the wage costs grew by SKK 180,582.00 thous. and costs for severance pay and social compensations grew by SKK 328,797.00 thous.,
- **taxes and charges** grew by SKK 1,393.00 thous.,
- **other operating costs** grew by SKK 333,682 thous., out of which the depreciated price of the sold long-term assets grew by SKK 225,975.00 thous., the sold material grew by SKK 10,102 thous., contractual and other penalties grew by SKK 48,346 thous., receivable depreciation grew by SKK 43,742.00 thous., shortages and damage grew by SKK 23,356.00 thous., other operating costs dropped by SKK 17,840.00 thous.,
- **depreciations, reserves and adjusting entries** grew by SKK 1,684,653.00 thous., out of which depreciations grew by SKK 191,566.00 thous., creation of legal reserves grew by SKK 817,876.00 thous. and creation of other reserves grew by SKK 677,985.00 thous.,
- **financial costs, reserves and adjusting entries to the financial costs** grew by SKK 711,970.00 thous., out of which total financial costs grew by SKK 629,036.00 thous., out of which foreign exchange losses grew by SKK 354,498.00 thous. and sold securities grew by SKK 295,492.00 thous. Creation of reserves outside the plan was increased by SKK 82,934.00 thous.,
- **extraordinary costs** dropped by SKK 7,189.00 thous.



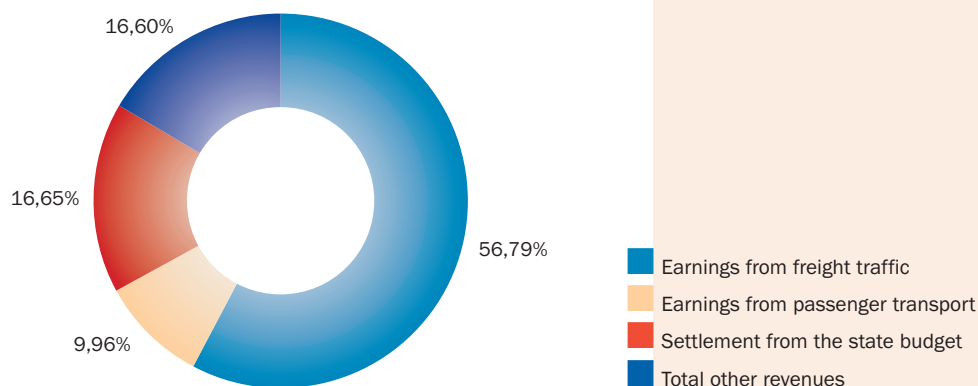
#### Revenues - development against the plan:

- **revenues for own performances and goods** were lowered by SKK 1,506,694.00 thous., out of which revenues from sale of services dropped by SKK 90,133.00 thous. and revenues from transport dropped by SKK 1,408,129.00 thous.,
- **total capitalization** dropped by SKK 1,056.00 thous.,
- **other operation yields** grew by SKK 145,247.00 thous., out of which revenues from sale of the long-term assets were higher by SKK 170,335.00 thous., revenues from material sale dropped by SKK 33,840.00 thous., revenues from written-off receivable grew by SKK 11,874.00 thous. and other operation yields grew by SKK 8,827.00 thous.,
- **reserves and adjusting entries to operation yields** grew by SKK 1,824,467.00 thous., out of which the accounting of other reserves grew by SKK 1,369,973.00 thous. and accounting of adjusting entries grew by SKK 454,494.00 thous.,
- **financial revenues and reserves and adjusting entries to financial revenues** grew by SKK 772,506.00 thous., out of which foreign exchange gains grew by SKK 444, 498.00 thous., revenues from derivation operations grew by SKK 215,327.00 thous., revenues from sale of securities grew by SKK 66,346.00 thous. and other financial revenues grew by SKK 43,733.00 thous.,
- **extraordinary costs** grew by SKK 49,007.00 thous.

#### Structure of costs



#### Structure of revenues



## • USE OF CONTRACTUAL COMPENSATION OF THE LOSS FOR PSO

(PSO - Public service obligation)

(in SKK)

Year	2004
<b>Personnel costs</b>	<b>1,632,801,727.00</b>
<b>Material costs</b>	<b>545,081,082.0</b>
out of which the traction electric energy	356,505,091.00
traction oil	188,575,991.00
<b>Repair costs</b>	<b>285,898,745.00</b>
<b>Service costs</b>	<b>421,478,392.00</b>
- out of which:	
performances of special wagons WGS	116,047,983.00
wagon cleaning	72,869,533.00
alternate transport	4,121,272.00
production of train tickets, printing of documents, portable cash boxes	87,440,806.00
other services	140,998,798.0
<b>Use of railway transport route</b>	<b>1,444,740,054.00</b>
<b>Total use:</b>	<b>4,330,000,000.00</b>
<b>Subsidy pursuant to Contract of performance in public interest for the year 2004</b>	<b>4,330,000,000.00</b>

## • TRANSFER OF ASSETS IN 2004

### Sale of immovable property

Subject	Price in SKK	Approved by the Decision of the Board of Directors
Sale of real estate and land in the cadastral area of Sučany Buyer - Mr Ladislav Čelko	344,598	No. 97/2004 of 26.04.2004
Sale of land in the cadastral area of Spišská Nová Ves Buyer - Športovo-strelecký klub Spišská Nová Ves	179,838	No.200/2004 of 31.08.2004 and No.207/2004 of 20.09.2004

### Sale of shares and purchase of shares of other subjects

Company	Number of shares in pcs	Ratio in %	Approved by the Decision of the Board of Directors	Approved by the Decision of the General Assembly
<b>Sale of shares:</b>				
Railway repair shops and machine works Trnava, a.s.	161,417	34.00	No. 40/2004-DR of 09.09.2004	No. 34/RA-2004 of 09.11.2004
<b>Buyer - Železničná preprava, spol.- s r.o.</b>				
Railway repair shops and machine works Zvolen, a.s.	121,887	34.00	No. 40/2004-DR of 09.09.2004	No. 34/RA-2004 of 09.11.2004
<b>Buyer - ZTO, s.r.o. - share of 35,846 pcs of shares</b>				
<b>Buyer - Zvolenský opravárenský závod, a.s. - share of 86,041 pcs of shares</b>				

At the sale of equity interest of Railway repair shops and machine works Zvolen, a.s. there occurred a certain delay in acting of the Central Securities Depository of the Slovak Republic, a.s., since the contract on the transfer of shares came into effect on 6th December 2004, the same as the order for the transfer on the part of the Buyer was placed with the Central Securities Depository in December, however, according to the change dump from the account of the security owner the transfer was realized on 28th January 2005.

### Data on remunerations in statutory and supervisory bodies of ZSSK

### Amount of remunerations (gross) in SKK thous.

Income of members of the bodies	Value	
	2004	2003
members of the Board of Directors (statutory body)	1,549	1,656
members of the Supervisory Board (supervisory body)	1,690	500



## • ACQUISITION OF LONG-TERM TANGIBLE AND INTANGIBLE ASSETS

Within the Business Plan of Železničná spoločnosť, a.s. for the year 2004 there were approved volumes and sources of funds of the long-term tangible assets and long-term intangible assets of Železničná spoločnosť, a.s.. The breakdown of investments processed in relation to those volumes was approved by the Board of Directors within the range of SKK 2,122 mil.. In 2004 Železničná spoločnosť, a.s. implemented:

(in SKK thous.)

Type of investment	Volumes approved by the BoD in 2004	Accounted in 2004	Accounting from the annual volume (in %)	Long-term tangibles and intangibles in 2004
freight wagons	749,357	713,594	95.22	667,959
		871,623*	139.44*	
passenger carriages	625,055	581,887	93.09	2,176,231
motor traction vehicles	375,062	364,254	97.11	450,689
IT+Machines and equipment not included in the budget	77,651	70,083	90.25	114,491
buildings, technologies	191,717	116,545	60.79	131,896
intangibles	103,628	78,521	75.77	2,439
<b>Total</b>	<b>2,122,470</b>	<b>2,214,620</b>	<b>104.34</b>	<b>3,543,705</b>
		<b>/1,924,884</b>	<b>/90.69</b>	

\*the resulting accounting includes the project ZSD 99061 TEŽ in the amount of SKK 237,177.00 thous. which influenced the fulfillment of investments and projects ZSD 03004 ND for motor sets in the amount of SKK 32,723.00 thous. and ZSD 99621 modernization of passenger wagons in the amount of SKK 19,836.00 thous.

The significant volume of financial resources determined for the acquisition of the long-term tangible assets and long-term intangible assets in the year 2004 was incurred for the reconstruction and modernization of freight wagons - 32.22 % (especially the reconstruction of Gbkks, Hadgs, Falls, Res, Eas wagons and modernization of Zaes wagons), passenger carriages - 39.36 % (electric motor units TEŽ, modernization of motor carriages of the type 810 to 812 and modernization of passenger carriages), driving traction vehicles - 16.45 %. The rest includes the reconstruction and modernization of buildings, purchase of technological devices and long-term intangible assets - 11.97 % .

### Data on research and development

(in SKK thous.)

Indicator	2004	2003
Research costs	3,414	2,596
Non-capitalized development costs	24	734
Capitalized development costs	31	1,801
<b>Total</b>	<b>3,469</b>	<b>5,131</b>

## • EQUITY INTERESTS OF ŽELEZNIČNÁ SPOLOČNOSŤ, A.S.

as of 31st December 2004

Company	Number of shares in pcs	Ratio in %	Acquisition price of business share in SKK thous.
EU-RAIL SLOVAKIA, a.s. Košice	60	30.00	600
WAGON SLOVAKIA a.s. Košice	20	20.00	220
ŽOS Vrútky a.s.	226,419	34.00	226,419
Intercontainer - Interfrigo s. c. Brussels, Belgium	385	0.03	325
Bureau Central de Clearing s. c. r. l. Brussels, Belgium	5	3.70	159
EUROFIMA, Basilej, Switzerland	1,300	0.50	174,883

Settlement of accounting loss from the previous year

On 1st July 2004 the General Meeting accepted a decision on the reduction of the share capital of Železničná spoločnosť, a.s.

The reduction of the share capital was made pursuant to Art. 213, par. 1 of the Commercial Code and in compliance with the Articles of Association of Železničná spoločnosť, a.s., part V., Art. XIV, particularly via the procedure of withdrawal of the specified number of shares from the circulation in the amount of 5,272,716 pcs of shares in the nominal value.

The funds acquired by the reduction of the share capital and allocated to the special reserve fund were used for coverage of accumulated losses from the previous years in full extent in the amount of SKK 5,272,716.00 thous..

For the year 2004 the company achieved the loss in the amount of SKK -1,449,526.00 thous.. The stated result shall not be the subject to the specific settlement since the operation of dissolution without liquidation does not suppose the preservation of the balance continuity on the accounts of the shareholders' equity of legal successors.

(in SKK thous.)

Kind of settlement	Settlement of losses from period 2004	accounting period 2003
<b>Total losses from the previous period, including:</b>	<b>-5,272,716</b>	<b>- 477,132</b>
Settlement of losses by the reduction of the share capital	-5,272,716	
Transfer to the accumulated losses from the previous years		- 477,132

## • HUMAN RESOURCES

Železničná spoločnosť, a.s. within the operation and economic possibilities dealt with the active employment policy. The employment rate of Železničná spoločnosť, a.s. for the year 2004 was approved in the Business Plan of Železničná spoločnosť, a.s..

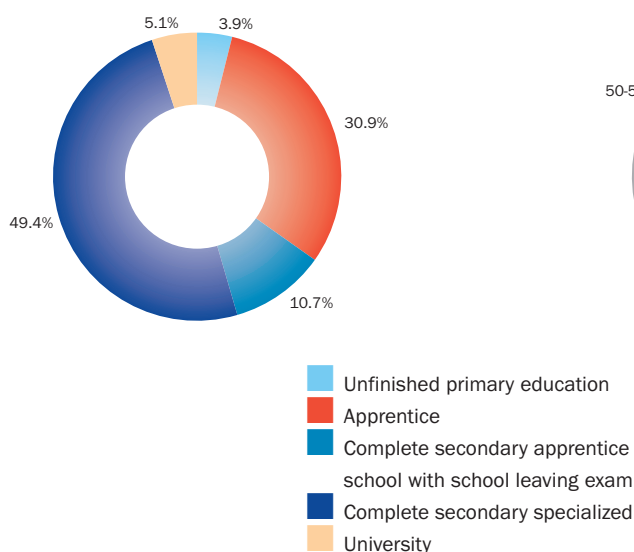
As of 31st December 2003 the registered number of employees of Železničná spoločnosť, a.s. was 18,486, as of 31st December 2004 it was 17,611 employees. The stated data prove that during the year 2004 the number of the company employees dropped by 875 employees.

The optimization of the employment rate in the company was carried out due to reduction of performances, enhancement of efficiency and productivity of work (lease of Tatra Cable Line), by the natural decrease of employees.

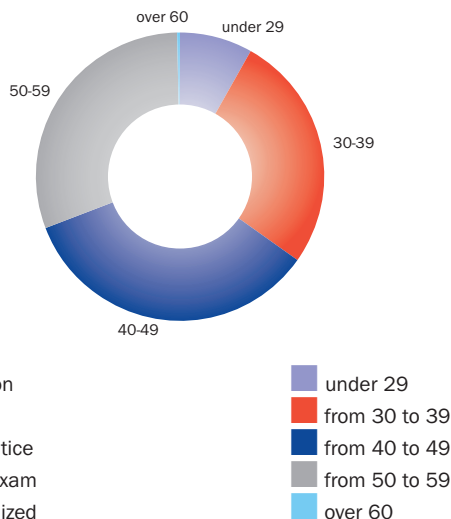
In the year 2004 in the field of human resources management the company focused especially on:

- internal labour market the objective of which is the operative search for vacant jobs for the redundant employees and search for the redundant employees for the vacant functional places among the organizational units of Železničná spoločnosť, a.s.;
- adaptation process of graduates the main task of which is the acceptance of employees into labour relationship, graduates of the specified schools above the range of functional place specification; the programme shall be implemented with the outlook into the future after the analysis including the detailing of specializations to be supplemented in individual years by the graduates according to the achieved qualification and specialization;
- optimization of professional, age and educational structure of employees,
- enhancement of specialization of employees by the introduction of language preparation.

**Overview of structure according to education**





**Overview of structure according to age as of 31 December 2004 - number of employees**



# • REPORT OF THE INDEPENDENT AUDITOR

(consolidated Financial Statement)



## INDEPENDENT AUDITOR'S REPORT

to the shareholder of the joint stock company Železničná spoločnosť, Bratislava

We have audited the accompanying consolidated financial statements of the company Železničná spoločnosť, a.s., Bratislava and its group companies for the year 2004, which contain the consolidated balance sheet prepared as of 31 December 2004, the related income statement for the year then ended, and the notes to the financial statements. The financial statements are the responsibility of the Group management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining evidence, on a test basis, supporting the amounts and disclosures in the financial statements. An audit also includes the assessment of the accounting principles used in the preparation of the financial statements and the evaluation of significant estimates made by the management, as well as the evaluation of the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinion.


In our opinion, the financial statements present fairly, in all material respects, the financial position of the Group as of 31 December 2004 and its financial result for the year then ended in accordance with the Slovak Act on Accounting.

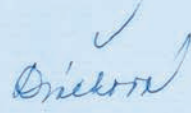
Without qualifying our opinion, we are pointing out that the decisions of the shareholder exercising the powers of a general meeting became legally effective on 1 January 2005, namely the winding up of the company without liquidation in the form of demerger into two newly established successor companies, as stated on page 15 of the accompanying notes to the consolidated financial statements.


Bratislava, 27 June 2005

SOLIDITA, spol. s r.o.  
Račianska 71  
832 59 Bratislava  
Commercial Register, file No. 18497/B  
License SKAU 199

Ing. Jozefína Dráčkova  
Responsible auditor  
License SKAU 688







# BALANCE SHEET

(Slovak Accounting Standards)

Comp. Reg No.: 35828226

(in SKK thous.)

Asset side		Line No	Current accounting period		Immediately preceding accounting period	
a	b	c	Gross 1	Adjustment 2	Net 3	Net 4
	<b>Total assets line 002+line 003+ line 032+line 062</b>	<b>001</b>	<b>40,323,085</b>	<b>5,925,712</b>	<b>34,397,373</b>	<b>43,324,330</b>
<b>A.</b>	<b>Receivables for the subscribed shareholder's equity (353)</b>	<b>002</b>			<b>0</b>	<b>0</b>
<b>B.</b>	<b>Fixed assets line 004+ line 013+ line 023</b>	<b>003</b>	<b>35,444,468</b>	<b>5,925,712</b>	<b>29,518,756</b>	<b>30,769,847</b>
<b>B. I.</b>	<b>Long-term intangible assets, sum (line 005 to 012)</b>	<b>004</b>	<b>173,211</b>	<b>118,182</b>	<b>55,029</b>	<b>91,568</b>
B. I. 1	Organization costs (011)-/071, 091 A/	005	80,508	80,508	0	30,739
2	Capitalized development costs (012)-/072, 091 A/	006	28,938	15,297	13,641	5,418
3	Software (013) -/073, 091 A/	007	57,379	22,237	35,142	36,432
4	Valuable rights (014) -/074, 091 A/	008	1,136	140	996	59
5	Goodwill (015)-/075,091A/	009			0	0
6	Other long-term intangible assets (01 9, 01X) - /079, 07X, 091 A/	010			0	0
7	Acquired long-term intangible assets (041) - 093	011	5,250		5,250	18,920
8	Provided prepayments for long-term intangible assets (051) - 095A	012			0	0
<b>B. II.</b>	<b>Long-term tangible assets, sum (line 014 to 022)</b>	<b>013</b>	<b>35,068,770</b>	<b>5,807,530</b>	<b>29,261,240</b>	<b>30,223,461</b>
B. II 1	Lands (03D-092A	014	767,852		767,852	854,242
2	Buildings (021)-/081, 092A/	015	3,010,319	279,848	2,730,471	3,314,672
3	Independent movable property and sets of movable property (022,023) -/082,083,092A/	016	30,394,600	5,514,768	24,879,832	23,255,443
4	Perennial crops (025) -/085, 092A/	017			0	0
5	Basic herd and draft animals (026) - /086, 092A/	018			0	0
6	Other long-term tangible assets (029, 02X, 032) - /089, 08X, 092A/	019	43,393	12,914	30,479	22,914
7	Acquired long-term tangible assets (042) - 094	020	643,812		643,812	2,183,457
8	Provided prepayments for long-term tangible assets (052) - 095A	021	208,794		208,794	592,733
9	Adjusting entry to the acquired assets +/- 097 +/- 098	022			0	0
<b>B. III.</b>	<b>Long-term Cash and Investments, sum (line 024 to 031)</b>	<b>023</b>	<b>202,487</b>	<b>0</b>	<b>202,487</b>	<b>454,818</b>
B. III 1	Shares and ownership interests in enterprises with controlling influence (061) -096A	024			0	0
2	Shares and ownership interests in enterprises with substantial influence (062) - 096A	025	48,937		48,937	293,586
3	Other long-term securities and shares (063, 065) - 096A	026	153,550		153,550	161,232
4	Loans to accounting entity in consolidated whole (066) - 096A	027			0	0
5	Other long-term Cash and Investments (067, 069, 06XA) - 096A	028			0	0
6	Loans with maturity period 1y. at most (066A, 067A, 06XA) - 096A	029			0	0
7	Acquired long-term Cash and Investments (043) - 096A	030			0	0
8	Provided prepayments for long-term Cash and Investments (053) - 095A	031			0	0
<b>C.</b>	<b>Short-term assets line 033+line 041+line 048+line 056</b>	<b>032</b>	<b>4,739,450</b>	<b>0</b>	<b>4,739,450</b>	<b>11,954,087</b>
<b>C. I.</b>	<b>Inventories, sum (line 034 to 040)</b>	<b>033</b>	<b>840,922</b>	<b>0</b>	<b>840,922</b>	<b>718,944</b>
C. I 1	Material (112, 119, 11X)-/191, 1 9X/	034	839,545		839,545	717,450



# • BALANCE SHEET

(Slovak Accounting Standards)

Comp. Reg No.: 35828226

(in SKK thous.)

Asset side		Line No	Current accounting period		Immediately preceding accounting period	
a	b	c	Gross 1	Adjustment 2	Net 3	Net 4
	2 Unfinished production and semi-finished products (1 21, 122, 12X) -/1 92, 1 93, 19X/	035			0	0
	3 Custom manufacturing with the anticipated period of completion longer than one year 1 2X-1 92 A	036			0	0
	4 Products(123)- 194	037			0	0
	5 Animals (124)- 195	038	12		12	7
	6 Goods (132, 13X, 139)-/196, 1 9X/	039	1, 145		1,145	838
	7 Provided prepayments for inventories (314A) - 391A	040	220		220	649
<b>C. II.</b>	<b>Long-term receivables, sum (line 042 to 047)</b>	<b>041</b>	<b>167</b>	<b>0</b>	<b>167</b>	<b>14,261</b>
C II 1	Trade receivables (311 A, 312A.313A, 314A, 315A,31XA)-391A,	042	63		63	-133
	2 Receivables from controlled person and controlling person (351 A) - 391A	043			0	0
	3 Other receivables within consolidated whole (351 A) - 391A	044			0	0
	4 Receivables from company, members and association (354A, 355A, 358A, 35XA) - 391A	045			0	0
	5 Other receivables (335A, 33XA.371A, 373A.374A, 375A, 376A, 378A) - 391A	046	104		104	14,394
	6 Deferred tax receivables (481 A)	047			0	0
<b>C. III.</b>	<b>Short-term receivables, sum (line 049 to 055)</b>	<b>048</b>	<b>3,610,979</b>	<b>0</b>	<b>3,610,979</b>	<b>10,897,101</b>
C III 1	Trade receivables (311 A, 312A.313A, 314A.315A, 31XA)-391A	049	2,269,423		2,269,423	2,890,640
	1 a Internal accounting - credit balance for synthetics (395)	049a			0	0
	1 b Internal economic result - loss	049b			0	0
	2 Receivables from the controlled person and controlling person (351 A) - 391A	050			0	0
	3 Other receivables within consolidated whole (351 A) - 391A	051			0	0
	4 Receivables from the company and group (354A, 355A, 358A, 35XA, 398A) - 391A	052			0	0
	5 Social security (336) - 391A	053			0	0
	6 State tax receivables (341, 342, 343, 345) - 391A	054	393,003		393,003	549,736
	7 Other receivables (335A, 33XA.371A, 373A.374A, 375A, 376A.377A, 378A) - 391A	055	948,553		948,553	7,456,725
<b>C.IV.</b>	<b>Financial accounts sum(line 057 to 061)</b>	<b>056</b>	<b>287,382</b>	<b>0</b>	<b>287,382</b>	<b>323,781</b>
C IV 1	Money (211, 213 + 21X)	057	15,168		15,168	6,890
	2 Bank accounts (221 A, 22X +/-261))	058	272,214		272,214	316,891
	3 Bank accounts with liability period exceeding one year 22XA	059			0	0
	3 Short-term Cash and Investments (251, 253, 256, 257, 25X)-/291, 29X)	060			0	0
	4 Acquired short-term Cash and Investments ( 259) - 291	061			0	0
<b>D.</b>	<b>Accruals and deferrals line 063 and line 064</b>	<b>062</b>	<b>139,167</b>	<b>0</b>	<b>139,167</b>	<b>600,396</b>
	1 Deferred expenses (381,382)	063	134,596		134,596	596,622
	2 Accrued revenues (385)	064	4,571		4,571	3,774
<b>Check number, sum line 001 to line 064</b>		<b>888</b>	<b>165,892,624</b>	<b>23,702,850</b>	<b>142,189,774</b>	<b>184,651,015</b>

# BALANCE SHEET

(Slovak Accounting Standards)

Comp. Reg No.: 35828226

(in SKK thous.)

Liability side		Line No	Current accounting period	Immediately prec. accounting period
a	b	c	5	6
<b>Total shareholder's equity and liabilities line 066 + line 086 + line 116</b>		<b>065</b>	<b>34,397,373</b>	<b>43,324,330</b>
<b>A.</b>	<b>Shareholder's equity line 067 + line 071 + line 078 + line 082 + line 085</b>	<b>066</b>	<b>21,211,123</b>	<b>23,152,738</b>
A. I.	Share capital, sum (line 068 to 070)	067	21,505,262	26,777,978
A. I. 1	Share capital (411 or +/-491)	068	21,505,262	29,413,231
2	Own shares and own business shares (1-1252)	069		-2,635,253
3	Change of share capital +/-419	070		
A.II.	Capital reserves, sum (line 072 to 077)	071	893,093	1,647,476
A II. 1	Capital surplus (412)	072		
2	Other capital reserves (413)	073	589	512
3	Legal reserve fund ( Indivisible fund) from capital contributions (417, 418)	074	1,548,066	1,548,066
4	Gains or losses from revaluation of assets and liabilities (+/-414)	075	364,747	98,898
5	Gains or losses from investments (+/-415)	076		
6	Gains or losses from revaluation at merger or division (+/-416)	077	-1,020,309	
A.III.	Retained profit, sum (line 079 to 081)	078	0	0
A.III. 1	Legal reserve fund (421)	079		
2	Indivisible fund (422)	080		
3	Statutory and other funds (423, 427, 42X)	081		
A.IV.	Business results of previous years line 083 and line 084	082	262,294	-146,456
A.IV. 1	Retained earnings from previous years (428)	083	262,294	
2	Accumulated losses from previous years (-/-429)	084		-446,456
A.V.	Business results of current accounting period/*-/line 001-(line 067+line 071+line 078+line 082+line 086+line116)	085	-1,449,526	-4,826,260
<b>B.</b>	<b>Liabilities from line 87 + line 91 + line 102 + line 112</b>	<b>086</b>	<b>13,184,963</b>	<b>20,162,481</b>
B. I.	Reserve, sum (line 088 to 090)	087	901,848	1,072,100
B.I. 1	Legal reserves (451A)	088		262,294
2	Other long-term reserves (459A, 45XA)	089		
3	Short-term reserves (323, 32X, 451 A, 459A, 45XA)	090	901,848	809,806
B.II.	Long-term liabilities sum (line 092 to 101)	091	2,821,450	2,256,362
B.II. 1	Long-term trade payables (479A)	092		332,583
2	Long-term non-invoiced deliveries (476A)	093		
3	Long-term liabilities to the controlled person and controlling person (471A)	094		
4	Other long-term liabilities within consolidated whole (471 A)	095		
5	Long-term accepted prepayments (475A)	096		
6	Long-term bills of exchange for the settlement (478A)	097		
7	Issued bonds (473A, -/-255A)	098		
8	Liabilities from social fund (472)	099	17,349	24,270
9	Other long-term liabilities (474A, 479A, 47XA, 372A, 373A, 377A)	100	2,804,101	1,784,070
10	Deferred tax liability(481A)	101		115,439



# • BALANCE SHEET

(Slovak Accounting Standards)

Comp. Reg No.: 35828226

(in SKK thous.)

Liability side		Line No	Current accounting period	Immediately prec. accounting period
a	b	c	5	6
B.III.	Short-term liabilities, sum (line 103 to 111)	102	4,665,912	4,201,409
B.III. 1	Trade payables (321, 322, 324, 325, 475A, 478A, 479A)	103	3,512,132	2,684,262
1 a	Internal accounting - debit balance for synthetics (395)	103a		0
1 b	Internal economic result - profit	103b		0
2	Non-invoiced deliveries (326, 476A)	104	98,409	504,857
3	Liabilities to the controlled person and controlling person (361A, 471A)	105		
4	Other liabilities within consolidated whole (361 A, 36XA, 471 A, 47XA)	106		
5	Liabilities to the company and group (364,365,366,367,368,398A,478A,479A)	107		
6	Liabilities to employees (331, 333, 33X, 479A)	108	406,652	12,499
7	Liabilities from social security (336A, 479A)	109	170,738	163,603
8	Tax liabilities and subsidies (341,342,343,345,346,347,34X1)	110	61,510	56,998
9	Other liabilities (372A, 373A, 377A, 379A, 474A, 479A, 47X)	111	416,471	779,190
B.IV.	Bank loans and aids, sum (line 113 to 115)	112	4,795,753	12,632,610
B.IV. 1	Long-term bank loans (461A, 46XA)	113	2,814,224	2,159,487
2	Current bank loans (221A.231, 232, 23X, 461A, 46XA)	114	1,981,529	10,473,123
3	Short-term financial aids (241, 249, 24X, 473A, /-/255A)	115		
C	Accruals and deferrals, sum (line 117 and line 118)	116	1,287	9,111
C.I. 1	Accrued expenses (383)	117	1,128	8,840
2	Deferred revenues (384)	118	159	271
Check number, sum (line 066 to line 118)		999	139,037,736	178,114,475

# • PROFIT AND LOSS STATEMENT

(Slovak Accounting Standards)

Comp. Reg No.: 35828226

(in SKK thous.)

Text		Line No	Reality in the accounting period	
a	b	c	monitored 1	past 2
I.	<b>Revenues from the sale of goods (604)</b>	<b>01</b>	<b>2,737</b>	<b>4,078</b>
A.	Acquisition costs of the sold goods (504)	02	2,710	3,271
	+ Margin line 01-02	03	27	807
II.	<b>Production line 05+06+07</b>	<b>04</b>	<b>17,860,915</b>	<b>18,835,791</b>
II. 1.	Revenues from sale of own products and services (601, 602)	05	17,748,572	18,717,601
	2. Change of state of internal-organizational inventories (+/- account group 61)	06	-1	0
	3. Capitalization (account group 62)	07	112,344	118,190
B.	<b>Production consumption line 09+10</b>	<b>08</b>	<b>16,403,297</b>	<b>16,342,489</b>
B. 1.	Consumption of material, energy and other non-storable deliveries (501 to 503)	09	3,532,217	3,723,422
B. 2.	Services (account group 51)	10	12,871,080	12,619,067
+	Value added line 03+04-08	11	1,457,645	2,494,109
C.	<b>Personnel costs sum (line 13 to 16)</b>	<b>12</b>	<b>5,643,996</b>	<b>5,326,454</b>
C. 1.	Wage costs (521, 522)	13	3,798,876	3,737,205
C. 2.	Remunerations for the members of company bodies and association (523)	14	3,239	1,932
C. 3.	Social security costs (524, 525, 526)	15	1,384,668	1,455,741
C. 4.	Social costs (527, 528)	16	457,213	131,576
D.	Taxes and charges (account group 53)	17	16,700	21,466
E.	Depreciations of long-term intangible assets and long-term tangible assets (551)	18	1,878,331	2,789,966
III.	<b>Revenues from sale of long-term assets and material (641, 642)</b>	<b>19</b>	<b>537,189</b>	<b>398,853</b>
F.	Depreciated price of the sold long-term assets and sold material (541, 542)	20	467,118	342,818
IV.	<b>Use and cancellation of reserve into revenues from economic activity and origination of complex costs of future periods (652, 654, 655)</b>	<b>21</b>	<b>1,369,973</b>	<b>130,739</b>
G.	Creation of reserves for economic activity and accounting of complex deferred expenses (552, 554, 555)	22	1,492,861	827,240
V.	<b>Accounting for and cancellation of adjusting entries into revenues from economic activity (657, 658, 659)</b>	<b>23</b>	<b>459,494</b>	<b>41,251</b>
H.	Creation of adjusting entries into costs from economic activity (557, 558, 559)	24	226	430,785
VI.	<b>Other revenues from economic activity (644, 645, 646, 648)</b>	<b>25</b>	<b>4,468,412</b>	<b>4,589,917</b>
I.	Other costs of economic activity (543 to 546, 548, 549)	26	163,526	421,870
VII.	<b>Transfer of revenues from economic activity (-) (697)</b>	<b>27</b>	<b>0</b>	<b>0</b>
J.	Transfer of costs for economic activity (-) (597)	28	0	0
*	Business results from economic activity line 11-12-17-18+19-20+21-22+23-24+25-26+(-27)-(-28)	29	-1,370,045	-2,505,730



# • PROFIT AND LOSS STATEMENT

(Slovak Accounting Standards)

Comp. Reg No.: 35828226

(in SKK thous.)

Text		Line No	Reality in the accounting period	
a	b	c	monitored 1	past 2
<b>VIII.</b>	<b>Revenues from sale of securities and shares (661)</b>	<b>30</b>	<b>66,346</b>	<b>2,000</b>
K.	Sold securities and shares (561)	31	295,492	220
<b>IX.</b>	<b>Revenues from long-term Cash and Investments line 33+34+35</b>	<b>32</b>	<b>2,678</b>	<b>1,143</b>
IX.	1. Revenues from shares and ownership interests in enterprises with ñ controlled influence in companies with substantial influence (665 A)	33	0	0
	2. Revenues from other long-term securities and shares (665 A)	34	0	0
	3. Revenues from other long-term Cash and Investments (665 A)	35	2,678	1,143
<b>X.</b>	<b>Revenues from short-term Cash and Investments (666)</b>	<b>36</b>	<b>0</b>	<b>0</b>
L.	Costs of short-term Cash and Investments (566)	37	0	0
<b>XI.</b>	<b>Revenues from revaluation of securities and revenues from derivative operations (664, 667)</b>	<b>38</b>	<b>245,327</b>	<b>30,413</b>
M.	Costs of revaluation of securities and costs of derivative operations (564, 567)	39	35,235	5,837
<b>XII.</b>	<b>Revenues interests (662)</b>	<b>40</b>	<b>4,924</b>	<b>4,381</b>
N.	Cost interests (562)	41	485,891	748,593
<b>XIII.</b>	<b>Foreign exchange gains (663)</b>	<b>42</b>	<b>514,498</b>	<b>466,240</b>
O.	Foreign exchange losses (563)	43	402,343	227,140
<b>XV.</b>	<b>Other revenues from financial activity (668)</b>	<b>44</b>	<b>53,733</b>	<b>26,670</b>
P.	Other costs of financial activity (568, 569)	45	45,196	41,009
<b>XV.</b>	<b>Use and cancellation of reserves into revenues from financial activity (674)</b>	<b>46</b>	<b>103,016</b>	<b>19,479</b>
Q.	Creation of reserves for financial activity (574)	47	82,934	103,016
<b>XVI.</b>	<b>Accounting and cancellation of adjusting entries into revenues from financial activity (679)</b>	<b>48</b>	<b>229,146</b>	<b>0</b>
R.	Creation of adjusting entries for financial activity (579)	49	0	229,146
<b>XVII.</b>	<b>Transfer or financial revenues (-) (698)</b>	<b>50</b>	<b>0</b>	<b>0</b>
S.	Transfer or financial costs (-) (598)	51	0	0
	* Business results from financial activity line 30-31+32 +36-37+38-39+40-41+42-43+44-45+46-	52	-127,423	-804,635
<b>T.</b>	<b>Income tax from current activity line 54+55</b>	<b>53</b>	<b>-57,242</b>	<b>146,385</b>
T.	1. -due (591,595)	54	-12,083	270
	2. - deferred (+/-;592)	55	-45,59	146,115
	** Business results from current activity line 29+52-53	56	-1,440,226	-3,456,750
<b>XVIII.</b>	<b>Extraordinary revenues (account group 68)</b>	<b>57</b>	<b>83,148</b>	<b>138,691</b>
U.	Extraordinary costs (account group 58)	58	92,448	1,508,201
V.	Income tax from extraordinary activity line 60+61	59	0	0
V.	1. - due (593)	60	0	0
	2. - deferred (+/- 594)	61	0	0
	* Business results from extraordinary activity line 57-58-59	62	-9,300	-1,369,510
<b>Z.</b>	<b>Transfer of shares on the business results of partners (+/- 596)</b>	<b>63</b>	<b>0</b>	<b>0</b>
	*** Business results for the current accounting period (+/-) line 56+62-63	64	-1,449,526	-4,826,260
<b>Check number (sum of lines 01 to 64)</b>		<b>99</b>	<b>90,367,395</b>	<b>84,389,847</b>







