



ANNUAL REPORT OF ŽELEZNIČNÁ SPOLOČNOSŤ SLOVENSKO, A.S. FOR 2010

In Bratislava, on 02 June 2011

For and on behalf of the company:

Mgr. Pavel Kravec, v. r.
Chairman of the Board of Directors
and Director General of ZSSK

Ing. Jaroslav Paulický, v. r.
Vice Chairman of the Board of Directors

ANNEX OF THE AUDITOR'S REPORT

**D.E.A. Consult, spol.s r.o.
Data-Eko-Audit**

Annex of THE AUDITOR'S REPORT

**On the Consistency of the Annual Report with the Financial Statements
Pursuant to Act No. 540/2007 Coll., Article 23(5)**

**For management of
Železničná spoločnosť Slovensko, a.s.**

I.

We have audited the Financial Statements of Železničná spoločnosť Slovensko, a.s., Rožňavská 1, 832 72 Bratislava, company identification number: 35 914 939 as of 31 December 2010 published on pages 1-69 and on 2 June 2011 we stated the following:

Opinion

In our opinion, the Financial Statements present an objective and true overview of the financial situation of Železničná spoločnosť Slovensko, a.s., Rožňavská 1, 832 72 Bratislava as of 31 December 2010 in all important aspects, as well as economic results for the year then ended, in accordance with the International Financial Reporting Standards as adopted by the European Union.

II.

We have also audited the consistency of the Annual Report with the above mentioned Financial Statements. Accuracy of the Annual Report is the responsibility of the company's statutory body. Our responsibility is to issue an opinion on consistency of the Annual Report with the Financial Statements based on our audit.

We conducted our audit in accordance with the International Auditing Standards for Financial Reporting as adopted by the European Union. These standards require that the Auditor plans and performs the audit so as to acquire sufficient certainty that the information published in the Annual Report and presented in the Financial Statements is consistent with the relevant Financial Statements in all important aspects. We assessed the consistency of the information presented in the Annual Report on pages 1-104 with the information presented in the Financial Statements as of 31 December 2010. We did not audit any data or information other than the financial information from the Financial Statements and books of accounts. We believe that the conducted audit is a sufficient and suitable basis for expressing the auditor's opinion.

In our opinion all accounting information published in the Annual Report of Železničná spoločnosť Slovensko, a.s., Rožňavská 1, 832 72 Bratislava present an objective and true overview of the Financial Statements as of 31 December 2010 in all important aspects in accordance with the International Financial Reporting Standards as adopted by the European Union.

Žilina, 2 June 2011

[round stamp
Slovak Chamber of Auditors
Data Eko Audit Consult, Ltd,
Licence No.39, ŽILINA]

Data Eko Audit Consult Žilina, Ltd
Háľkova 3
Licence SKAU č. 39
Commercial Register of the District Court of Žilina
Section: Sro, Entry No.: 1288/L

[Signature in hand]
Responsible Auditor
Ing. Viera Jancová
Licence SKAU č. 189

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

Dear customers and dear business partners,

We have been through a difficult year that has ended better than we expected. Železničná spoločnosť Slovensko, a.s. planned financial loss for 2010, however we have achieved profit. Our economic results have been positively influenced by settlement of the state's public services obligations for years 2009 and 2010. Even without considering this accounting operation, our company has achieved better economic results compared to planned results thanks to thoroughgoing austerity measures, permanent cost savings and moderate increase of revenues.

However, what I consider to be the most important event of the last year is the conclusion of a 10-year Contract for Passenger Rail Transport Services with the Ministry of Transport, Construction and Regional Development of the Slovak Republic. The Contract defines a long-term framework conditions for us and guarantees that the public transport services ordered by the state will be compensated in due time. This is a necessary condition for the company to avoid further uncovered loss. At the same time the Contract stabilises the overall position and perspectives of the company.

On the other hand, the Contract also allows opening of the rail passenger transport market and forces us to improve our performance. The Contract allows the private sector to take over more than one third of our service volumes. Next year, the first private passenger rail operator will enter the market. We should face this challenge by improving our services and reflecting better passengers' needs.

Despite the necessary reductions of certain less effective train connections resulting from the restricted state budget contribution, we intend to develop and modernize our passenger rail transport services and to bring them closer to the level of the well-developed Western states. New train sets co-financed by the EU Funds will facilitate these efforts. Some of them are already in operation and they will enhance the quality of transport in all parts of Slovakia in course of the next three years.

The following year seems to bring even more challenges than the previous one. However, we have started processes that will bring their results soon. I am an optimist and I believe that we can reach our goals and that we can manage any unforeseen obstacles.

Mgr. Pavel Kravec, v. r.
Chairman of the Board of Directors
and the Director General
of Železničná spoločnosť Slovensko, a.s.

COMPANY PROFILE

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

COMPANY ID NO.: 35 914 939
VAT REGISTRATION NO.: SK 2021920076

Established on: 13 December 2004

Capital stock: 212,441 mil. EUR

ZSSK is a joint stock company with registered seat in the Slovak Republic, established in 13 December 2004 and registered in the Commercial Register of the District Court of Bratislava I on 1 January 2005. Its founder and a 100% shareholder is the Slovak Republic, represented by the Ministry of Transport, Construction and Regional Development of the Slovak Republic. ZSSK covers its needs and costs from business activities revenues and from external sources.

Internal organisation of ZSSK is governed by the Establishment Deed, the Statutes and the Organisation Order of Železničná spoločnosť Slovensko, a.s..

ZSSK's business activities are defined in the Statutes of the company. The company's core activities include provision of passenger rail transport services on both national and regional lines and related activities. Rail passenger transport services are provided in accordance with the Slovak national transport policy and on the basis of the Public Service Contract concluded between ZSSK representing the supplier and the State (represented by the Ministry of Transport, Construction and Regional Development of the Slovak Republic) representing the competent authority pursuant to the Act of the National Council of the Slovak Republic No. 513/2009 Coll. on Railroads as amended.

The bodies of the company:

The **General Assembly** is the supreme governing body of ZSSK.

The **Board of Directors** is the statutory body of ZSSK. It is authorized to act for and on behalf of ZSSK in all matters and it represents ZSSK in front of third parties, at courts and in front of other bodies. The Board of Directors manages activities of ZSSK and generally decides upon company matters, unless assigned to other company bodies pursuant to legal regulations or Statutes of the company.

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 the executive body of ZSSK.

BOARD OF DIRECTORS OF ZSSK

Ing. Milan CHÚPEK, PhD.

Chairman of the Board of Directors

Director General of ZSSK

January 1, 2010-September 15, 2010

Ing. Pavol GÁBOR

Vice Chairman of the Board of Directors

Economy Division Director of ZSSK

January 1, 2010-September 15, 2010

Ing. Igor KRŠKO

Member of the Board of Directors

Operation Division Director of ZSSK

January 1, 2010-September 15, 2010

Ing. Ján KOVÁČIK

Member of the Board of Directors

Service Division Director of ZSSK

January 1, 2010-September 15, 2010

Ing. Michal VEREŠ

Member of the Board of Directors

Director of Strategy and International Relations Department of ZSSK

January 1, 2010-September 15, 2010

Mgr. Pavel KRAVEC

Chairman of the Board of Directors

Director General of ZSSK

September 16, 2010-December 31, 2010

Ing. Jaroslav PAULICKÝ

Vice Chairman of the Board of Directors

Service Division Director of ZSSK

September 16, 2010-December 31, 2010

Ing. Pavol GÁBOR

Member of the Board of Directors

Economy Division Director of ZSSK

September 16, 2010-December 31, 2010

Ing. Jozef ROJÍK

Member of the Board of Directors

Operation Division Director of ZSSK

September 16, 2010-December 31, 2010

Ing. Viliam MAJDA

Member of the Board of Directors

Director of Strategy and International Relations Department of ZSSK

September 16, 2010-December 31, 2010

Ing. Pavol TARCALA

Member of the Board of Directors

Director of Human Resources Management Department of ZSSK

September 16, 2010-December 31, 2010

SUPERVISORY BOARD

Ing. Stanislav BOŘUTA	Chairman of the Supervisory Board January 1, 2010 – October 10, 2010
Ing. Jozef KOVÁČ	Chairman of the Supervisory Board October 11, 2010 – December 31, 2010
Ing. Milan MOJŠ	Vice Chairman of the Supervisory Board January 1, 2010 – October 10, 2010
Ing. Vincent ŠTULLER	Vice Chairman of the Supervisory Board October 11, 2010 – December 31, 2010
Mgr. Matej AUGUSTÍN	Member of the Supervisory Board January 1, 2010 – October 10, 2010
Ing. Martin MLÝNEK	Member of the Supervisory Board October 11, 2010 – December 31, 2010
JUDr. Miroslav BALÁŽ	Member of the Supervisory Board January 1, 2010 – October 10, 2010
JUDr. Juraj KAMENCA	Member of the Supervisory Board October 11, 2010 – December 31, 2010
Mgr. Jozef SCHMIDT	Member of the Supervisory Board January 1, 2010 – January 19, 2010
Ján ADREANIN	Member of the Supervisory Board January 20, 2010 – December 31, 2010
Ján GRIEČ	Member of the Supervisory Board January 1, 2010 – January 19, 2010
Jozef HLAVATÝ	Member of the Supervisory Board January 20, 2010 – December 31, 2010

SCOPE OF BUSINESS

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

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

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

- Licence no. 0950/2007/L to carry out transport services by rail, based on Decision of the Railway Regulatory Authority no. 5711/2006-ÚRŽD/Sk of 26 January 2007 for an unlimited period of time
- Licence no. 01/2007/ŠD/L to carry out transport on a special line – Detská železnica (Children's Railway) in Košice, issued on 29 May 2007 for an unlimited period of time
- Safety Certificate of the Railway Regulatory Authority (ÚRŽD) No. SK 1120100001 for national and regional lines of ŽSR for rail passenger services except for high speed rail of 28 October 2010, valid until 27 January 2015
- Trading licence no. Žo-2005/12195/2/Z25 of 16 March 2005
- Licence Deed no. OŽP-A/2005/48837-2/CR1 of 12 February 2005, for an unlimited period of time
- Licence Deed no. Žo-2005/12193/2/Z25 of 16 March 2005
- Authorisation of the Railway Regulatory Authority (ÚRŽD) no. E - 72/2008 to carry out inspections, maintenance, repairs, servicing and testing of specific technical devices on electric railway lines, issued on 10 November 2008, valid until 30 November 2011
- Decision of the Railway Regulatory Authority (ÚRŽD) no. 2005T 0017 of 31 May 2005 for heat generation, valid for an unlimited period of time
- Trade Licence no. OŽP-A/2008/23329-2
- Trade Licence no. Žo-2005/12195/2/Z25 of 16 March 2005.

PASSENGER TRANSPORT

During the year 2010, **45 003,5 thousand passengers** were transported by rail, which meant increase by 3,6 thousand passengers against the plan, i.e. 100,01 % fulfilment of the plan. In comparison with the last year, 338,2 thousand passengers less were transported, i.e. a decrease by 0,75 %, of which:

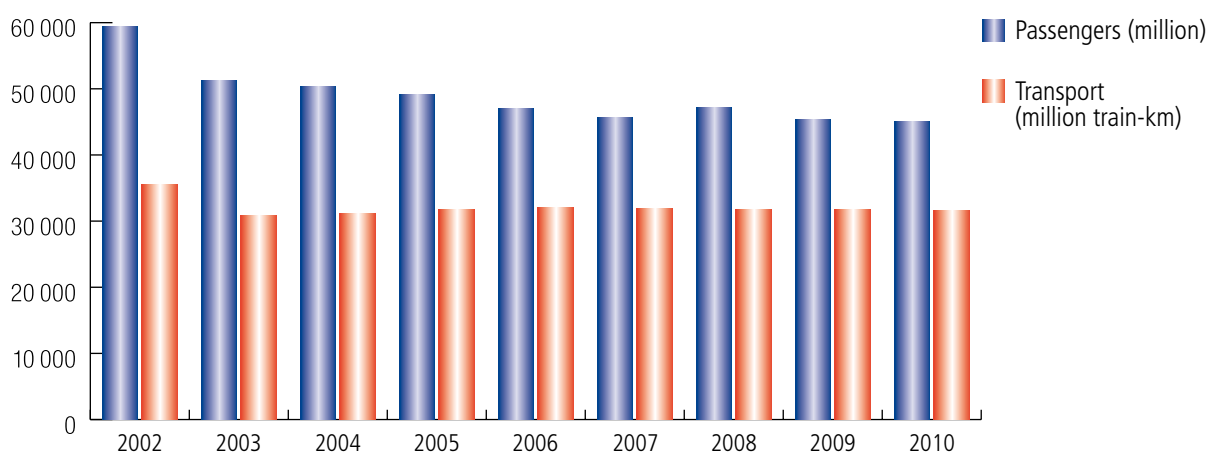
- the domestic transport recorded reduction of passengers against the plan by 45,4 thousand (-0,11%) and a year-to-year reduction by 289,6 thousand passengers (-0,68 %),
- the international transport recorded reduction of passengers against the plan by 49,0 thousand passengers (+1,74 %) and a year-to-year reduction by 48,6 thousand passengers (-1,67 %).

In 2010 the total transport volume in **passenger-kilometres** amounted to **2 291 267,6 thousand passenger-km**, which meant an increase by 47 272,9 thousand against the plan (+ 2,11 %). In comparison with the last year the transport volume increased by 42 198,5 thousand passenger-km (+ 1,88 %).

The total transport volume in **train-kilometres** in 2010 amounted to **31 590 876 train-km**, which meant a reduction by 118 124 train-km against the plan (- 0,37 %). In comparison with the last year the transport volume decreased by 112 483 train-km (- 0,35 %).

Development of passenger transport volumes:

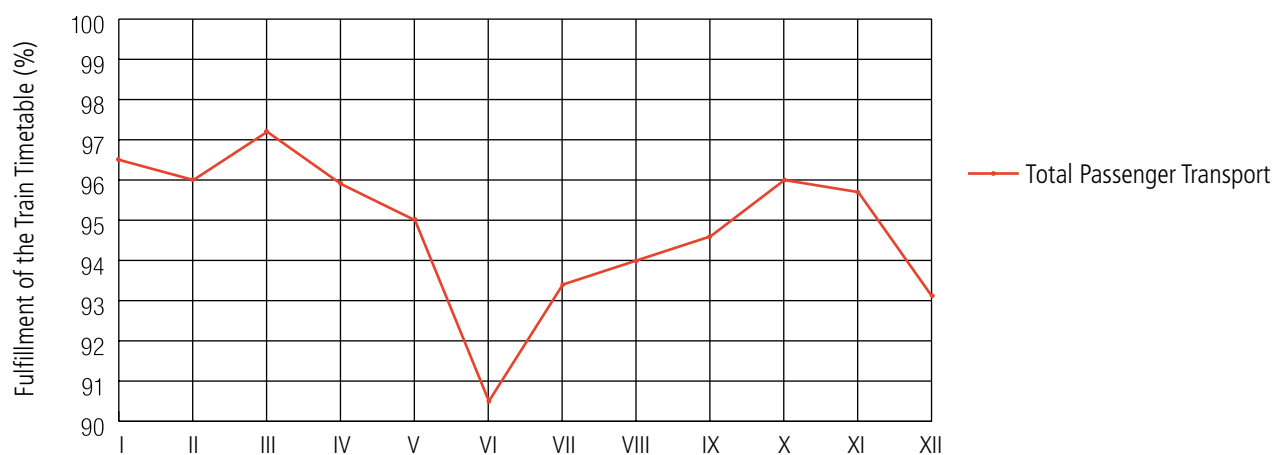
Total passenger transport	2002	2003	2004	2005	2006	2007	2008	2009	2010	2010/2009
Transport volume (million passenger-km)	2 682,30	2 315,60	2 227,30	2 166,20	2 194,20	2 147,96	2 278,66	2 249,07	2 291,27	1,019
Passengers (million)	59,430	51,274	50,268	49,054	47,021	45,598	47,184	45,342	45,004	0,993
Transport volume (million train-km)	35,58	30,83	31,14	31,75	31,98	31,89	31,74	31,70	31,59	0,996



Fulfilment of the train timetable as a key qualitative indicator in passenger transport was set under the PSO contract on the level of 93.0 %. In 2010 ZSSK fulfilled this indicator in 94,83 %, which was a result better by 1,83 % as compared to the set limit.

Type of train	Timetable fulfilment (%)		Difference	PSO contract fulfilment in %	Actual numbers 2009	Index 2010/2009
	PSO Contract 2010	Actual numbers 2010				
Total passenger transport	93,00	94,83	1,83	101,97	96,11	0,99

Fulfillment of the Train Timetable in 2010



QUALITY MANAGEMENT SYSTEM, CERTIFICATES

In 2010, the integrated management system of ZSSK was developed in accordance with the Decision of the Board of Directors and with the certification strategy valid until 2015 with focus on the client (a customer, an employee, general public and the owner) and on continuous improvement of quality management system efficiency and occupational health and safety.

On September 27-29, 2010, a certification company BUREAU VERITAS SLOVAKIA spol. s r.o. carried out an integrated audit of the management system in order to examine its compliance with the requirements of the ISO 9001:2008 (on quality) and OHSAS 18001:2007 (on occupational health and safety) norms. The conclusion of the audit was that the norms are implemented in the required scope, that the system is improving and that there are efforts to increase its efficiency.

ZSSK holds BUREAU VERITAS SLOVAKIA spol. s r.o. certificate for:

- **ISO 9001:2008 Quality Management System**

For products:

- *InterCity (IC) trains on route Bratislava – Žilina – Košice and back,*
- *Travel documents sale services*

- **OHSAS 18001:2007 Occupational Health and Safety Management System with certification for:**
 - *rail passenger transport services.*



QUALITY AWARD



In 2010, ZSSK participated in a nation-wide contest *National Quality Award of the Slovak Republic* in order to get an objective and independent evaluation of the efficiency of its own quality development activities and to compare its quality performance with other organizations in Slovakia.

In November 2010, the jury of the National Quality Award contest decided to award a **Prize for Enhancing Performance according the criteria of the EFQM Excellence Model** in category A2 (services providing organizations with more than 51 employees) for **ZSSK**.

REPORT ON SERVICE QUALITY PERFORMANCE IN 2010

Provision of high quality transport services for our customers is a priority for Železničná spoločnosť Slovensko, a.s. (ZSSK).

The integrated quality management system of ZSSK currently includes:

- **ISO 9001:2008 Quality Management System** with certified products in the most important services:
 - InterCity (IC) trains on route *Bratislava – Žilina – Košice* and back
 - Travel documents sale services
- **OHSAS 18001:2007 Occupational Health and Safety Management System with certification for:**
 - *rail passenger transport services*

In accordance with the actual Strategy of the company, ZSSK builds its quality system using the method of gradual certification steps until 2015.

CUSTOMER – ORIENTED SERVICES

We monitor quality of our products, services and rail passenger transport processes using several indicators that are collected directly in the process of products and services provision. Quality of our performance is also monitored during controls and inspections (an integrated control system with an on-line database) and by questionnaires filled in by our first contact employees. After analyzing the obtained data, our experts implement appropriate measures to improve the respective processes.

Herewith we fulfill requirements of the Regulation (EC) No 1371/2007 of the European Parliament and of the Council of 23 October 2007 on rail passenger rights and obligations.

Information and Travel Documents

Complex Ticket Service - New Services

Our customer can choose from 10 sales channels to purchase their travel ticket. In 2010, we recorded an increase of revenues from ticket vending machines sales by 66,96% and increase of revenues from online sales by 62,21% in comparison with 2009.

The electronic sales systems had the largest share (99,54% in terms of revenues and 98,03% in terms of the amount of sold travel tickets) in 2010. ZSSK's cash desk sales had the share of 89,24% in terms of revenues and 77,97% in terms of the amount of sold travel tickets. POS terminal payments reached 15% in 2010, what represents an increase of 1,82 percentage points and revenues increase of 14,57% in comparison with 2009.

Information – Increasing Availability

ZSSK offers a wide range of information for its customers via various information channels before, during and after their journey:

- Our on-line portal www.slovakrail.sk has recorded an increased visit rate. In 2010 we recorded 1 821 856 visits and out of these, 1 184 390 visits were unique (visiting the web page only once). The visitors browsed altogether 4 274 721 pages. This represent a visit rate increase of 33,99% in comparison to 2009.
- We use several information channels to provide information for our customers at train stations and onboard our trains (printed information, web pages, Call Centre, audio/visual information, direct information provided by the rail personnel, information on posters and leaflets). High standard ticket and information services are also provided by three ZSSK's Information Offices; by individual informants at our selected sale points and by our

10 Customer Centers, where our customers can get information on train connections or on the most advantageous offers from our trained personnel. At stations with no distribution channels, passengers are always informed on how they can purchase their travel documents.

- We update 33 types of „Train Guide“ leaflets in a total amount of 1 520 000 pieces four times a year. The „Train Guides“ are available onboard the long distance trains to provide information for passengers on the most important train connections, on services available onboard the train and at stations, where the train stops. We issue 12 types of train timetables for individual train lines in total amount of 15 500 pieces every year.
- Our Call Centre is an important interface for our customers. Information on rail passenger services are provided by our Call Centre 24/7 on tel.: 18 188 (no prefix).

Approximately 178 000 customers call our Call Centre every year. The rate of unanswered telephone calls was 4,99% in 2010. This represents an improvement of 6,85% in comparison with 2005. The customers' calls (on average 14 820 calls/month) are answered on a basis of predefined time rates – an average waiting time is 14 seconds. Email information requests (on average approx. 1360 e-mail requests/month) were answered within 1,5 hour in 2010.

The Call Centre's Service Level has reached more than 96,00% since 2008. There have been no substantiated complaints regarding the availability of the Call Centre's services during the last 5 years.

An online survey from 2010 showed that 16% of the respondents call our Call Centre to obtain the information they need. However, the leading information channel is internet with 44%.

Reliability of the Transport Services

Punctuality of Trains - Train Timetables are Fulfilled at a Standard European Level

Punctuality is an important quality indicator for our customers. For the purposes of punctuality measurements, we compare the actual arrival times with the scheduled arrival times for each train journey. These data are compiled in the „Train Timetable Fulfilment“ indicator. ZSSK has achieved a train timetable adherence of more than 92% during the last 5 years. The overall punctuality of the rail passenger transport was 94,83% in 2010 (delay tolerance of + 5 minutes at arrival at the destination station). In 2010 the train timetable fulfilment of international fast trains was 83,01% (delay tolerance of + 5 minutes at the state border).

In 2010, the average level of customers' satisfaction with the punctuality of ZSSK's trains as expressed in a „face to face“ survey was 2,24 in the IC trains and 2,36 in other domestic trains (measured with grades of 1-5, where 1= the best, 5=the worst).

Information on actual location of ZSSK's trains on the rail network between their originating station and destination station are available online or via mobile phone.

Interrupted and Cancelled Services

Number of cancelled services is generally low. Planned transport volumes in train kilometres have been performed at min. 99,4% since 2005.

Functionality of the rolling stock is maintained 24 hours a day on the whole territory of the Slovak Republic in cooperation with ZSSK Cargo. In 2010, one traction unit failure occurred on every 17 490,67 train kilometres and 1 coach failure on every 96 762,7 vehicle kilometers.

We usually manage eventual distortions thanks to our back up trains and thanks to operative measures of our

dispatching and maintenance centres that enable us to provide substitute trains or substitute bus transportation. Hence, in case of traffic distortions, we are usually able to take care for the passengers, to transport them or to offer them a hotel accommodation. ZSSK has developed a system to handle accidents, extraordinary and emergency situations in transportation. Train drivers and train crew are trained to handle these situations. Information on extraordinary traffic distortions and on alternative transport services are provided by ŽSR's and ZSSK's traffic management units at railway stations and onboard the trains in an audiovisual form or directly by the train crew.

EU Funds Program – Project of Renewal of ZSSK Rolling Stock

ZSSK is the first railway company in Europe that has received EU funding for purchase and modernization of its rolling stock. The first of the 10 contracted double decked EMU train sets started to operate on Slovak tracks in the end of year 2010.

Transport Safety and Security – Our Priority

Rail transportation is the most safe transport mode in Slovakia. Since 2005, only 1 passenger has died and 65 passengers have been injured due to a train accident during their train journey. Out of these, 0 deaths and 23 injuries were recorded in 2010.

ZSSK continually improves safety and security of its passengers. In 2010, four locomotives were equipped with ETCS - a modern signalling, control and train protection device used on the basis of Agreement on ERTMS.

In 2010, our company became a part of a prestigious international consortium of security industry companies led by Italian industrial company Ansaldo STS. The consortium intends to build an integrated system of security technologies and organizational measures under the heading of the Railway-Industry Partnership for Integrated Security of Rail Transport Project - PROTECTRAIL.

Cleanness of ZSSK's Rolling Stock

Cleanness of Vehicles – Part of ZSSK's Basic Transport Services

ZSSK cleans its rolling stock using three fixed cleaning facilities (fixed washing devices in Košice, Zvolen and Žilina) and one mobile cleaning facility (Nove Zámky). The facilities are designed to clean outer frames of the rolling stock, especially of the rolling stock for the long distance traffic (37 trains a day). ZSSK's rolling stock is cleaned at least once in every 24 hours. Besides this, 15% of the long-distance trains are cleaned also during the journey.

ZSSK has implemented internal regulations, standards and technological control procedures for the purposes of systematic quality management of the cleaning services. Cleaning services standards reflecting expectations of passengers have also been defined in contracts concluded with ZSSK's contractors providing cleaning services.

The ratio of insufficient cleaning services provided to planned volume and the required quality of the cleaning services has been stabilised at the level of $\leq 12,5\%$ since 2009.

In 2010, the level of customers' satisfaction with cleanness of our coaches expressed in grades (1= the best grade, 5=the worst grade) reached an average value of 2,33 for IC trains and an average value of 2,96 for domestic trains, where we recorded an improvement of 0,21 grade in comparison to 2009.

Air-Conditioned Coaches in Fast Trains

ZSSK operates more than 300 air-conditioned coaches. All new passenger coaches of both 1st and 2nd class, including the new and reconstructed coaches of a special construction (couchette berth and sleeping berth coaches, dining cars and open saloon coaches) are equipped with air-conditioning systems. The new, EU funded train sets and units are also equipped with air-conditioning and air-venting as a matter of course.

Customers' Satisfaction Survey

Customers' Surveys - Understanding Customers' Needs

ZSSK has developed an internal concept of conducting market researches and surveys. We address approximately 2 300 respondents in a personal interviews and approximately 10 000 online respondents every year. We prepare online questionnaires and we carry out at least 3 surveys on customers' satisfaction every year to understand passengers' perception of our services. We evaluate the results in a structured way in order to develop measures to improve our weaknesses.

Reliability of ZSSK's surveys has reached the level of $\geq 90\%$ for the „face to face“ method and at least 60-70% for other methods (online questionnaires, mail surveys) over the period of last two years.

In 2010 our customers' surveys focused on quality of IC train services and domestic train services; on travel habits of parents travelling with their children and on satisfaction with the frequency and quality of train services on the main Zvolen – Košice line. Our online surveys focused on availability of information on passengers' rights and obligations in international transport and on international rail transport services in general; on evaluation of rail personnel and their services in passenger transportation; on reduced fares for students and the youth; on availability of cash desks outside the premises of railway stations; on cancellation of the Orange telepay in the online ticket sales service and on ZSSK's travel information services in general. We have also carried out a mini-survey on „train crews“ for the first time in order to gather basic information on customers' perception of rail safety and security and satisfaction with our from line employees.

Customers' Satisfaction – Our Goal

Following table summarizes the results of an online questionnaire on rail personnel and rail services published on the ZSSK's web site:

	2009	2010
Excellent and praiseworthy	41,47 %	44,45 %
Good and sufficient	27,03 %	28,41 %
Insufficient	31,50 %	27,14 %

An overall satisfaction of the respondents with IC trains and domestic trains measured with an average grade has been stabilized at the level of approximately 2,2 - 2,4 (1= the best grade, 5=the worst grade) since 2006. In 2010, service improvement of IC trains was perceived by 41,42% and service improved of domestic trains (except the IC trains) was perceived by 31,03% of a „face to face“ survey respondents.

Complaints Handling Procedures, Reimbursements and Compensations for Non-compliance with Service Quality Norms

Customers' claims, complaints, reimbursement and compensation requests are centrally recorded, categorized, evaluated and handled as a part of ZSSK's managed processes. Adherence to legally binding dates for answering the claims, complaints, reimbursement requests and compensation requests is regularly controlled. ZSSK has been insured and has made further arrangements to cover its liabilities in respect of non-compliance with the service quality standards.

Passengers' claims regarding the fare were handled in 92,6% of cases directly at the sale points. Claims that were impossible to handle directly at the sale points (7,4%), were handled by ZSSK's Rail Clearing Section. Total amount of 9 815,92 EUR was refunded due to fault on the part of the carrier.

Complaints – Low Share of the Fault on the Part of ZSSK

Total amount of rail passenger complaints was 2451 in 2010. Beside the growth of number of electronic complaints (1229), we recorded growth of anonymous complaints (183) in 2010, too.

Justification of customers' complaints ranged between 61-69% in 2005-2010. Share of justified complaints due to fault on the part of ZSSK was stabilized on the level below 25% thanks to a system of preventive and corrective measures during this period. In 2010 for example, the level was 24,93%. In 2010, The external justification of complaints reached the level of 44,10%.

Communication channels used for submission of customers' complaints in 2010:

• Personal submission	0,65 %
• Letter, complaints book, or in other printed form	48,39 %
• Electronic submission	50,14 %
• Indirect complaints, media feedback, other	0,82 %.

Compensations for Non-compliance with Service Quality Norms in International Rail Passenger Services

Pursuant to Regulation (EC) No 1371/2007 of the European Parliament and of the Council on rail passengers' rights and obligations passenger with international travel documents issued by ZSSK are entitled to request compensation for delays in international traffic since December 3, 2009.

Number of compensation requests received between December 3, 2009 - December 31, 2010	449
Number of unjustified and refused requests	102
Number of requests in progress	2
Number of requests forwarded to the competent carrier (usually ČD)	82
Number of compensations paid	263
Amount of compensations paid pursuant to Regulation (EC) No. 1371/2007 of the European Parliament and of the Council	6 025,59 EUR

Assistance for Passengers with Reduced Mobility (PRM)

It is our social responsibility to provide transport service for the passengers with reduced mobility. In 2010 we have provided transport assistance in 660 cases, what represents an increase by 3,5 times since 2005.

In 2010, ZSSK coupled 11 special coaches with hydraulic lifting devices in 66 trains and 7 DMUs with doors leveled to station platforms daily. Besides this, it is possible to couple a special coach with a hydraulic lifting device as an additional coach in other trains under certain circumstances. It is also possible to request assistance with boarding and disembarking for PRM.

Since the launch of a new timetable for 2010/2011, ZSSK has put into operation the first of the ten new double decked EMUs for suburban and regional transport. The three-vehicle train set is designed to meet the needs of both the PRM and visually impaired passengers – including low-floor entrances for secure and comfortable boarding and disembarking, 4 wheelchair spaces, special on-board lift, two obstacle-free toilets, information system technologies for visually impaired passengers (for example door opening buttons and help buttons identified in Braille letters).

Information on service accessibility for PRM, on equipment onboard the trains, on assistance and on accompanying persons are provided in the train timetable; on ZSSK's web site www.slovakrail.sk and at ZSSK's Call Centre that is accessible 24/7 via e-mail or phone. Visually and/or hearing impaired passengers are informed directly by the ZSSK's personnel during their journey.

Quality Award for ZSSK

In 2010 ZSSK participated in a nation-wide contest National Quality Award of the Slovak Republic in order to get an objective and independent evaluation of the efficiency of its own activities and to compare its quality performance with other Slovak organizations.

In November 2010, the jury of the National Quality Award contest decided to award a price for enhancing performance according the criteria of the EFQM Excellence Model in A2 category (services providing organizations with more than 51 employees) for ZSSK.

STRATEGIC OBJECTIVES

ZSSK Vision

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

PROFESSIONAL APPROACH

QUALITY

EKOLOGY

DYNAMICS

ZSSK Mission

The mission of ZSSK, as of a rail passenger operator, is transportation of passengers by rail mainly on the territory of the Slovak Republic. Our strength is the environmental friendliness of rail transport and our effort to continuously enhance quality of our services. We serve a broad public in various market segments. We strive to help people to reach their destinations in a comfortable and safe manner and to find solutions that will help them to spend their time onboard our trains in a efficient and pleasant way. We create new mobility and we shorten distances between people.

ZSSK Strategic Goals

- Long term satisfaction of customers' needs
- Fulfilment of expectations of the shareholder (provision of public services) and sustainable and balanced management in a long term
- To create a positive corporate atmosphere to support the company's values

ZSSK Motto

Trains for people

ZSSK Direction

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

INTERNATIONAL ACTIVITIES

Similarly to previous years, ZSSK continued with participation in various activities on the European transport market and in the European organisations.

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

Besides the technical issues, implementation of a rail legislative dossier adopted by the European Parliament, the so called "Third Railway Package" played an important role in the international rail environment over the last year. This dossier and in particular the Regulation on Rail Passengers' Rights and Obligations, defines the quality and the level of services to be delivered by rail passenger operators. As the Regulation became effective on 3 December 2009, ZSSK paid adequate attention especially to the initial phase of its implementation.

As a part of cooperation between the International Union of Railways (UIC) and ZSSK, we have participated in the PROTECTRAIL project (*The Railway Industry Partnership for Integrated Security of Rail Transport*) submitted by an international consortium led by an Italian industry company Ansaldo STS within the 7th Framework Programme for Research and Development (FP7SEC 2009-1). The aim of the project is to create an integrated system of rail security technologies and organisational measures. ZSSK has become a part of a consortium that counts 21 members and includes various important security industry companies, such as Finmeccanica from Italy or Thales from France together with two major rail industry producers, Bombardier from Germany and Alstom from France as well as rail operators from France, Poland, Lithuania, Turkey, Italy and Austria, international rail organisations and research centres. The European Union has supported the project with 13,12 mil. EUR. The total costs of the project are 21,78 mil. EUR. The budget amount assigned to ZSSK is 42 000 EUR. The project focuses on development of more efficient rail security measures building on the previous activities of the European rail sector in area of rail security. Thanks to its active participation in the project, ZSSK will have access to important research results in this area and at the same time we will have the opportunity to prove our high expert profile in the technical field in European rail sector. This may pave the way for ZSSK's active participation in further international projects.

Cooperation between ZSSK and Ministry of Transport, Construction and Regional Development of the Slovak Republic regarding the EU funding for ZSSK's rolling stock was another important activity in 2010. In this respect, it is important to highlight the active cooperation and support of the Community of European Railways and Infrastructure Managers (CER) and especially CER's activities directed towards the relevant European institutions.

As far as ZSSK's bilateral relations are concerned, several bilateral meetings with high level representatives of European railway undertakings took place in 2010, especially during meetings of international organisations. The aim of these meetings was to enhance cooperation in various areas of passenger transportation, especially with the neighbouring railway undertakings.

From the perspective of international relations, the year 2010 was a successful year that has reinforced ZSSK's position in the international transport market. At the same time it was a year when we have managed to create good conditions for successful development of the company in the international context for the following period.

OWNERSHIP INTERESTS OF ZSSK

As of December 31, 2010

Entity	Number of shares against equities as on 31 December 2010 (pcs)	Share against equities in %	As of 31 December 2010 in EUR	As of 31 December 2009 in EUR
EUROFIMA	1 300	0,50	4 874 376	4 108 196
Bureau Central de Clearing, s.c.r.l. Brussels (BCC) **	1	0,68	744	744
Total	x	x	4 875 120	4 108 940

ACQUISITION OF NON-CURRENT ASSETS

Assets in thousand EUR

	Acquisition as of 31 December 2010
Purchased software	1 233
Trademark, logo	7
Technical documentation	0
Total intangible assets	1 240
Lands	0
Buildings	128
Constructions	98
Total buildings and constructions	226
Spare parts IAS	25
Total spare parts	25
Power-producing machines	107
Working machines	3
Devices	206
Total machines and devices	316
Transport vehicles	90 022
of which: capitalisation	11 120
Operational Programme Transport	9 638
Low-value tangible assets	73
Inventory	0
Total tangible assets	90 663
TOTAL NON-CURRENT ASSETS	91 903

BUSINESS RESULTS

The Individual Financial Statements of ZSSK for 2010 were prepared in terms of Article 17a of Act on Accounting no. 431/2002 Coll. as amended, as well as in accordance with the International Financial Reporting Standards ("IFRS") as adopted by the International Accounting Standards Board ("IASB") and International Financial Reporting Interpretations Committee ("IFRIC"), pursuant to Regulation of the European Parliament and of the Council (EC) no. 1606/2002 of 19 July 2002 on the application of international accounting standards and the Commission Regulation (EC) no. 1725/2003 of 29 September 2003.

Business Result

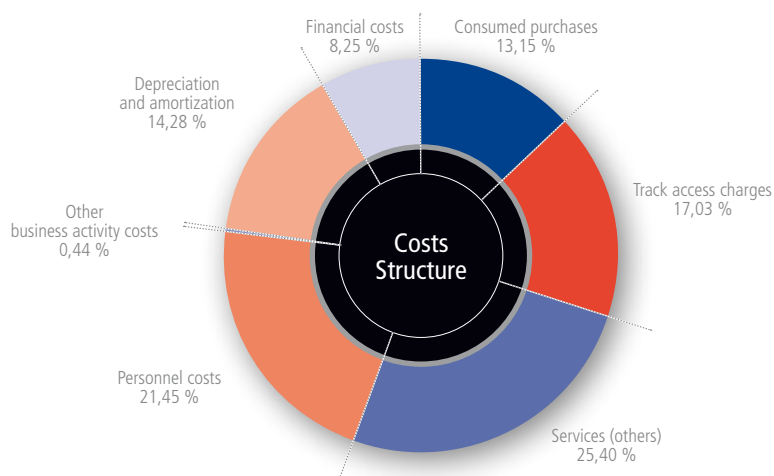
The business result of ZSSK planned for 2010 was a loss amounting to EUR 78 156 thousand. The actual business result of ZSSK achieved in 2010 was a profit of EUR 4 908 thousand.

in thousand EUR	Actual figures in 2009	Actual figures in 2010	Difference	Index 2010/2009
Costs	354 958	342 114	-12 844	0,96
Revenues	382 108	347 022	-35 087	0,91
Profit/Loss	27 151	4 908	-22 243	

Costs:

Costs in thousand EUR	Actual figures in 2009	Actual figures in 2010	Difference	Index 2010/2009
Material consumption	14 112	16 354	2 242	1,16
Energy consumption	32 012	28 618	-3 393	0,89
Sold goods	42	36	-6	1,05
Total consumed purchases	46 166	45 009	-1 157	0,97
Repairs and maintenance	44 047	37 539	-6 508	0,85
Fare	2 120	2 128	8	1,00
Representation costs	68	85	17	1,25
Track access charges	58 496	58 247	-249	1,00
Other services	45 848	47 128	1 280	1,03
Total services	150 579	145 127	-5 452	0,96
Total consumed purchases and services	196 745	190 136	-6 609	0,97
Wages	50 140	49 632	-508	0,99
Remuneration for the members of company's bodies	60	87	27	1,09
Statutory social insurance	17 536	20 051	2 514	1,14
Other personnel costs	1 886	3 629	1 743	1,92
Total personnel costs	69 622	73 399	3 776	1,05
Other costs on business activity	1 461	1 498	37	1,03
Depreciation and amortisation	42 676	48 848	6 171	1,14
Total financial costs	44 453	28 234	-16 219	0,64
TOTAL COSTS	354 958	342 114	-12 844	0,96

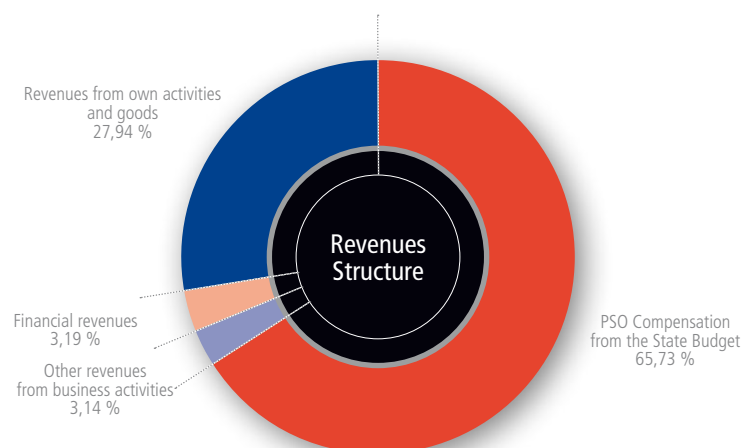
Costs Structure



Revenues:

Revenues in thousand EUR	Actual figures in 2009	Actual figures in 2010	Difference	Index 2010/2009
Revenues from sale of services	13 184	11 602	-1 581	0,88
Revenues from goods	50	45	-4	0,92
Total revenues from transport (of passengers)	83 503	85 301	1 798	1,02
of which: revenues from passenger transport	74 741	77 300	2 559	1,03
revenues from passenger coaches	8 762	8 001	-761	0,91
Revenues from sale of long-term tangible and intangible assets	21	5	-17	0,23
Revenues from sale of material	1 628	1 438	-190	0,88
Compensation of loss from services in public interest from the State Budget	270 339	228 114	-42 225	0,84
Subsidy on investments from the State Budget	1 216	3 353	2 137	2,76
Other revenues from business activities	5 860	6 084	225	1,04
Total financial revenues	6 307	11 079	4 772	1,76
TOTAL REVENUES	382 108	347 022	-37 223	0,91

Revenues Structure



USE OF COMPENSATION OF THE LOSS FOR SERVICES IN PUBLIC INTEREST IN 2010

	2009 (in thousand EUR)	2010 (in thousand EUR)
Track access charges	54 958	55 182
Traction energy	29 463	27 009
Services purchased from ZSSK CARGO	28 829	31 903
Catering services and sleeping car services	3 768	3 805
Diesel	1 417	2 040
Operative interests	0	1 259
Cleaning of coaches	3 803	4 314
Personnel costs = wages + insurance	49 267	54 839
Compensation for services in public interest for 2009 provided in 2009	179 247	
Compensation for services in public interest for 2009 provided in 2009 and not used in 2009		7 743
Compensation for services in public interest for 2009 provided in 2010		23 235
Compensation for services in public interest for 2010 provided in 2010		149 373
Total compensation for services in public interest	179 247	172 608

In terms of the Budget Provisions of the Ministry of Finance of the Slovak Republic in 2010 ZSSK was allocated financial means from the State Budget in the amount of EUR 149 373 thousand. Besides this, ZSSK used financial resources from 2009 in the total amount of EUR 30 978 thousand in 2010.

RESEARCH AND DEVELOPMENT

Indicator	In thousand EUR	
	As of 31 December 2009	As of 31 December 2010
Náklady na výskum	137	19

ZSSK has no separate organizational units dedicated and focused directly on research and development. ZSSK awards contracts on studies; transport and engineering outlook documentation as well as research and technical development tasks to external contractors. These materials are intended to support the company's strategic planning and decisions as well as technical and investment development of the company (introduction of new technical solutions, technologies and innovative processes).

The transport and engineering outlook documentation together with the research and technical development tasks represent the primary background materials for strategic and investment decision making that includes reviews and analysis of the actual situation and proposals for possible solutions. The expert tasks are finalized in a complete study or project documentation, including also prototype solutions if necessary.

REMUNERATION OF THE STATUTORY AND SUPERVISORY BODIES OF ZSSK

In EUR	2009	2010
Current body members:		
of which: statutory	45 600	15 750
supervisory	14 400	7 131
Former body members:		
Of which: statutory	0	50 300
supervisory	0	13 824
Total remunerations:	60 000	87 005

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 RECORDED AFTER THE DATE OF THE STATEMENT OF THE FINANCIAL POSITION

ZSSK does not register any significant events after the date of the statement of the financial position.

SETTLEMENT OF ACCOUNTING PROFIT FROM 2010

In 2010, ZSSK achieved accounting profit of EUR 4 908 thousand. Settlement of the accounting profit according to decision of the sole shareholder No. 87/RA-2011 of August 10, 2011:

- statutory reserve fund:	EUR 490,8 thousand
- reduction of the loss of previous years on the account 429 – unsettled loss of previous years:	EUR 4 417,2 thousand

HUMAN RESOURCES

The planned number of employees as of 31 December 2010 was 5 092. The actual recorded number of employees as of 31 December 2010 amounted to 5 014, which was less by 1,53% compared to the plan.

Compared to 2009, 2010 saw an increase in the recorded number of employees from 4 979 to 5 014 which is more by 0,70 %.

Recorded number of employees:

	2009	2010
Total no. of ZSSK employees	4 979	5 014
Managing processes	156	156
Business Division	1 123	1 118
Operation Division	3 394	3 422
Economy Division	83	82
Services Division	223	236

Break-down by sex:

	2009	2010
Sex of employees	4 979	5 014
Men	3 072	3 107
Women	1 907	1 907

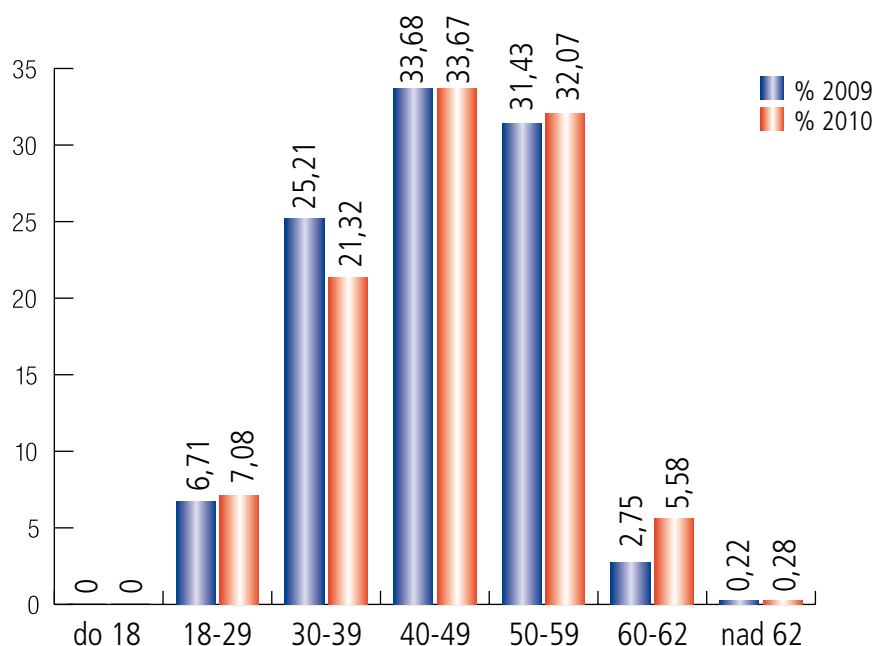
The planned average recalculated number of employees according to the „Business Plan of ZSSK for 2010“ was 5 030,01. The real average recalculated number of employees for 2010 was 4 995,20, which was less by 34,81 employees compared to the plan.

The average wage in ZSSK in 2010 reached the amount of 840,56 EUR. Compared to 2009, the average wage increased by EUR 13,75; which is a growth by 1,66 %.

Age Structure of ZSSK Employees in 2010

Out of the total number of 5 014 employees, 355 were at the age below 29, 1 069 employees at the age if 30-39, 1 688 employees at the age of 40 - 49, 1 608 employees at the age of 50 – 59, 280 employees at the age of 60 - 62 and 14 employees over 62.

Age Structure of ZSSK Employees in 2010
(December 2009 – December 2010)

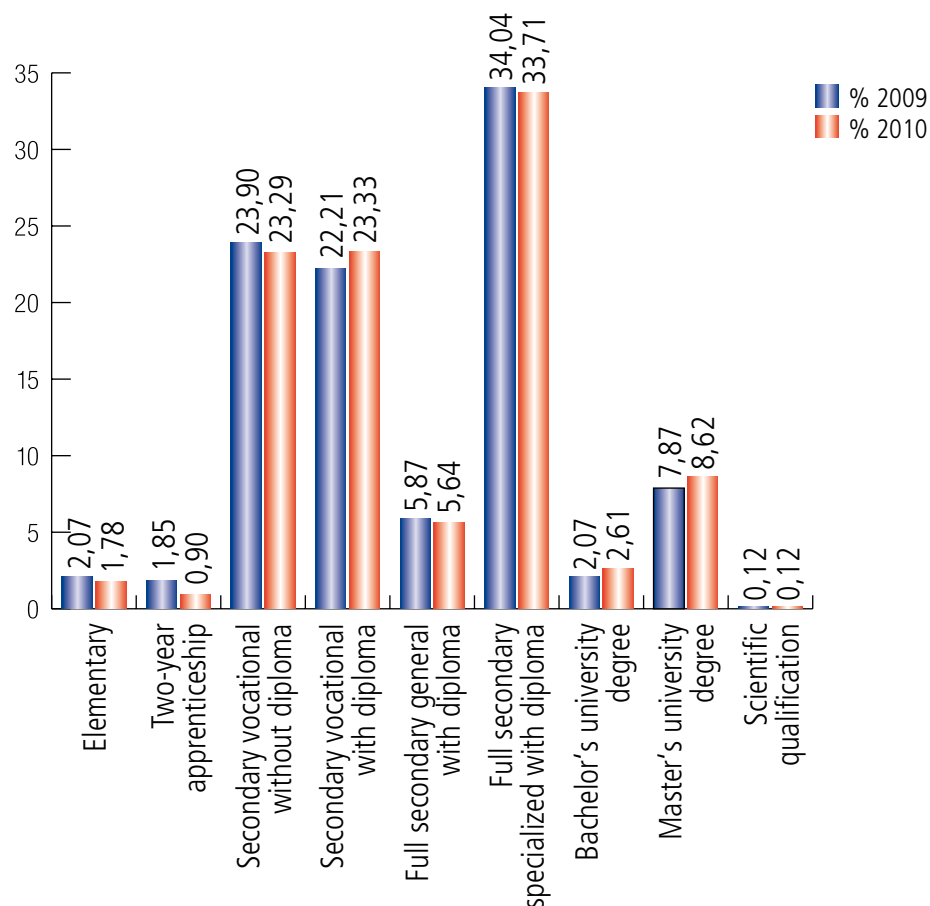


The data clearly show an increase of employees in the age categories above 50. Our aim for the future is to increase gradually the share of employees in the younger age categories.

Education Structure of ZSSK Employees in 2010

As regards our employees' qualification, as of 31 December 2010, ZSSK employed 89 employees with elementary education, 45 employees with a two-year apprenticeship, 1 168 employees with secondary vocational education without diploma, 1 170 employees with secondary vocational education with diploma, 283 employees with full secondary general education with diploma, 1690 employees with full secondary specialized education with diploma, 131 employees with a Bachelor's university degree, 432 employees with a Master's university degree and 6 employees with scientific qualification.

**Education Structure of ZSSK Employees
in 2010**



As compared to 2009, in 2010 the education structure improved. Number of employees with elementary education and two-year apprenticeship decreased, and number of employees with secondary vocational education with diploma and a university degree increased. The education structure shows a positive development which corresponds to the long-term strategy of the company in the area of human resources management. ZSSK employs 11,35% employees with a university degree.

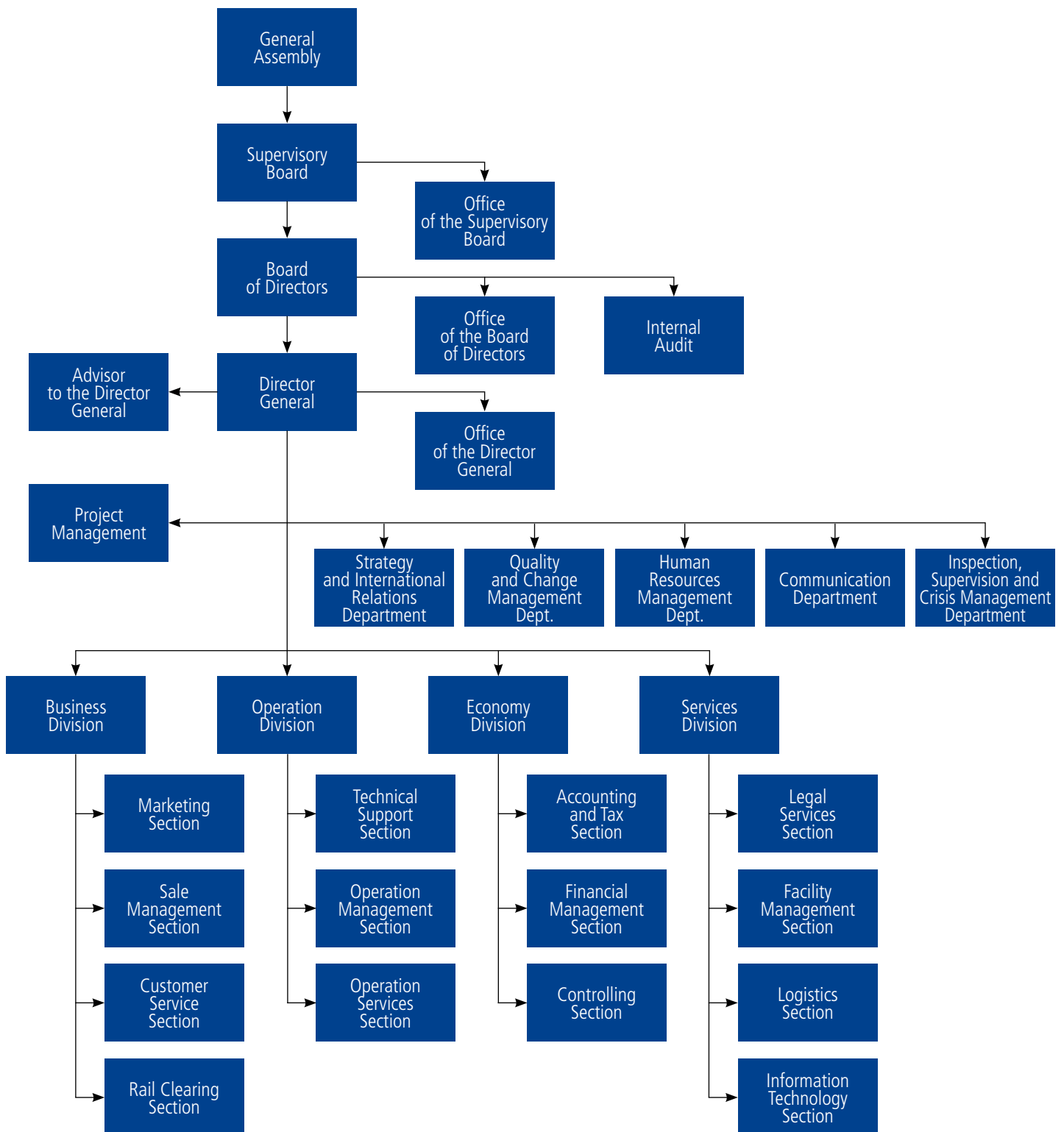
NUMBER AND CATEGORIES OF RECEIVED COMPLAINTS

Customers' complaints, petitions, claims and suggestions regarding the train timetable delivered to our company are handled in accordance with our internal directive „Handling of Claims at ZSSK“ with an on-line database coded according to quality criteria structure stipulated in EN STN 13 816 „Public Passenger Transport;“ in accordance with the Regulation (EC) No. 1371/2007 of the European Parliament and of the Council of 23 October 2007 on rail passengers' rights and obligations; respecting the provisions of Act No. 85/1990 Coll. on Petition Right; Act No. 514/2009 Coll. on Railway Transport, Act No. 250/2007 on Consumer Protection, Act No. 552/2003 Coll. on the Performance of Work in Public Interest (Public Services), Commercial Code and Labour Code.

Total number of claims in 2010:	2 451
Number of justified (customers') claims:	1 692
Of which: - Number of claims with external justification	1 081
- Number of claims with internal justification	611
Form of delivery:	
- personally	16
- via conventional mail and entered in Complaints Book	1 186
- electronically	1 229
- indirect claims, media	20
Subject and reasons of claims:	
Comfort – quality of transport, cleanness of the trains, toilets, sanitary conditions, heating, Wagon Slovakia etc.	698
Time – duration of the train journey due to infrastructure repairs and maintenance, train delays, missed connections	447
Customer care – behaviour of employees towards customers	413
Other – labour and wage conditions, situation in the company, misuse of position	289
Accessibility of Travel Tickets – at the cash desks, higher frequency, other sale channels, internet tickets, passengers with reduced mobility	205
Information – travel information provided by the front line employees of ŽSR, ZSSK, Call Centre, provision of specific information during accidents and extra ordinary situations	122
Safety and safety	46
Serviceability of the rolling stock and infrastructure, operation hours, failures	42
Appreciation for employees of ZSSK	189

The deficiencies as revealed by the justified claims have been removed by organisational measures (special re-examination, common inspections) and labour-related legal measures (termination of the employment relationship, reduced wage bonuses, warning about possible dismissal). As far as the justified claims are concerned, ZSSK has paid out reimbursements and refunds or has cancelled the recovery of claims.

ORGANISATIONAL STRUCTURE OF ZSSK



ORGANISATIONAL UNITS

ZSSK has no organizational units.

LIST OF ABBREVIATIONS

CER	Community of European Railway and Infrastructure Companies
ČD	České dráhy, a. s. (Czech Railways)
DMU	Diesel Multiple Unit
EC	European Community
EFQM	European Foundation for Quality Management
EMU	Electric Multiple Unit
ERTMS	European Rail Traffic Management System
ECTS	European Train Control System
EU	European Union
IC	Inter City
IASB	International Accounting Standards Board
IFRIC	International Financial Reporting Interpretations Committee
IFRS	International Financial Reporting Standards
ISO Norms	Quality Norms
OHSAS Norms	Norms for Occupational Health and Safety
km	Kilometer
OSJD	Organization for Cooperation of Railways
PRM	Passengers with Reduced Mobility
PSO	Public Service Obligation
UIC	International Union of Railways
ÚRŽD	Railway Regulatory Authority
VAT	Value Added Tax
ZSSK	Železničná spoločnosť Slovensko, a.s.
ZSSK CARGO	Železničná spoločnosť Cargo Slovakia, a.s.
ŽSR	Železnice Slovenskej republiky

GENERAL REPRESENTATION OF ZSSK AT UIC:

PARIS

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

16, rue Jean-Rey-F
75015 Paris

Tel.: +33(0) 1 44 49 21 14
Fax: +33(0) 1 44 49 21 19
e-mail: fazik@uic.asso.fr

AN INDEPENDENT AUDITOR'S REPORT – to the Individual Financial Statements of ZSSK as of December 31, 2010

**D.E.A. Consult, spol.s r.o.
Data-Eko-Audit**

INDEPENDENT AUDITOR'S REPORT

For the shareholder of

Železničná spoločnosť Slovensko, a.s.

We have audited the annexed Financial Statements of the joint-stock company Železničná spoločnosť Slovensko, a.s., Rožňavská 1, 832 72 Bratislava, Company ID No.: 35 914 939, including the Statement of Financial Position reported as of 31 December 2010, Statement of Comprehensive Income, Statement of Changes in Equity, Cash Flow Statement for the year then ended, as well as an overview of the main accounting principles and methods and other explanatory notes.

The Financial Statements for 2009 was audited by another auditor, who stated his opinion without any reservations.

Company's statutory body responsibility for the Financial Statements

The Board of Directors of the company is responsible for elaboration and objective presentation of these Financial Statements in compliance with the International Financial Reporting Standards as adopted by the EU, in accordance with the Regulation No. 1606/2002 of the European Parliament and of the Council (EC) of 19 July 2002 on the application of international accounting standards. This responsibility includes drafting, implementation and maintenance of internal control relevant for preparation and objective presentation of the Financial Statements, which shall not contain material inconsistencies whether due to fraud or mistake; choice and application of suitable accounting rules and principles, and preparation of accounting estimates adequate for the given situation.

Auditor's responsibility

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

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

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

Highlighting certain facts

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

1. The Company presents financial instruments - derivatives in the Notes 6.4.1.). As of the date of the book closing, these derivatives were evaluated by an external company using the principle of assessing the present value of all the cash flows and of the given instrument. The change in their real value together with its influence on the economic result was reported in accordance with International Accounting Standards IAS 39 Financial Instruments.

2. The Company carries out important transactions with related parties presented in Note 17 to the Financial Statements. Information on economic relations with the related parties together with liabilities and receivables towards these parties were disclosed in accordance with IAS 24 Related Parties Disclosures.

Opinion

In our opinion, the Financial Statements present a faithful and objective overview of the financial situation of Železničná spoločnosť Slovensko a.s., Rožňavská 1, 832 72 Bratislava as of 31 December 2010, as well as the economic results for the year then ended, in accordance with the International Financial Reporting Standards as adopted by the EU.

Žilina, June 2, 2011

[round stamp
Slovak Chamber of Auditors
Data Eko Audit Consult, Ltd,
Licence No.39, ŽILINA]

Data Eko Audit Consult Žilina, Ltd
Háľkova 3
Licence SKAU č. 39
Commercial Register of the District Court of Žilina
Section: Sro, Entry No.: 1288/L

[Signature in hand]
Responsible Auditor
Ing. Viera Jancová
Licence SKAU č. 189

ANNEX – INDIVIDUAL FINANCIAL STATEMENTS OF ZSSK FOR 2010

The Annual Report is annexed with the Individual Financial Statements of ZSSK compiled pursuant to the International Financial Reporting Standards (IAS/IFRS) as of December 31, 2010.

