

ANNUAL REPORT

of Železničná spoločnosť Slovensko, a.s.

2011



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2011

In Bratislava, on 23 July 2012

For and on behalf of Ing. Pavol Gábor,
the company: Chairman of the Board of Directors of ZSSK

Ing. Ľubomír Húška
Vice Chairman of the Board of Directors of ZSSK

AUDITOR'S REPORT ON THE ANNUAL REPORT



Ernst & Young Slovakia, spol. s r.o.
Hodžovo námestie 1A
811 06 Bratislava
Slovenská republika
Tel: +421 2 3333 9111
Fax: +421 2 3333 9222
www.ey.com/sk

Dodatok správy audítora o overení súladu výročnej správy s účtovnou závierkou v zmysle zákona č. 540/2007 Z.z. § 23 odsek 5

Akcionárom spoločnosti Železničná spoločnosť Slovensko, a.s.:

- I. Overili sme účtovnú závierku spoločnosti Železničná spoločnosť Slovensko, a.s. („Spoločnosť“) k 31. decembru 2011, uvedenú vo výročnej správe Spoločnosti. K uvedenej účtovnej závierke sme dňa 23. júla 2012 vydali správu audítora v nasledujúcom znení:

Správa nezávislého audítora

Akcionárom spoločnosti Železničná spoločnosť Slovensko, a.s.

Uskutočnili sme audit priloženej individuálnej účtovnej závierky spoločnosti Železničná spoločnosť Slovensko, a.s. („Spoločnosť“), ktorá obsahuje výkaz finančnej pozície k 31. decembru 2011 a výkazy komplexného výsledku, zmien vo vlastnom imaní a peňažných tokov za rok, ktorý sa k uvedenému dátumu skončil, a sumarizáciu významných účtovných zásad a poznámky.

Zodpovednosť štatutárneho orgánu za účtovnú závierku

Štatutárny orgán je zodpovedný za zostavenie a prezentáciu tejto účtovnej závierky, ktorá poskytuje pravdivý a verný obraz v súlade s Medzinárodnými štandardmi finančného výkazníctva prijatými v EÚ a za interné kontroly, ktoré štatutárny orgán považuje za potrebné na zostavenie účtovnej závierky, ktorá neobsahuje významné nesprávnosti z dôvodu podvodu alebo chyby.

Zodpovednosť audítora

Našou zodpovednosťou je vyjadriť názor na túto účtovnú závierku na základe nášho auditu. Audit sme uskutočnili v súlade s Medzinárodnými auditorskými štandardmi. Podľa týchto štandardov máme dodržiavať etické požiadavky, naplánovať a vykonať audit tak, aby sme získali primerané uistenie, že účtovná závierka neobsahuje významné nesprávnosti.

Súčasťou auditu je uskutočnenie postupov na získanie auditorských dôkazov o sumách a údajoch vykázaných v účtovnej závierke. Zvolené postupy závisia od úsudku audítora, vrátane posúdenia nízk významnej nesprávnosti v účtovnej závierke, či už v dôsledku podvodu alebo chyby. Pri posudzovaní tohto rizika audítor berie do úvahy interné kontroly relevantné pre zostavenie účtovnej závierky Spoločnosti, ktorá poskytuje pravdivý a verný obraz, aby mohol navrhnuť auditorské postupy vhodné za daných okolností, nie však za účelom vyjadrenia názoru k účinnosti interných kontrol Spoločnosti. Audit ďalej zahŕňa vyhodnotenie vhodnosti použitých účtovných zásad a účtovných metód a primeranosti účtovných odhadov, ktoré urobil štatutárny orgán, ako aj vyhodnotenie celkovej prezentácie účtovnej závierky.

Sme presvedčení, že auditorské dôkazy, ktoré sme získali, poskytujú dostačujúci a primeraný základ pre náš názor.

Názor

Podľa nášho názoru individuálna účtovná závierka poskytuje pravdivý a verný obraz finančnej situácie Spoločnosti k 31. decembru 2011 a výsledok jej hospodárenia a peňažné toky za rok končiaci k uvedenému dátumu sú v súlade s Medzinárodnými štandardmi finančného výkazníctva prijatými v EÚ.



Iná skutočnosť

Audit individuálnej účtovnej závierky Spoločnosti Železničná spoločnosť Slovensko, a.s. za rok končiaci k 31. decembru 2010 vykonal iný audítor, ktorý 2. júna 2011 vyjadril k tejto účtovnej závierke nepodmienený názor s odsekom zdôrazňujúcim skutočnosť.

23. júla 2012

Bratislava, Slovenská republika

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Ing. Peter Uram-Hrišo
Licencia UDVA č. 996

- II. Overili sme tiež súlad výročnej správy s vyššie uvedenou účtovnou závierkou. Za správnosť zostavenia výročnej správy je zodpovedný štatutárny orgán Spoločnosti. Našou úlohou je vydať na základe nášho overenia názor o súlade výročnej správy s účtovnou závierkou.

Overenie sme vykonali v súlade s Medzinárodnými auditorskými štandardmi. Tieto štandardy požadujú, aby audítor naplánoval a vykonal overenie tak, aby získal primeranú istotu, že účtovné informácie uvedené vo výročnej správe, ktoré sú získané z účtovnej závierky, sú vo všetkých významných súvislostiach v súlade s touto účtovnou závierkou. Informácie uvedené vo výročnej správe sme posúdili s informáciami uvedenými v účtovnej závierke k 31. decembru 2011. Iné údaje a informácie, ako účtovné informácie získané z uvedenej účtovnej závierky a účtovných kníh Spoločnosti sme neoverovali. Sme presvedčení, že vykonané overovanie poskytuje primeraný podklad pre vyjadrenie názoru audítora.

Podľa nášho názoru sú účtovné informácie uvedené vo výročnej správe vo všetkých významných súvislostiach v súlade s účtovnou závierkou Spoločnosti k 31. decembru 2011, a sú v súlade so zákonom o účtovníctve č. 431/2002 Z.z. v znení neskorších predpisov.

23. júla 2012

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**Annex to 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)**

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

I. We have audited the Financial Statements of Železničná spoločnosť Slovensko, a.s., (the Company) as at 31 December 2011 annexed to the Annual Report. On 23 July 2012 we issued the Auditor's Report on the above-mentioned Financial Statements as follows:

Independent Auditor's Report

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

We have audited the accompanying Individual Financial Statements of the joint-stock company Železničná spoločnosť Slovensko, a.s., containing the Statement of Financial Position reported as at 31 December 2011, Statements 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 other explanatory notes.

Responsibility of the Statutory Body for the Financial Statements

The Statutory Body is responsible for elaboration and true and faithful presentation of these Financial Statements in compliance with the International Financial Reporting Standards as adopted by the EU, and for internal control seen necessary by the Statutory Body for elaboration of the Financial Statements, which shall not contain material inconsistencies whether due to fraud or mistake.

Auditor's responsibility

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

The audit comprises undertaking steps in order to obtain audit evidence on amounts and the data stated in the Financial Statements. The chosen methods depend on the decision of the auditor, as well as the risk assessment as regards serious inconsistencies in the Financial Statements, either due to fraud or mistake. When assessing this risk the auditor considers the internal control relevant for preparation of the Financial Statements, which shall provide a true and faithful image of the situation, 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 Company. Furthermore, the audit consists of evaluation of suitability of the applied accounting principles and accounting methods, and adequateness of accounting estimates stated by the Statutory Body, as well as assessment of the overall presentation of the Financial Statements.

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

Opinion

In our opinion, the Individual Financial Statements present a faithful and objective overview of the financial situation of the Company as at 31 December 2011, as well as the economic results and financial flows for the year then ended, in accordance with the International Financial Reporting Standards as adopted by the EU.

Other facts

Audit of the Individual Financial Statements of Železničná spoločnosť Slovensko, a.s. for the year ended on 31 December 2010 was carried out by a different auditor who on 2 June 2011 expressed an unconditioned opinion on these Financial Statements concerning a paragraph emphasizing the reality.

II. We have also audited the consistency of the Annual Report with the aforementioned Financial Statements. The accuracy of the Annual Report's presentation is the responsibility of the Company's Statutory Body. Our responsibility is to issue an opinion on consistency of the Annual Report with the Financial Statements based on our audit.

We conducted our audit in accordance with the International Standards on Auditing. Those standards require that the Auditor plan and perform the audit so as to acquire sufficient assurance that the information disclosed in the Annual Report and presented in the Financial Statements is consistent, in all material respects, with the relevant Financial Statements. We assessed the consistency of the information presented in the Annual Report with the information presented in the Financial Statements as at 31 December 2011. We have not audited any data or information other than the financial information obtained from the Financial Statements and accounting ledgers. We believe that the auditing evidence that we obtained is sufficient as a basis for expressing our opinion.

In our opinion all financial information presented in the Annual Report is consistent in all material respects with the Financial Statements of the Company as at 31 December 2011 and in compliance with Act no. 431/2002 Coll. on accounting as amended.

On 23 July 2012
Bratislava, Slovak Republic

Ernst & Young Slovakia, spol. s r.o.
Licence SKAU no. 257

Ing. Peter Uram-Hrišo
Licence UDVA no. 996

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

Dear customers and business partners,

If I were to write an apt characterisation of the last year, a few words would be enough – revitalisation, renewal of the rolling stock fleet, and business loss.

Revitalisation means the Revitalisation Programme concerning the railway undertakings adopted in March by the Slovak Government. A significant conclusion of the Programme for Železničná spoločnosť Slovensko was acknowledgement of uncovered loss from contracts on public services between 2004 and 2010 and their gradual payment by the end of 2013. The Programme also established a financial framework for further periods where passenger transport services will be delivered by railway and defined a whole series of measures and tasks with the aim to proceed step by step to balanced economic results of ZSSK. The Programme, however, did not deal with funding of investments and existing financial loans from EUROFIMA.

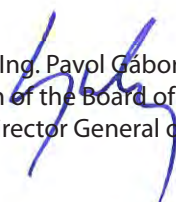
Renewal of the rolling stock fleet substantially progressed in 2011, in particular thanks to the implemented Project of Renewal which was successfully defended in Brussels the previous year. Overall in 2011, thanks to the Operational Programme Transport funded in a major part from the European Regional Development Fund and the Slovak State Budget, we procured five electric double-deck units, three electric double-deck units of Push-Pull type and two diesel multiple units. Besides, the Company bought and reconstructed twenty-nine passenger coaches and five locomotives. These vehicles indeed bring along a new quality of travelling on Slovak rails. All we have to add is a good timetable, and professional and willing services of our personnel.

Business loss, which was higher than planned, is related to the fact that we were not able to implement fully certain tasks stipulated by the Revitalisation Programme. There was a two-month postponement of the planned reduction of services by 2.2 million train-km, and this reduction was further diminished to 1.1 million train-km, to which a part of the planned savings on costs was bound. Given the prepared intention to buy buildings for technical and hygienic maintenance, we also failed to fulfil the employment optimisation plans. Savings in a whole series of cost items did not help to keep the plan. In the autumn last year, after eight years, the Company had to adopt an unpopular increase in fare by almost 10 % on average. This increase, together with reduction of services, was reflected in a decline of transported passengers, even if overall the Company transported more passengers in 2011 compared to 2010.

At the time when the results of 2011 are evaluated, **the year 2012 is fully under way**. It has not been an easy year as regards the objectives of the Revitalisation Programme. It has not been easy because our contracting authority – the Ministry of Transport – reduced the volume of transport services it buys from our Company by 6.5 % in order to liberalise the internal passenger railway market. It has not been easy because at the end of last year our Company decided to carry out domestic Intercity trains on a commercial basis without any subsidies, which means that the trains have to earn their own operation. A great challenge of 2012, however, has been the task regarding management of repair and maintenance services for our rolling stock which was added to the portfolio of the services at the beginning of the year. This challenge requires a maximum effort of all engaged parties in order to fulfil the aim which is no less than a substantial improvement of the condition of vehicles serving passengers across Slovakia. This year we have to cope with several tasks and they are not small tasks at all. However, there are enough of us to do it. Almost six thousand employees of our Company represent quite a force. And this force can do it.

To conclude, I would like to thank all Company employees for their good work last year, and thank our customers who remain faithful to railway even if we are not always able to deliver what they expect, and thank to our business partners for services that help us fulfil our mission – to offer trains for people.

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



COMPANY PROFILE

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

Company ID no.: 35 914 939
VAT registration no.: SK 2021920076

Established on: 13th December 2004

Capital stock: 212,441 mil. EUR

ZSSK is a joint-stock company with the seat in the Slovak Republic (SR), founded on 13th December 2004 and incorporated into the Companies' Register of the District Court of Bratislava I as of 1st January 2005. Its founder and a 100-percent shareholder is the Slovak Republic, represented by the Ministry of Transport, Construction and Regional Development of the Slovak Republic (MTCRD SR). ZSSK settles its needs and costs from income obtained from its business activities, as well as from foreign resources.

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

The Statutes of the company stipulate the subject of business activities of ZSSK. The core activity is transport of persons on nationwide lines, regional lines and other related activities. The services in passenger transport are delivered in accordance with the State transport policy of the Slovak Republic and are based on the Contract on Passenger Rail Transport Services concluded pursuant to Act of the Slovak National Council no. 514/2009 Coll. on railways as amended, between ZSSK as the transport operator and the State (represented by MTCRD SR) as the contracting authority.

The bodies of the company:

The General Assembly is the supreme body of ZSSK.

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

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

The Director General is an executive body of ZSSK.

BOARD OF DIRECTORS OF ZSSK

Mgr. Pavel KRAVEC

Chairman of the Board of Directors
Director General of ZSSK

16 September 2010 – 25 April 2012

Ing. Jaroslav PAULICKÝ

Vice Chairman of the Board of Directors
Service Division Director

16 September 2010 – 25 April 2012

Ing. Pavol TARCALA

Member of the Board of Directors
Director of Human Resources Department

16 September 2010 – 25 April 2012

Ing. Pavol GÁBOR

Member of the Board of Directors
Economy Division Director

16 September 2010 – 21 February 2011

Ing. Jozef ROJÍK

Member of the Board of Directors
Operation Division Director

16 September 2010 – 21 February 2011

Ing. Viliam MAJDA

Member of the Board of Directors
Director of Strategic Planning Department

16 September 2010 – 21 February 2011

SUPERVISORY BOARD

Ing. Jozef KOVÁČ

Chairman of the Supervisory Board

from 11 October 2010

Ing. Vincent ŠTULLER

Vice Chairman of the Supervisory Board

from 11 October 2010

Ing. Martin MLÝNEK

Member of the Supervisory Board

from 11 October 2010

JUDr. Juraj KAMENCA

Member of the Supervisory Board

from 11 October 2010

Bc. Ján ANDREANIN

Member of the Supervisory Board

from 20 January 2010

Jozef HLAVATÝ

Member of the Supervisory Board

from 20 January 2010

SCOPE OF BUSINESS

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

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

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

- Licence no.0950/2007/L to carry out transport services by rail, based on Decision of the Railway Regulatory Authority no. 5711/2006-ÚRŽD/Sk of 26 January 2007 for an unlimited period of time
- Licence no. 01/2007/ŠD/L to carry out transport on a special line – Detská železnica (Children's Railway) in Košice, issued on 29 May 2007 for an unlimited period of time
- Licence Deed no. OŽP-A/2005/48837-2/CR1 of 12 February 2005, for an unlimited period of time
- Licence Deed no. Žo-2005/12193/2/Z25 of 16 March 2005
- Trade Licence no. OŽP-A/2008/23329-2 of 23 May 2008
- Trade Licence no. Žo-2005/12195/2/Z25 of 16 March 2005
- Decision of the Railway Regulatory Authority no. 2005T 0017 of 31 May 2005 for heat generation, valid for an unlimited period of time
- Authorisation no. E – 72/2008 to carry out inspections, maintenance, repairs, servicing and testing of specific technical devices on electric railway lines, issued on 10 November 2008, valid until 30 November 2011
- Authorisation no. Z-1/2009 to carry out specific activities concerning specific technical equipment - lifting and transport equipment - movable working platforms on passenger coaches, issued on 8 January 2009, valid until 31 January 2012
- Authorisation no. Z - 21/2010 to carry out assembly, repairs, revision and testing of specific technical lifting and transport devices, issued on 27 August 2010, valid until 31 August 2013
- Authorisation no. K – 23/2010 of 23 November 2011, valid until 5 October 2013 to carry out assembly, revision and testing of specific pressure devices
- Authorisation no. E - 67/2011 to carry out specific activities: assembly, repairs, reconstruction, revision and testing of specific technical devices on electric railway lines, issued on 30 November 2011, valid until 30 November 2014

PASSENGER TRANSPORT

During 2011, 45,903.2 thousand passengers were transported by rail, which meant an increase by 2,023.3 thousand passengers against the plan, i.e. fulfilment of the plan in 104.61 %. In comparison with the last year 902.4 thousand passengers more were transported, i.e. a year-to-year increase by 2.01 %, of which:

- domestic transport recorded increase of passengers against the plan by 1,959.5 thousand passengers (+ 4.78 %) and a year-to-year increase by 820.2 thousand passengers (1.95 %),
- international transport recorded increase against the plan by 63.7 thousand passengers (+ 2.21 %) and a year-to-year increase by 82.1 thousand passengers (+ 2.87 %).

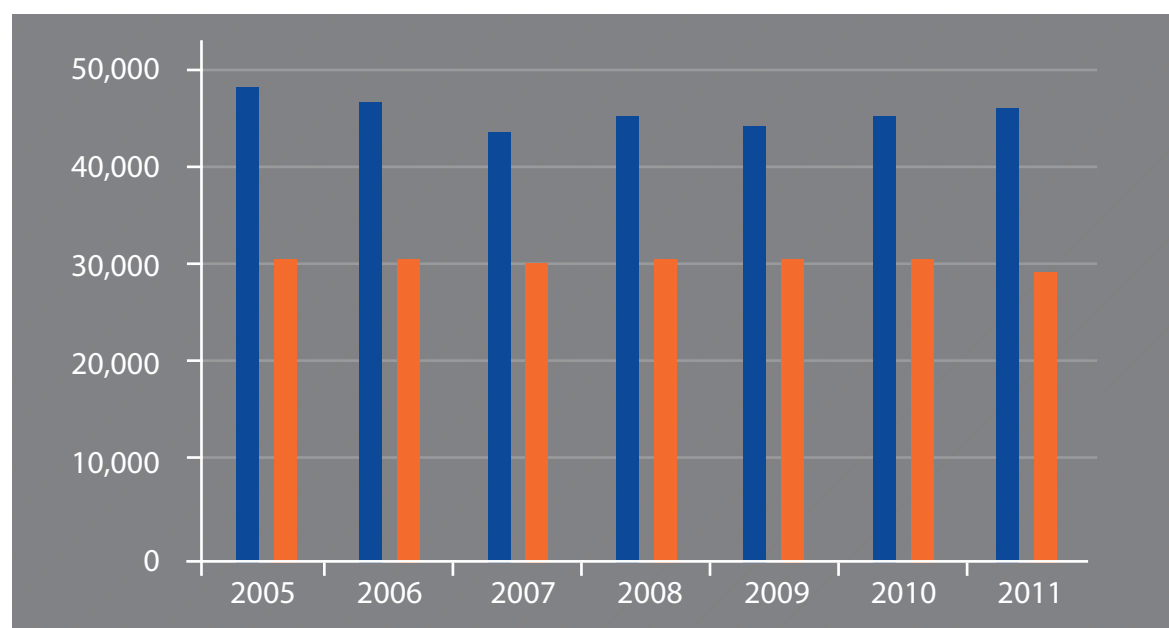
The total transport volume in passenger-kilometres in 2011 amounted to 2,412,886.9 thousand passenger-km, which meant increase by 161,686.9 thousand against the plan (+ 7.18 %). In comparison with the last year the transport volume increased by 121,657.0 thousand passenger-km (+ 5.31%).

The total transport volume (without replacement bus transport) in train-km in 2011 amounted to 31,147,718 train-km, which meant a reduction by 252,282 train-km against the plan (- 0.80 %). In comparison with the last year the transport volume decreased by 738,632 train-km (- 2.32 %)

DEVELOPMENT OF VOLUMES IN PASSENGER TRANSPORT:

Total passenger transport	2005	2006	2007	2008	2009	2010	2011	2011/2010
Transport volume (million passenger-km)	2,166,20	2,194,20	2,147,96	2,278,66	2,249,07	2,291,27	2,412,89	1,053
Passengers (million)	49,054	47,021	45,598	47,184	45,342	45,004	45,903	1,020
Transport volume (million train-km)	31,655	31,853	31,933	31,894	31,891	31,886	31,148	0,977

Note: train-km without replacement bus transport



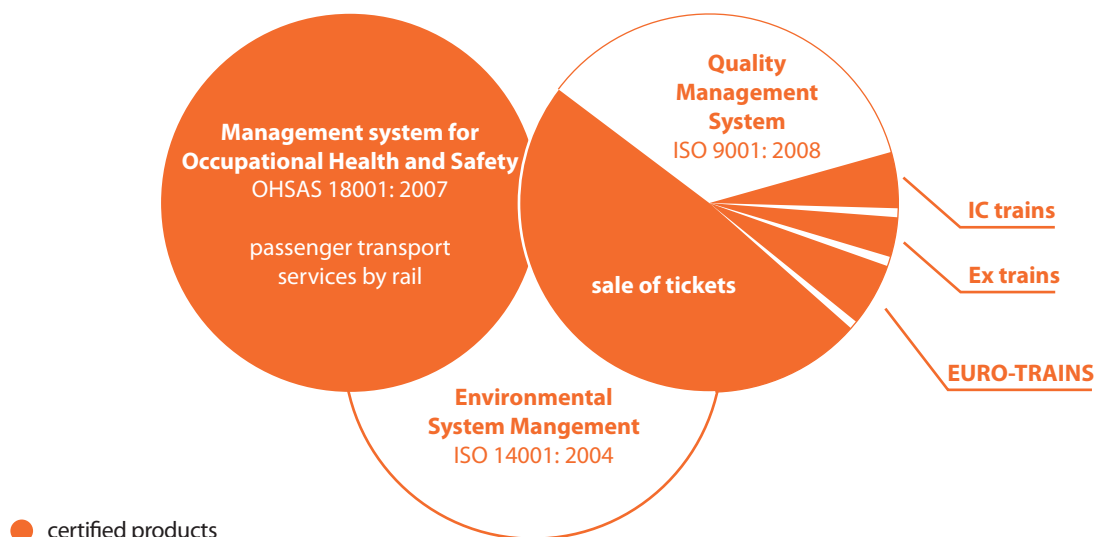
■ Transported passengers (million) ■ Transport volumes (million train-km)

QUALITY MANAGEMENT SYSTEM, CERTIFICATES

Integrated Management System (IMS) has been implemented in ZSSK in terms of the adopted company strategy in gradual steps involving certification of individual products of the company.

At the moment it includes the following certified products:

- Travel documents sale service
- IC trains on the route Bratislava – Žilina – Košice and back
- Ex trains on the route Bratislava – Banská Bystrica and back
- Operation of “EUROVLAKY” train sets pursuant to ISO 9001 : 2008 norm (quality) and a certified Occupational Health and Safety Management System
- Rail passenger transport services pursuant to OHSAS 18001 : 2007 standard (Occupational Health and Safety)



The certification agency BUREAU VERITAS SLOVAKIA, spol. s.r.o. carried out an integrated audit of the management system on 7 to 9 September 2011 with the aim to examine its compliance with the requirements of ISO 9001 : 2008 (on quality) and OHSAS 18001 : 2007 (on occupational health and safety).

Integration of individual IM systems (quality, and occupational health and safety) was evaluated by the external audit in 90 % - “high” with an evident effort of improvement of the system efficiency, in particular in applying new trends in satisfying customer requirements (new planned forms of ticket sale, purchase of new train sets from European funds and own resources, etc.) with a recommendation to maintain the validity of the certificates pursuant to ISO 9001:2000 norm and OHSAS 18001 : 2007 also in the next year.

The full evaluation of the integrated IMS audit described in the „Report on the integrated audit of management system“ prepared by the certification company is available at Strategy Department and at the company site [http://infoserver/zssk/Manažérske systémy/](http://infoserver/zssk/Manažérske_systémy/).



OHSAS 18001:2007



ISO 9001:2008

REPORT ON SERVICE QUALITY PERFORMANCE OF ZSSK

Železničná spoločnosť Slovensko, a. s. an undertaking delivering transport services, puts a great emphasis on enhancing the quality of the offered products and services to our customers, modernisation, innovation and integration of information and communication means and technologies.

We monitor quality of our products, services and processes using several indicators that are collected directly in the process of product and services provision. Based on an analysis of the findings, appropriate measures are implemented in individual areas in order to improve efficiency of the respective processes. At the same time, improvement of processes fulfils the 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.

A detailed report on the activity of ZSSK focusing on service quality in 2011 is available at the official company internet site www.slovakrail.sk/prava-cestujucich

STRATEGIC OBJECTIVES

ZSSK vision

The vision of ZSSK is to become a modern and dynamically developing company which is a leader on domestic market and well established on the liberalised European rail passenger market, governed by the following principles:

PROFESSIONAL APPROACH
QUALITY
ECOLOGY
DYNAMISM

ZSSK Mission

The mission of ZSSK is to transport passengers by rail and deliver transport-related services. Customers of our company include broad public and the State which orders transport services in its territory. Our strength is safety, environmentally friendly aspect of transport, and an effort to continuously enhance the service quality. We strive to provide comfort to passengers and enable them to spend their travelling time in a useful manner.

Goals of ZSSK's strategy

- ➔ To fulfil the needs and expectations of passengers
- ➔ To achieve balanced business results
- ➔ To develop professional quality of our employees as well as the company culture

ZSSK motto

Trains for people

ZSSK Direction

The strategy of ZSSK for 2009 to 2015 is the fundamental document of the company determining the long-term objectives, priorities, tools and resources necessary to achieve the strategic objectives. The task of ZSSK is to provide high-quality, available and integrated railway passenger transport, competitive transport services, user-friendly and ecological transport which is energy-efficient and safe. The strategic objectives result from the vision and focus on the following: finances, customers, organisation and resources, while all steps of ZSSK have to be directed in particular towards ensuring funding of the basic needs, achievement of balanced economy and financial stability, ensuring resources necessary for implementation of planned investments with emphasis on modernisation of rolling stock and increasing of the scope and quality of delivered services. Fulfilment of the strategic objectives will enable ZSSK to provide competitive services on European transport market so that customers will perceive public passenger transport by rail as a modern and attractive transport means.

OWNERSHIP INTERESTS OF ZSSK

As at 31 December 2011

Entity	Number of shares against equities as at 31 December 2011 (pieces)	Share against equities in %	Procurement price of the ownership interest in EUR	As at 31 December 2010 in EUR	As at 31 December 2011 in EUR
EUROFIMA	1,300	0.50 %	5,805,066	4,874,376	5,013,919
Bureau Central de Clearing, s.c.r.l. Brussels (BCC) **	1	0.68 %	1,056	744	744
Total	x	x	5,806,121	4,875,120	5,014,663

BUSINESS RESULTS

The Separate Financial Statements of ZSSK of 2011 are reported pursuant to the International Financial Reporting Standards as adopted by the European Union.

Business result

The business result of ZSSK planned for 2011 was a loss amounting to EUR 7,462 thousand. The actual business result ZSSK achieved a loss of EUR 15,765 thousand.

In thousand EUR	Actual figures in 2010 – modified*	Actual figures in 2011	Difference	Index 2011/2010
Revenues				
Passenger transport and related revenues	96,949	101,778	4,829	1.05
Compensation from Contract on Passenger Rail Transport Services	228,114	204,999	- 23,115	0.90
Other subsidies	3,364	5,779	2,415	1.72
	328,427	312,556	- 15,871	0.95
Costs and expenses				
Consumption and services	- 190,136	- 184,546	5,590	0.97
Personnel costs	- 73,398	- 70,789	2,609	0.96
Depreciation, amortisation and reduced value of tangible assets	- 45,898	- 55,682	- 9,784	1.21
Other operational (costs), revenues, net	2,587	- 2,339	- 4,926	- 0.90
	- 306,845	- 313,356	- 6,511	1.02
Financial (costs) revenues				
Financial revenues	1,347	2,923	1,576	2.17
Financial costs	- 5,588	- 7,038	- 1,450	1.26
Loss from financial derivatives	- 9,483	- 10,522	- 1,039	1.11
	- 13,724	- 14,637	- 913	1.07
Tax costs	- 2,602	- 328	2,274	0.13
Profit/(loss) in the accounting period	5,256	- 15,765	- 21,021	- 3.00
Other comprehensive results:				
Changes in hedging trade of cash flows, net	0	0	0	0
Other comprehensive results in the accounting period	0	0	0	0
Total comprehensive results in the accounting period	5,256	- 15,765	- 21,021	- 3.00

* Modified in compliance with IAS 8

USE OF CONTRACTUAL COMPENSATION FOR TRANSPORT SERVICES IN PUBLIC INTEREST IN 2011

In terms of the Budget Provisions of the Ministry of Finance of the Slovak Republic in 2011 ZSSK was allocated financial means from the State Budget in the amount of EUR 205,000 thousand.

	2010 (in thousand EUR)	2011 (in thousand EUR)
ŽSR - track access charges	55,182	44,722
ŽSR - traction energy	27,009	29,751
ŽSR – other services		10,038
Services purchased from ZSSK CARGO	31,903	39,292
Catering services and sleeping car services	3,805	3,556
Diesel	2,040	3,030
Operational interests	1,259	3,747
Insurance		1,185
Cleaning of coaches	4,314	4,073
Rental		733
Meal vouchers		1,633
Personnel costs = wages + insurance	54,839	63,239
Compensation for services in public interest paid in 2009 and unexpended in 2009	7,743	
Compensation for services in public interest for 2009 and paid in 2010	23,235	
Compensation for services in public interest for 2010 and paid in 2010	149,373	
Total compensation for services in public interest in 2010 and from Contract on Passenger Rail Transport Services in 2011	172,608	205,000

RESEARCH AND DEVELOPMENT

Indicator	in thousand EUR	
	As at 31 December 2010	As at 31 December 2011
Research costs	19	7

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

Studies, outlook technical documentation and scientific and research tasks serve as the first information for strategic and investment decision making, based on analyses and assessments of actual conditions and proposals of possible solutions. Work on technical tasks results in a comprehensive study or project documentation, if necessary also in a prototype.

DATA ON REMUNERATION OF THE STATUTORY AND SUPERVISORY BODIES OF ZSSK

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.

In thousand EUR	2010	2011
Current body members:		
of which: statutory	16	28
supervisory	7	33
Former body members:		
of which: statutory	50	9
supervisory	14	
Total remuneration	87	69

SIGNIFICANT EVENTS AFTER THE DATE OF FINANCIAL ASSETS STATEMENT

In its Resolution no. 188 of 16 March 2011 the Government of the Slovak Republic adopted the Programme of revitalisation of the railway undertakings which, besides other, stipulates removal of the consequences of historical division of the property belonging to the railway undertakings by transferring a certain part related to repairs and maintenance of rolling stock from ZSSK CARGO to ZSSK.

Based on the Governmental Resolution, on 11 August 2011 the Ministry of Transport, Construction and Regional Development of the Slovak Republic adopted the Decision of the Shareholder no. 89/RA-2011 to empower the contracting parties to start the preparations for transfer of the property.

MTCRD SR, as the sole shareholder of the contracting parties and acting as the General Assembly, decided on 27 January 2012 to sell the property serving for repairs and maintenance of rolling stock from ZSSK CARGO to ZSSK.

Based on the decision the movable and immovable assets serving for rolling stock repairs and maintenance were transferred for remuneration. On 1 February 2012 the Contract on sale of assets as a transfer for remuneration concerning the ownership rights to assets in the value of EUR 47,910 thousand and the Contract on sale of rolling stock in the value of EUR 2,109 thousand were concluded.

HUMAN RESOURCES

The planned number of employees as at 31 December 2011 was 4,785. The actual number of employees as at 31 December 2011 amounted to 4,792, which was more by 0.15 % compared to the plan, due to take-over of repair activities in Filákovo. Compared to 2010, 2011 saw a reduction in the recorded number of employees from 5,014 to 4,792, which is less by 4.43%. It was related in particular to the mass dismissal in 2011 in order to ensure efficiency and rationalisation of work in ZSSK.

RECORDED NUMBER OF EMPLOYEES:

	2010	2011
Total no. of ZSSK employees	5,014	4,792
Managing processes	156	127
Business Division	1,118	1,084
Operation Division	3,422	2,844
Economy Division	82	81
Services Division	236	225
Maintenance Division		431

BREAK-DOWN BY SEX:

	2010	2011
Sex of employees	5,014	4,792
Men	3,107	2,930
Women	1,907	1,862

The planned average number of employees pursuant to the "Business Plan of ZSSK for 2011" was 4,928.48. The actual average number of employee in 2011 was 4,862.17, which is less by 66.31 employees compared to the plan.

The average wage in ZSSK in 2011 reached the amount of EUR 856.80. Compared to 2010, the average wage increased by EUR 16.24; which is a growth by 1.9 %.

AGE STRUCTURE OF THE EMPLOYEES IN 2011

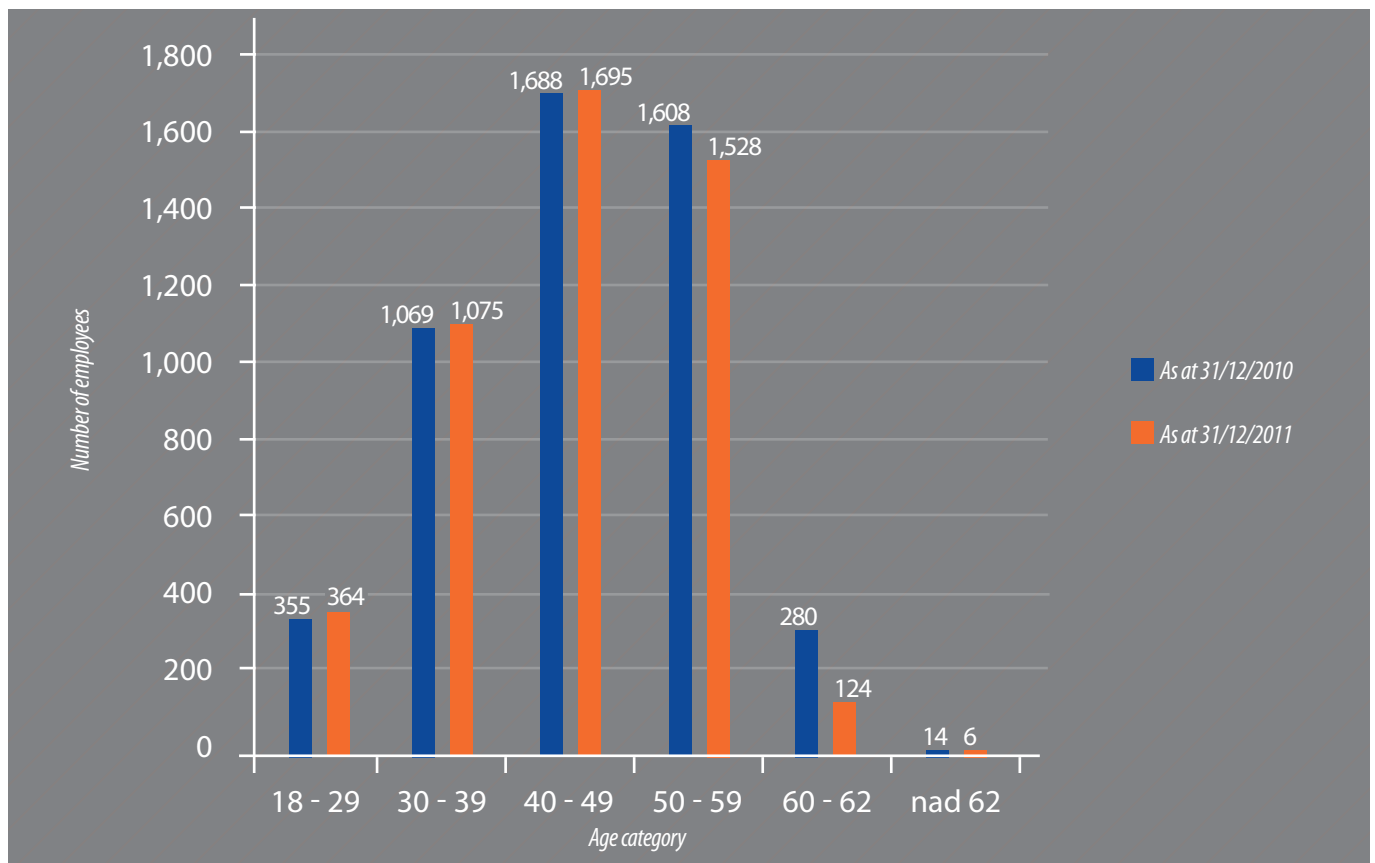
Out of the total number of employees 4,792; 364 were at the age of 29 (7.6 % of the total number), 1,075 employees were at the age of 30 - 39 (22.43 %), 1,695 employees at the age of 40 - 49 (35.37 %), 1,528 employees at the age of 50 - 59 (31.89 %), 124 employees at the age of 60 - 62 (2.59 %) and 6 employees above 62 (0.13 %).

The above data indicate that in 2011 the number of employees in the age categories up to 49 years of age increased, while the number of employees over 50 years of age decreased. The development in 2011 is related, in particular, to the natural reduction of employees during the mass dismissal, mainly premature retirements and normal retirements. Despite the trend of the overall aging of the population and dominance of employees in the post-reproduction and production age (45 - 64 years), the intention of the company for the future is a gradual increase of the employees in the lower age categories.

The average age of the employees of ZSSK as at 31 December 2011 was 45.14 years of age, which is an increase by 0.42 % compared to the average age of 44.95 as at 31 December 2010.

In 2010, out of the total number of 5,014 employees, 355 were at the age below 29, 1,069 employees at the age of 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



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

EDUCATION STRUCTURE OF THE EMPLOYEES IN 2011

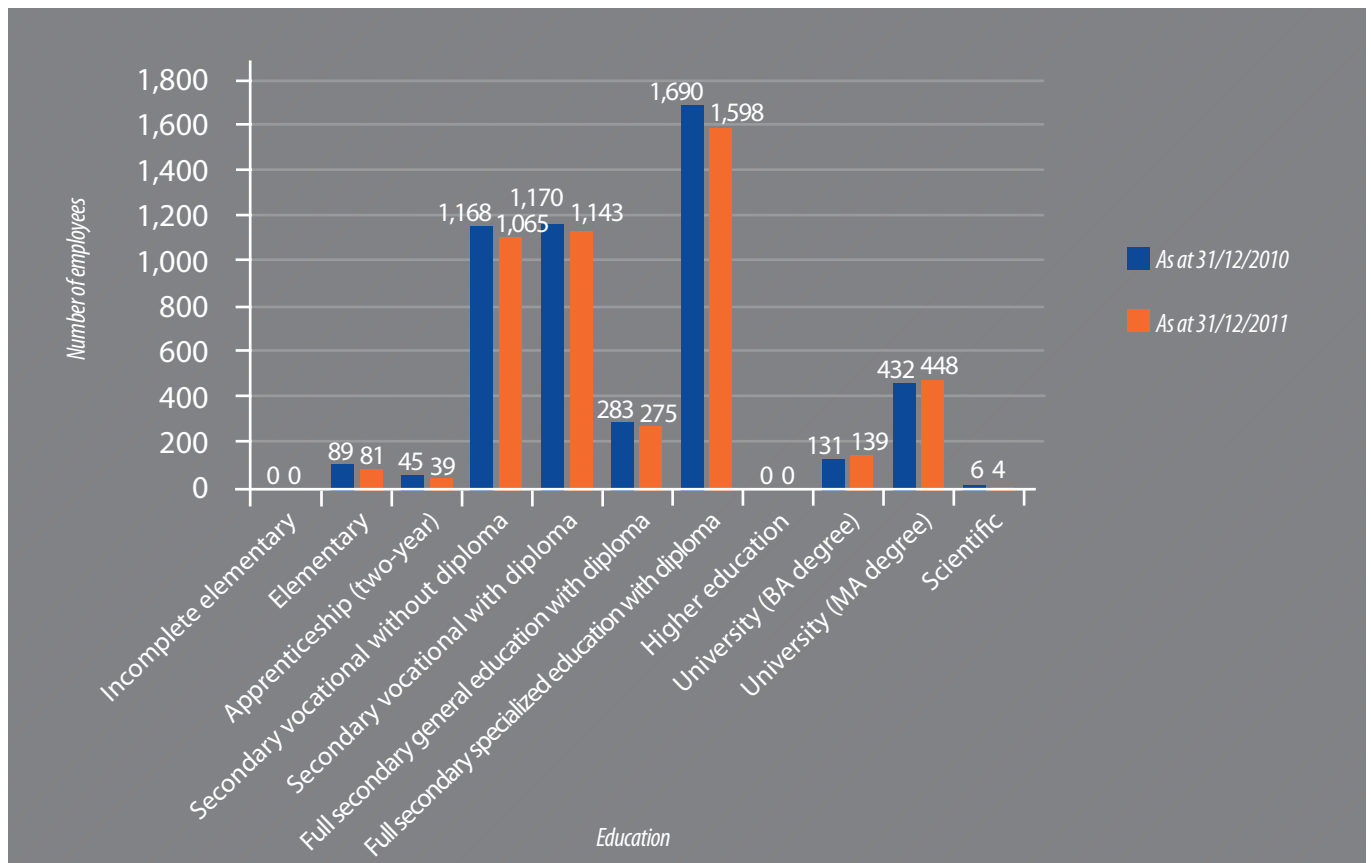
As regards the education structure in 2011, there was a reduction of qualified employees compared to 2010:

- Elementary education by 8 employees
- Apprenticeship (two-year) by 6 employees
- Secondary vocational education without diploma by 103 employees
- Secondary vocational education with diploma by 27 employees
- Full secondary general education with diploma by 8 employees
- Full secondary specialized education with diploma by 92 employees
- Scientific qualification by 2 employees

There was an increase in employees with the following education:

- University education (bachelor's degree) by 8 employees
- University education (master's degree) by 16 employees

EDUCATION STRUCTURE OF ZSSK EMPLOYEES



The major group of employees of ZSSK contains those with full secondary specialized education with diploma in the amount of 1,598 employees (33.35 % of the total number) and the smallest group is represented by 4 employees with a scientific qualification (0.08 %). Out of the total number of employees in the company there are 81 employees with elementary education (1.69 %) and 591 employees with university education (12.33 %). The education structure shows a positive development which corresponds to the long-term strategy of ZSSK in the area of human resources management.

NUMBER AND TYPES OF RECEIVED COMPLAINTS

Customers' complaints and petitions, initial or repeated, 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 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 initial and repeated claims received in 2011: **2,617**

Number of justified (customers') claims	1,817
of which: - Number of claims with external justification	1,172
- Number of claims with internal justification	611

Form of delivery:

- personally	35
- via conventional mail and entered in Complaints Book	1,081
- electronic claims	1,466
- indirect claims, media	32
- other	3

Number of claims by their subject (reasons):

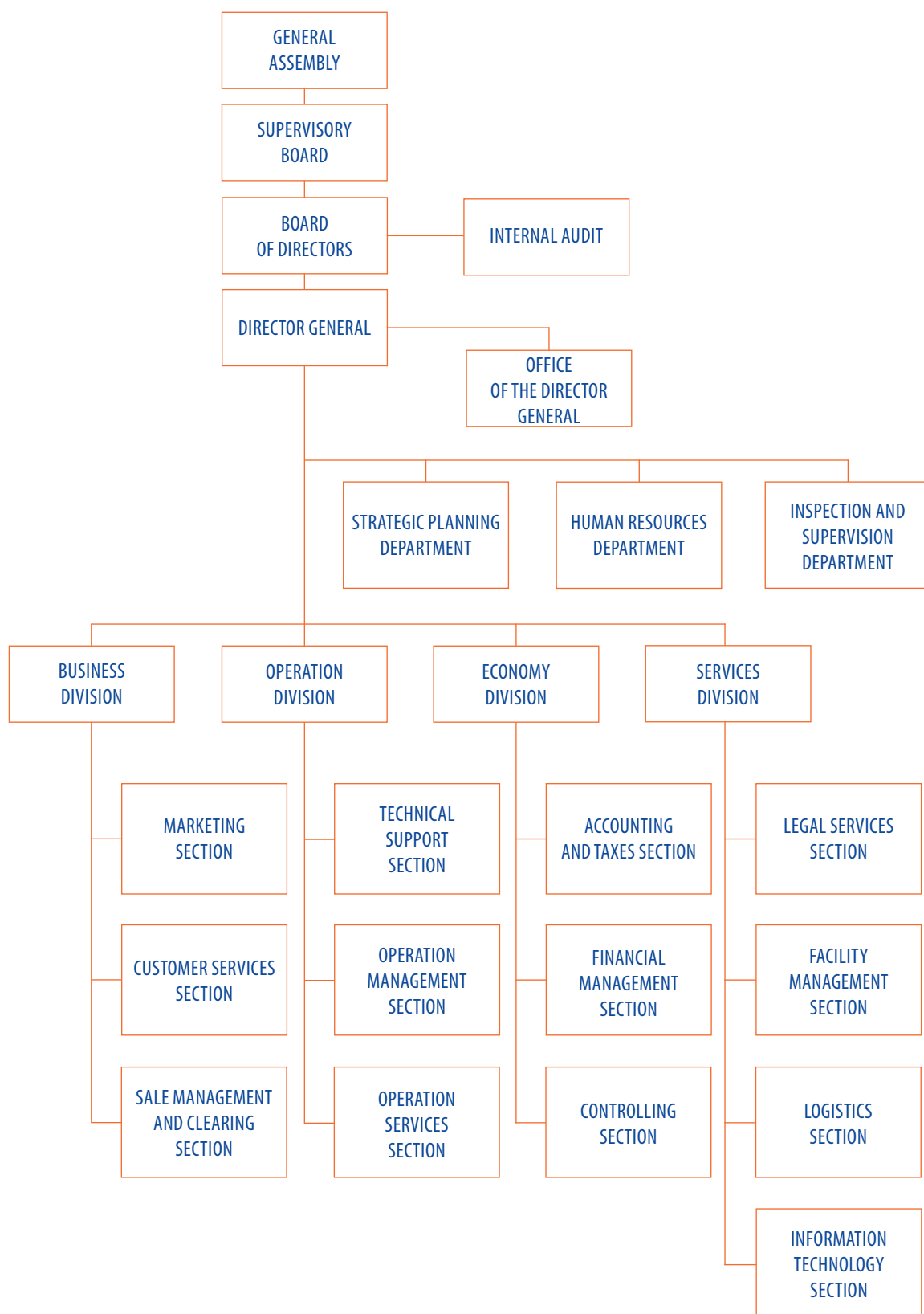
Comfort – quality of transport, cleanliness, toilets, sanitary conditions, heating, Wagon Slovakia etc.	686
Time – duration of train journey pursuant to the timetable due to infrastructure repairs, train delays, missed connections	513
Other – labour and wage relationship, situation in the company, misuse of position	454
Customer care – behaviour of employees towards customers	420
Availability of travel documents – at cash desks, higher frequency, other sale channels, internet tickets, passengers with reduced mobility	225
Information – travel information provided by the front-line employees of ŽSR, ZSSK, Call Centre, provision of specific information during accidents and extraordinary situations	111
Safety and security	49
Serviceability of the rolling stock and infrastructure, operation hours, failures	58
Appreciation for employees of the company	98

The following measures were adopted to remove the shortcomings found out in justified claims:

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

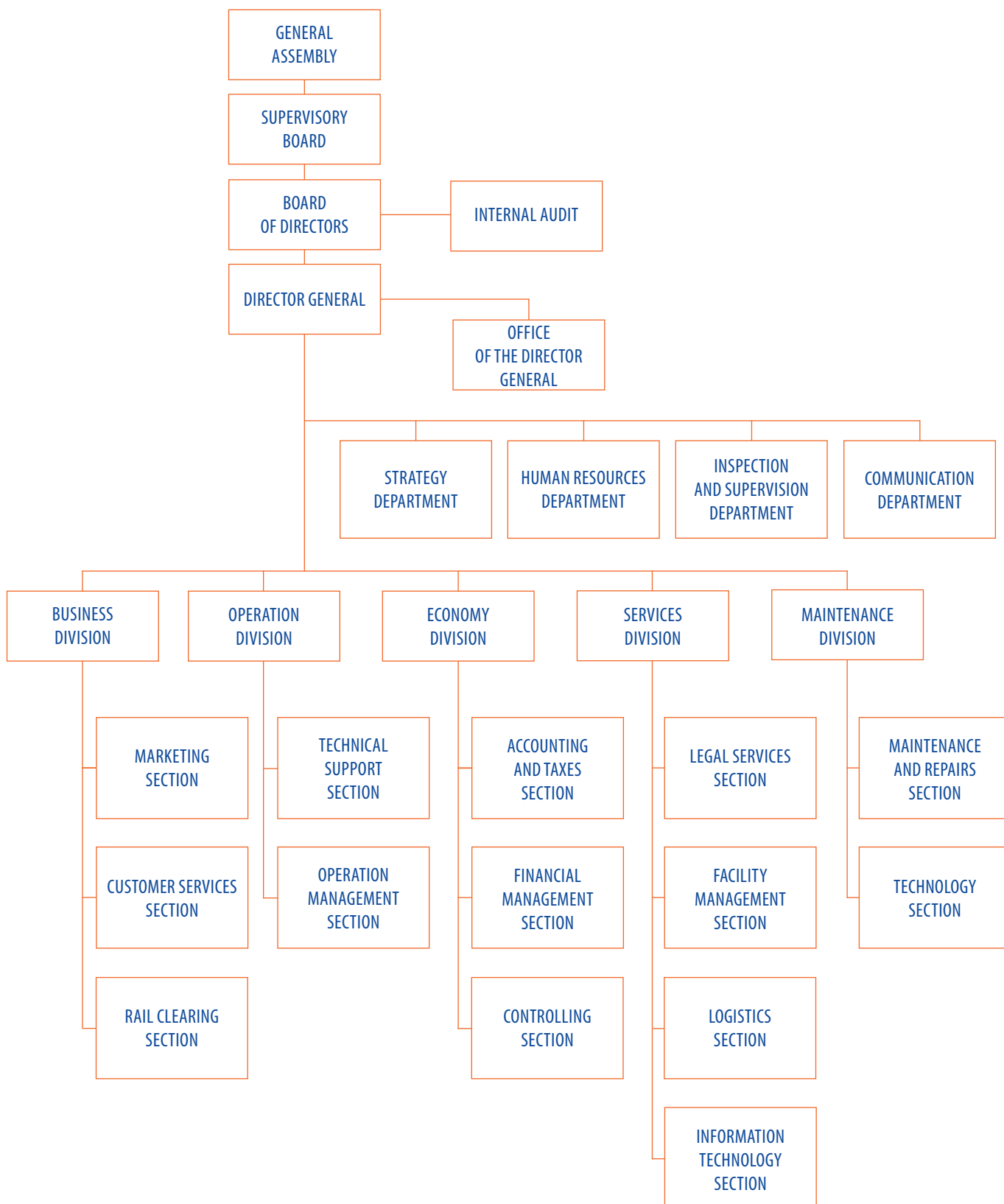
ORGANISATIONAL STRUCTURE OF ZSSK

(FROM 1 JANUARY TO 30 NOVEMBER 2011)



ORGANISATIONAL STRUCTURE OF ZSSK

(FROM 1 DECEMBER 2011)



ORGANISATIONAL UNITS

ZSSK has no organisational units.

LIST OF USED ABBREVIATIONS

Ex	Express train
IC	Intercity (train)
IMS	Integrated Management System
MTCRD SR	Ministry of Transport, Construction and Regional Development of the Slovak Republic
MF SR	Ministry of Finance of the Slovak Republic
ISO norm	Quality norms
OHSAS	Occupational Health and Safety
SM	Management System
SR	Slovak Republic
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 AT 31 DECEMBER 2011



Správa nezávislého audítora

Akcionárom spoločnosti Železničná spoločnosť Slovensko, a.s.

Uskutočnili sme audit priloženej individuálnej účtovnej závierky spoločnosti Železničná spoločnosť Slovensko, a.s. („Spoločnosť“), ktorá obsahuje výkaz finančnej pozície k 31. decembru 2011 a výkazy komplexného výsledku, zmien vo vlastnom imaní a peňažných tokov za rok, ktorý sa k uvedenému dátumu skončil, a sumarizáciu významných účtovných zásad a poznámky.

Zodpovednosť štatutárneho orgánu za účtovnú závierku

Štatutárny orgán je zodpovedný za zostavenie a prezentáciu tejto účtovnej závierky, ktorá poskytuje pravdivý a verný obraz v súlade s Medzinárodnými štandardmi finančného výkazníctva prijatými v EÚ a za interné kontroly, ktoré štatutárny orgán považuje za potrebné na zostavenie účtovnej závierky, ktorá neobsahuje významné nesprávnosti z dôvodu podvodu alebo chyby.

Zodpovednosť audítora

Nášou zodpovednosťou je vyjadriť názor na túto účtovnú závierku na základe nášho auditu. Audit sme uskutočnili v súlade s Medzinárodnými audítorskými štandardmi. Podľa týchto štandardov máme dodržiavať etické požiadavky, naplánovať a vykonať audit tak, aby sme získali primerané uistenie, že účtovná závierka neobsahuje významné nesprávnosti.

Súčasťou auditu je uskutočnenie postupov na získanie audítorských dôkazov o sumách a údajoch vykázaných v účtovnej závierke. Zvolené postupy závisia od úsudku audítora, vrátane posúdenia rizík významnej nesprávnosti v účtovnej závierke, či už v dôsledku podvodu alebo chyby. Pri posudzovaní tohto rizika audítor berie do úvahy interné kontroly relevantné pre zostavenie účtovnej závierky Spoločnosti, ktorá poskytuje pravdivý a verný obraz, aby mohol navrhnúť audítorské postupy vhodné za daných okolností, nie však za účelom vyjadrenia názoru k účinnosti interných kontrol Spoločnosti. Audit ďalej zahŕňa vyhodnotenie vhodnosti použitých účtovných zásad a účtovných metód a primeranosti účtovných odhadov, ktoré urobil štatutárny orgán, ako aj vyhodnotenie celkovej prezentácie účtovnej závierky.

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

Názor

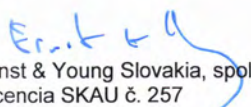
Podľa nášho názoru individuálna účtovná závierka poskytuje pravdivý a verný obraz finančnej situácie Spoločnosti k 31. decembru 2011 a výsledok jej hospodárenia a peňažné toky za rok končiaci k uvedenému dátumu sú v súlade s Medzinárodnými štandardmi finančného výkazníctva prijatými v EÚ.

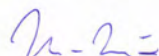


Iná skutočnosť

Audit individuálnej účtovnej závierky Spoločnosti Železničná spoločnosť Slovensko, a.s. za rok končiaci k 31. decembru 2010 vykonal iný audítor, ktorý 2. júna 2011 vyjadril k tejto účtovnej závierke nepodmienený názor s odsekem zdôrazňujúcim skutočnosť.

23. júla 2012
Bratislava, Slovenská republika


Ernst & Young Slovakia, spol. s r.o.
Licencia SKAU č. 257


Ing. Peter Uram-Hrišo
Licencia UDVA č. 996

Independent Auditor's Report

Ernst & Young Slovakia, spol. s r.o.
Hodžovo námestie 1 A
811 06 Bratislava
Slovak Republic
Tel: +421 2 3333 9111
Fax: +421 2 3333 9222
www.ey.com/sk

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

We have audited the accompanying Individual Financial Statements of the joint-stock company Železničná spoločnosť Slovensko, a.s., containing the Statement of Financial Position reported as at 31 December 2011, Statements 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 other explanatory notes.

Responsibility of the Statutory Body for the Financial Statements

The Statutory Body is responsible for elaboration and true and faithful presentation of these Financial Statements in compliance with the International Financial Reporting Standards as adopted by the EU, and for internal control seen necessary by the Statutory Body for elaboration of the Financial Statements, which shall not contain material inconsistencies whether due to fraud or mistake.

Auditor's responsibility

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

The audit comprises undertaking steps in order to obtain audit evidence on amounts and the data stated in the Financial Statements. The chosen methods depend on the decision of the auditor, as well as the risk assessment as regards serious inconsistencies in the Financial Statements, either due to fraud or mistake. When assessing this risk the auditor considers the internal control relevant for preparation of the Financial Statements, which shall provide a true and faithful image of the situation, 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 Company. Furthermore, the audit consists of evaluation of suitability of the applied accounting principles and accounting methods, and adequateness of accounting estimates stated by the Statutory Body, as well as assessment of the overall presentation of the Financial Statements.

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

Opinion

In our opinion, the Individual Financial Statements present a faithful and objective overview of the financial situation of the Company as at 31 December 2011, as well as the economic results and financial flows for the year then ended, in accordance with the International Financial Reporting Standards as adopted by the EU.

Other facts

Audit of the Individual Financial Statements of Železničná spoločnosť Slovensko, a.s. for the year ended on 31 December 2010 was carried out by a different auditor who on 2 June 2011 expressed an unconditioned opinion on these Financial Statements concerning a paragraph emphasizing the reality.

On 23 July 2012
Bratislava, Slovak Republic

Ernst & Young Slovakia, spol. s r.o.
Licence SKAU no. 257

Ing. Peter Uram-Hrišo
Licence UDVA no. 996

ANNEX

SEPARATE FINANCIAL STATEMENTS OF ZSSK FOR 2011

The Annual Report is annexed with the Separate Financial Statements of ZSSK reported pursuant to the International Financial Reporting Standards as adopted by the European Union as at 31 December 2011.

2011



ŽELEZNIČNÁ SPOLOČNOSŤ SLOVENSKO

