ŽELEZNIČNÁ SPOLOČNOSŤ SLOVENSKO

2012

# FINANCIAL STATEMENTS

# FINANCIAL STATEMENTS

ŽELEZNIČNÁ SPOLOČNOSŤ SLOVENSKO, A. S.

SEPARATE FINANCIAL STATEMENTS PREPARED
IN ACCORDANCE WITH THE INTERNATIONAL
FINANCIAL REPORTING STANDARDS

AS ON 31 DECEMBER 2012

Bratislava, 19 April 2013

**Ing. Pavol Gábor**

Chairman of the Board of Directors

**Ing. Ľubomír Húska**

Vice Chairman of the Board of Directors

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## NOTES TO THE SEPARATE FINANCIAL STATEMENTS

# STATEMENT OF FINANCIAL POSITION

## AS ON 31 DECEMBER 2012

| *(in thousand EUR)* | Note | 31 December 2012 | 31 December 2011 |
|---|---|---|---|
| **ASSETS** | | | |
| **Long-term assets** | | | |
| Long-term tangible assets | 4 | **733,945** | **603,848** |
| Investments into real estates | 4 | **653** | **653** |
| Long-term intangible assets | 5 | **4,829** | **4,007** |
| Financial assets | 6 | **5,050** | **5,015** |
| Long-term receivables resulting from the Contract on Passenger Rail Transport Services | 22 | **0** | **80,634** |
| Other long-term assets | 7 | **986** | **1,658** |
| | | **745,463** | **695,815** |
| **Current assets** | | | |
| Inventories | 8 | **7,575** | **3,240** |
| Trade receivables and other receivables | 9 | **27,818** | **30,530** |
| Receivables resulting from the Contract on Passenger Rail Transport Services | 22 | **16,178** | **70,537** |
| Financial means and financial equivalents | 10 | **31,379** | **20,277** |
| | | **82,950** | **124,584** |
| **Held-for-sale assets** | 4 | **1,015** | **423** |
| **TOTAL ASSETS** | | **829,428** | **820,822** |
| | | | |
| **EQUITY AND LIABILITIES** | | | |
| **Shareholders' equity** | | | |
| Share capital | 11 | **212,441** | **212,441** |
| Statutory reserve fund | 11 | **24,118** | **24,118** |
| Other funds | 11 | **-33,622** | **-33,622** |
| Unpaid loss | 11 | **-24,147** | **-8,382** |
| Profit / (loss) in the reporting period | 11 | **- 11,272** | **-15,765** |
| **Total shareholders' equity** | | **167,518** | **178,790** |
| **Long-term liabilities** | | | |
| Long-term financial aid | 12 | **109,706** | **119,706** |
| Interest-bearing loans and borrowings | 13 | **103,015** | **28,204** |
| Employee benefits | 14 | **9,040** | **6,794** |
| Reserves | 15 | **6,459** | **2,186** |
| Financial derivatives | 16 | **39,535** | **40,431** |
| Deferred tax | 20 | **11,738** | **10,858** |
| Other long-term liabilities | 17, 23 | **164,227** | **109,360** |
| | | **443,720** | **317,539** |
| **Short-term liabilities** | | | |
| Short-term financial aid | 12 | **10,000** | **7,244** |
| Interest-bearing loans and borrowings | 13 | **89,323** | **211,530** |
| Employee benefits | 14 | **690** | **554** |
| Reserves | 15 | **5,567** | **1,355** |
| Trade liabilities and other liabilities | 18, 23 | **112,610** | **103,810** |
| | | **218,190** | **324,493** |
| **Total liabilities** | | **661,910** | **642,032** |
| **TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES** | | **829,428** | **820,822** |

# STATEMENT OF COMPREHENSIVE INCOME

## FOR THE YEAR ENDED ON 31 DECEMBER 2012

| *(in thousand EUR)* | Note | 31 December 2012 | 31 December 2011 |
|---|---|---|---|
| **Revenues** | | | |
| Transport of passengers and related revenues | 21 | **111,880** | **101,778** |
| Subsidies resulting from the Contract on Passenger Rail Transport Services | 22 | **217,508** | **204,999** |
| Other subsidies | 23 | **10,731** | **5,779** |
| | | **340,119** | **312,556** |
| **Costs and expenses** | | | |
| Consumption and services | 25 | **-184,194** | **-184,546** |
| Personnel costs | 26 | **-90,108** | **-70,789** |
| Depreciation, amortisation and impairment of tangible assets | 4,5 | **-64,814** | **-55,682** |
| Other net operating (costs) revenues | 24 | **-652** | **-2,339** |
| | | **-339,768** | **-313,356** |
| **Financial (costs) revenues** | | | |
| Financial income | 27 | **3,339** | **2,923** |
| Financial costs | 28 | **-7,667** | **-7,038** |
| Loss from financial derivatives | 29 | **-6,409** | **-10,522** |
| | | **-10,737** | **-14,637** |
| Tax costs | 20 | **-886** | **-328** |
| **Profit / (loss) in the reporting period** | | **-11,272** | **-15,765** |
| Other comprehensive income: | | **0** | **0** |
| Changes in cash flow hedge, net | | | |
| Other comprehensive income in the reporting period | | **0** | **0** |
| **Total comprehensive income in the reporting period** | | **-11,272** | **-15,765** |

# STATEMENT OF CHANGES IN EQUITY

## FOR THE YEAR ENDED ON 31 DECEMBER 2012

| *(in thousand EUR)* | Share capital | Statutory reserve fund | Other funds | Unpaid loss | Profit / (loss) in the reporting period | Total |
|---|---|---|---|---|---|---|
| **As on 1 January 2011** | **212,441** | **23,627** | **-33,622** | **-13,147** | **5,256** | **194,555** |
| Profit / (loss) in the reporting period | 0 | 0 | 0 | 0 | -15,765 | -15,765 |
| Other comprehensive income | 0 | 0 | 0 | 0 | 0 | **0** |
| Total comprehensive income | 0 | 0 | 0 | 0 | **-15,765** | **-15,765** |
| Profit distribution | 0 | 491 | 0 | 4,765 | -5,256 | 0 |
| **As on 31 December 2011** | **212,441** | **24,118** | **-33,622** | **-8,382** | **-15,765** | **178,790** |
| Profit / (loss) in the reporting period | 0 | 0 | 0 | 0 | -11,272 | **-11,272** |
| Other comprehensive income | 0 | 0 | 0 | 0 | 0 | **0** |
| Total comprehensive income | 0 | 0 | 0 | 0 | -11,272 | **-11,272** |
| Profit distribution | 0 | 0 | 0 | -15,765 | 15,765 | **0** |
| **Final balance as on 31 December 2012** | **212,441** | **24,118** | **-33,622** | **-24,147** | **-11,272** | **167,518** |

# STATEMENT OF CASH FLOW

## FOR THE YEAR ENDED ON 31 DECEMBER 2012

| *(in thousand EUR)* | Note | 31 December 2012 | 31 December 2011 |
|---|---|---|---|
| **Operation income** | | **460,326** | **373,284** |
| Income from main activity | | 156,761 | 129,804 |
| Compensation for services in the public interest | 22 | 355,833 | 204,999 |
| Other income | | 14,498 | 8,300 |
| Income from international clearing | | 1,321 | 779 |
| Income from operating loans | | -68,087 | 29,402 |
| **Operation costs** | | **-321,203** | **-295,475** |
| Costs on material | | -35,929 | -24,617 |
| Costs on services | | -198,492 | -195,353 |
| Track access charges | | -61,308 | -62,583 |
| Wages and other labour costs | | -84,450 | -71,094 |
| Insurance | | -2,332 | -4,411 |
| **Received interests** | | **2** | **11** |
| **Paid interests** | | **-2,780** | **-3,747** |
| **Dividends +/-** | | **0** | **0** |
| **Income tax +/-** | | **-6** | **0** |
| **CASH FLOW FROM OPERATING ACTIVITY** | | **136,339** | **74,073** |
| Income from sale of long-term assets | | 1 | 86 |
| State budget subsidies on investments | | 0 | 0 |
| Investment subsidies from EU Structural Funds | 23 | 67,020 | 65,508 |
| Purchase of long-term assets | | -195,580 | -108,615 |
| **CASH FLOW FROM INVESTMENT ACTIVITY** | | **-128,559** | **-43,021** |
| **Financial income** | | **100,781** | **50,711** |
| Income from bank loans | | 94,155 | 47,557 |
| Income from loans | | 0 | 0 |
| Other financial income | | 6,626 | 3,154 |
| **Financial costs** | | **-94,500** | **-59,451** |
| Costs on bank loans | | -73,497 | -35,335 |
| Costs on instalments of loans | | -7,243 | -13,000 |
| Costs on settlement of liabilities from leasing | | 0 | 0 |
| Other financial costs | | -13,760 | -11,116 |
| **Paid interests** | | **-2,959** | **-3,104** |
| **CASH FLOW FROM FINANCIAL ACTIVITY** | | **3,322** | **-11,844** |
| **Net increase (decrease) of financial means and financial equivalents** | | **11,102** | **-19,208** |
| **Financial means and financial equivalents as on 1 January** | 10 | **20,277** | **1,069** |
| **Financial means and financial equivalents as on 31 December** | 10 | **31,379** | **20,277** |

# NOTES TO THE SEPARATE FINANCIAL STATEMENTS

FOR THE YEAR ENDED ON 31 DECEMBER 2012

## 2 GENERAL INFORMATION

### INFORMATION ON THE COMPANY

Železničná spoločnosť Slovensko, a.s. ("ZSSK" or the "Company"), a joint-stock company registered in the Slovak Republic was founded on 13 December 2004 as one of the two successor companies of Železničná spoločnosť, a.s. (ŽS). On 1 January 2005 the Company was entered into the Companies´ Register of the District Court of Bratislava I, Section Sa, Entry no. 3497/B, company ID no. 35 914 939, tax registration no. 20 219 200 76.

The exclusive owner (a sole shareholder) of the Company is the State. The rights of the State as the shareholder are executed by the Ministry of Transport, Construction and Regional Development of the Slovak Republic (MTCRD SR) with the seat at Námestie slobody 6, 811 06 Bratislava. The Company is not part of any consolidated entity. The Company does not figure as an associate partner with unlimited liability in any other company.

The predecessor of the Company, ŽS, was founded on 1 January 2002 by being split from and overtaking a part of the railway company Železnice Slovenskej republiky (ŽSR) when it took over responsibility for provision of freight and passenger railway transport and transport services within Slovakia, while ŽSR remained in charge of the railway infrastructure. ŽS was dissolved without liquidation with effectiveness as of 31 December 2004. After its split-up it was replaced by two newly established successor companies: ZSSK for passenger transport and transport services, and Železničná spoločnosť Cargo Slovakia, a.s. (ZSSK CARGO) for freight transport and transport services.

### MAIN ACTIVITIES

The Company as an operator of transport by rail provides for transport services in compliance with the interests of the State transport policy and market demand. 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. 555/2009 Coll. on railways as amended, between Železničná spoločnosť Slovensko, a.s. as the transport operator and the State (represented by MTCRD) as the contracting authority.

### REGISTERED SEAT OF THE COMPANY

ROŽŇAVSKÁ 1
832 72 BRATISLAVA
SLOVAKIA

These Financial Statements are deposited at the registered seat of the Company and in the Companies' Register of the District Court of Bratislava I, Záhradnícka 10, 812 44 Bratislava, Slovakia.

## 2.1 BASIS FOR PREPARATION OF THE FINANCIAL STATEMENTS

The Financial Statements of the Company for the previous reporting period were approved by the regular General Assembly of the Company which took place on 21 September 2012.

The Financial Statements were prepared on the basis of historic prices, except for some derivative financial instruments which were evaluated in their fair value as on 31 December 2012. The Financial Statements were prepared in compliance with Article 17a (6) of Act 431/2002 on accounting, for the reporting period starting on 1 January 2012 and ending on 31 December 2012.

These Financial Statements were prepared with the going concern assumption, which fact is supported by the signed Contract on Passenger Rail Transport Services concluded on 27 December 2010 with the Slovak Republic represented by MTCRD for a period of 10 years, starting as of 1 January 2011.

The Financial Statements and the Notes to the Financial Statements are reported in thousand EUR.
The reporting period is a calendar year.

### DECLARATION OF CONFORMITY

The Financial Statements were reported in compliance with the International Financial Reporting Standards and all effective IFRS adopted within the EU. IFRS include standards and interpretations adopted by the International Accounting Standards Board (IASB) and IFRS Interpretation Committee (IFRIC).

At the moment, given the process of adopting IFRS EU and in respect of the nature of the Company activities, there are no differences between IFRS accounting principles applied by the Company and IFRS adopted by the EU.

## 2.2 CHANGES IN ACCOUNTING PRINCIPLES AND DISCLOSURE

The applied accounting principles are consistent with the principles applied to the Separate Financial Statements reported as on 31 December 2011, except for the following cases:
The Company applied the following new and amended IFRS standards and IFRIC interpretations as of 1 January 2012, all adopted within the EU:

IAS 12 Amendments to IAS 12 Deferred Tax: Recovery of Underlying Assets (effective for the reporting periods starting on or after 1 January 2012);

IFRS 1 Amendments to the First-time Adoption of International Financial Reporting Standards - Severe Hyperinflation and Removal of Fixed Dates for First-time Adopter (effective for reporting periods beginning on or after 1 July 2011)

IFRS 7 Amendments to Financial Instruments: Disclosure – enhancing disclosure about transfers of financial assets (effective for the reporting periods beginning on or after 1 July 2011)

The Company did not apply any IFRS standards in advance if such adoption was not required as on the date when the financial statements were completed.

In case the application of a standard or an interpretation may affect the financial statements or performance of the Company, its effect is described below:

<u>Amendments to IAS 12 Deferred Tax: Recovery of Underlying Assets</u>
The Amendment clarifies calculation of deferred tax on investment properties at fair value and introduces a rebuttable presumption that deferred tax on investment property measured at fair value in compliance with IAS 40 is to be determined under presumption that recovery of its carrying amount will normally be through sale. It includes a requirement to calculate deferred tax on unamortised assets measured through the valuation model in compliance with IAS 16, always on the basis of a presumed sale. Application of this Amendment had no effect on the financial position or performance of the Company.

<u>Amendments to the First-time Adoption of International Financial Reporting Standards - Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters</u>
IASB issued the guidance to the way a reporting entity is to continue reporting the financial statements in accordance with IFRS when its functional currency stops being hyperinflationary. Application of this Amendment had no effect on the financial position or performance of the Company.

<u>Amendments to Financial Instruments: Disclosure – enhancing disclosure about transfer of financial assets</u>
The Amendment requires additional disclosures about financial assets that were transferred or were not reported in such a manner as to enable the users of the financial statements to understand the relationship of such assets that were not reported and their related liabilities. Moreover, the Amendment requires reporting a continuing interest in derecognised assets so that the users would be able to assess the nature of such interest and the related risks. Application of this Amendment had no effect on the financial position or performance of the Company.

## INTERNATIONAL FINANCIAL REPORTING STANDARDS THAT HAVE BEEN ISSUED BUT ARE NOT EFFECTIVE AS YET

As on the date of these Financial Statements the following standards and interpretations have been adopted and issued by the International Accounting Standards Board (IASB) with the effective date after 1 January 2013 (some of them effective as of this day, some of the standards with the effective date not yet adopted):

| | |
|---|---|
| IAS 1 | Amendment to IAS 1 Presentation of the Financial Statements – Presentation of items of other comprehensive income, (effective for the reporting periods starting on 1 or after July 2012); |
| IAS 19 | Amendments to IAS 19 Employee Benefits, (effective for the reporting periods starting on or after 1 January 2013); |
| IAS 27 | Revised IAS 27 Separate Financial Statements, (effective for the reporting periods starting on or after 1 January 2014); |
| IAS 28 | Revised IAS 28 Investments in Associates, (effective for the reporting periods starting on or after 1 January 2014); |
| IFRS 9 | Financial Instruments, (effective for the reporting periods starting on or after 1 January 2015); |
| IFRS 10 | Consolidated Financial Statements, (effective for the reporting periods starting on or after 1 January 2014); |
| IFRS 11 | Joint Arrangements, (effective for the reporting periods starting on or after 1 January 2014); |
| IFRS 12 | Disclosure of Interests in Other Entities, (effective for the reporting periods starting on or after 1 January 2014); |
| IFRS 13 | Fair Value Measurement, (effective for the reporting periods starting on or after 1 January 2013); |
| IFRS 7 | Amendments to IFRS 7 Disclosures – Offsetting of financial assets and financial liabilities (effective for the reporting period starting on or after 1 January 2013); |
| IAS 32 | Amendments to IAS 32 Offsetting of financial assets and financial liabilities (effective for the reporting period starting on or after 1 January 2014); |
| IFRS 1 | Amendments to IFRS 1 Government Loans, (effective for the reporting periods starting on 1 January 2013 or later, this standard has not been approved by EU); |
| IFRS 12 | Amendments to IFRS 10, IFRS 11 and IFRS 12 Transition Guidance (effective for the reporting periods starting on 1 January 2012, made compliant with the effective date of IFRS 10, IFRS 11 and IFRS 12); |
| IAS 27 | Amendments to IFRS 10, IFRS 12 and IAS 27 Investment Entities (effective for the reporting periods beginning on 1 January 2014, the amendments have not yet been approved by the EU). These amendments concern a specific type of business which is defined as investment entities. |

<u>The project of enhancing the International Financial Reporting Standards (issued in May 2012)</u>

The following standards and interpretations have been modified:

| | |
|---|---|
| IFRS 1 | First application of International Financial Reporting Standards |
| IAS 1 | Presentation of Financial Statements |
| IAS 16 | Property, plant and equipment |
| IAS 32 | Financial instruments: Presentation |
| IAS 34 | Interim Financial Reporting |

These improvements are effective for the reporting periods beginning on or after 1 January 2013. The improvements have not yet been adopted by the EU.

The significant impacts of the changes are as follows:

Amendment to IAS 1 Presentation of the Financial Statements – Presentation of items of other comprehensive income

The amendment to IAS 1 changes the grouping of items presented in other comprehensive income. Items that might be reclassified to profit and loss in the future (e.g. when derecognised or offset) will be presented separately from items that might never be reclassified into profit and loss. This amendment had no significant impact on the Separate Financial Statements.

Amendment to IAS 19 Employee Benefits

The amendments eliminate the "corridor" approach and calculate financial costs on a net basis of funding. Past service costs are to be recognised at the moment when the plan is changed or curtailment occurs. Before the amendment, past service costs were recognised as costs evenly during the average period when the entitlement to them is incurred.

Revised IAS 27 Separate Financial Statements

As a consequence of issuing new IFRS 10 and IFRS 12, what remained in IAS 27 is limited to presentation of daughter companies, joint ventures or associates in Separate Financial Statements. The Company will examine the impact of the revision on its Separate Financial Statements.

Revised IAS 28 Investments in Associates

As a consequence of issuing new IFRS 11 and IFRS 12, IAS 28 was renamed to IAS 28 *Investments in Associates and Joint Ventures* and outlines how to apply the equity method to investments in associates and joint ventures. The revision will not have a significant impact on the Separate Financial Statement.

IFRS 9 Financial instruments

IFRS 9 is the first standard issued as a part of a broader project of replacing IAS 39. IFRS 9 keeps but simplifies various measurement models and introduces two main categories of financial assets measurement, i.e.: at amortised cost and fair value. The classification is based on the business model of the company and the character of contracted cash flows of the financial asset. Guidance for impairment testing concerning financial assets and recognition of hedging instruments continues to be applied as issued in IAS 39. The Company will examine the impact of the standard on the Separate Financial Statements.

IFRS 10 Consolidated Financial Statements

The aim of IFRS 10 is to establish principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities. It establishes principles of control and determines control as the basis for consolidation. It governs the way of how to apply the control principles to examine whether an investor controls an entity into which it invests, and thus has to consolidate it. It sets out reporting requirements for preparation of consolidated financial statements. The standard will not have an impact on the Separate Financial Statements.

IFRS 11 Joint Arrangements

IFRS 11 is a more realistic reflection of joint arrangements by focusing on the rights and obligations of agreements on joint arrangements rather than on its legal form. There are two types of joint arrangements: joint operation and joint venture. Joint operations occur when entities with a joint control have rights to assets and obligations for liabilities resulting from an agreement, and therefore, recognise their proportional share in assets, liabilities, revenues and costs. Joint ventures occur when entities with a joint control have a right to net assets related to an agreement, and therefore, they recognise them through the equity method. The proportional consolidation method for joint ventures is no longer permitted. The standard will not have a significant impact on the Separate Financial Statements.

IFRS 12 Disclosure of Interests in Other Entities

IFRS 12 outlines requirements on disclosure for all forms of interests in other entities, including joint arrangements, associates and structures entities. The standard will not have a significant impact on the Separate Financial Statements.

IFRS 13 Fair Value Measurement

IFRS 13 introduces a source of information for fair value measurement pursuant to IFRS. IFRS 13 does not change the conditions for applying fair value, but rather provides a guide of how to measure at fair value pursuant to IFRS in cases where fair value is required or permitted. The Company is examining the impact of the standard on the Separate Financial Statements.

Amendments to IFRS 7 Disclosures – Offsetting Financial Assets and Financial Liabilities

Amendments to IFRS 7 require that an entity disclose information on the rights to offset financial assets and financial liabilities and related arrangements for financial instruments according to the enforceable framework agreement on offsetting or a similar arrangement. The Company is examining the impact of the amendments on the Separate Financial Statements.

IAS 32 Amendments to IAS 32 Offsetting Financial Assets and Financial Liabilities

The aim of the amendments to IAS 32 is to clarify the existing differences in application of the offsetting rules and to eliminate the variety degree currently in practice. The Company will examine the impact of the amendments on the Separate Financial Statements.

Amendments to IFRS 1 Government loans

The amendments require the first-time adopters to apply the requirements of IAS 20 Accounting for Government Grants and Disclosure of Government Assistance prospectively for government loans existing as on the date of transfer to IFRS. Reporting entities may decide to apply the requirements of IAS 39 and IAS 20 to government loans retrospectively if the necessary information was acquired at the time of initial recognition of such loan. There is an exemption for first-time adopters from the retrospective measurement of government loans with a below-market rate of interest. The amendments will not have a significant impact on the Separate Financial Statement.

Amendments to IFRS 10, IFRS 11 and IFRS 12 Transition Guidance

The amendments aim at ensuring further alleviations for transition to IFRS10, IFRS 11 Joint Arrangements and IFRS 12 Disclosure of Interests in Other Entities by limiting the requirement of disclosing modified comparable information only to the previous comparable period. At the same time, IFRS 11 and IFRS 12 have been modified so as to eliminate the requirement to disclose comparable information for the periods preceding the immediate previous period. The amendments will not have an impact on the Separate Financial Statement.

## 2.3 SIGNIFICANT ACCOUNTING ASSESSMENTS, ESTIMATES AND ASSUMPTIONS

### IMPORTANT ASSESSMENTS IN APPLICATION OF ACCOUNTING PRINCIPLES

When applying the accounting principles specified above, the Company management came to certain conclusions with an important impact on the amounts reported in the Financial Statements (except for those subject to the estimates specified below). A more detailed description of these assessments is specified in the respective notes, however, the most important include:

*Reserves for costs on environment protection*

Regulations, in particular the legislation on the environment protection, do not specify the scope of required redevelopment work or the technology to be used. Specification of the reserve for costs on the environment protection was based on the respective legislation and past experience.

### SIGNIFICANT ACCOUNTING ASSESSMENTS AND ESTIMATES

Preparation of the Financial Statements in accordance with IFRS requires use of estimates and assumptions which affect the items reported in the Financial Statements and the Notes to the Financial Statements. Even if these estimates are based on the best knowledge of the current circumstances and methods, the actual results may differ from these estimates. A more detailed description of the estimates is specified in the respective notes; however, the most important estimates include the following:

*Lawsuits*

The Company has been a party to several lawsuits and civil litigations arisen from its ordinary activities. The Company makes use also of services provided by external legal advisors and experience from previous similar lawsuits to determine probable outcomes of lawsuits and to establish reserves.

*Quantification and timing of environmental liabilities*

The Company makes estimates of future cash flows related to the environmental liabilities and liabilities resulting from decommissioned assets by comparison of prices, use of analogies with similar past activities and other estimates. The amount of the reserve and assumptions for calculation of the reserve are re-evaluated on an annual basis, always as on the balance-sheet date.

*Assets impairment*

As on each reporting date, the Company determines whether there is an indication of assets impairment. If there is any such indication, an estimate of a recoverable amount of the asset in question is made or an estimate of the cash-generating unit, to which the asset was classified. When determining the useful value, the Company has to make an estimate of future expected cash flows and choose a suitable discount rate for calculation of the present value of cash flows. If necessary, the net selling price is determined on the basis of the market development in Slovakia and other Central European countries.

*Employee benefits and severance pay*

Costs on the scheme of employee benefits and severance pay are determined by actuarial calculations. These calculations contain estimates of discount rates, future growth of wages, mortality rate or fluctuation. Given the long-term nature of these schemes, such estimates are subject to uncertainty to a great degree.

*Depreciation period and residual value of long-term tangible assets*

An estimate of lifespan of a long-term asset results from an assessment based on the Company experience with a similar asset. Depreciation periods and residual value of long-term tangible assets are determined on the basis of the current strategic goals of the Company. As on the balance-sheet date, it is examined whether the used estimates are still suitable for such determination.

*Fair value of financial instruments*

Fair value of financial instruments that are not tradable on public market is determined by quoted forward exchange rates for similar financial instruments, bank quotes available as on the date of the Financial Statements, and by evaluation techniques.

*Taxes*

Deferred tax liabilities are recognised in case of all deductible temporary differences and the carry-forward of unused tax losses to the extent that it is probable that future taxable profit will enable to redeem these deductible temporary differences and unused tax losses carried forward.

# 3 SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES

## A) PRESENTATION CURRENCY

The functional and presentation currency of the Company is EUR which became the official currency of the Slovak Republic on 1 January 2009 when it replaced the Slovak koruna which had been the functional and presentation currency of the company before that date. The change of the functional currency was carried out prospectively as of 1 January 2009 and all assets, liabilities and equity of the Company were converted into EUR according to the official conversion rate of EUR 1 = SKK 30.1260.

Transactions in a foreign currency are re-calculated into EUR by a reference exchange rate determined and published by the European Central Bank or the National Bank of Slovakia on the day preceding the day of the accounting case. Cash assets and liabilities in a foreign currency are recalculated by the exchange rate of the functional currency prevailing on the balance-sheet date. All differences are included into the Profit and Loss Statement. Non-monetary items evaluated in historic prices in a foreign currency are recalculated by the exchange rate prevailing on the day of the initial transaction.

## B) TANGIBLE ASSETS

Tangible assets are reported in their acquisition prices without costs on everyday servicing, after deduction of accumulated depreciation and accumulated impairment. If a substantial part of tangible assets needs to be replaced in intervals, these components are reported as individual tangible assets with a specific lifespan and depreciation. If repairs of long-term tangible assets are done involving replacement of significant components, costs on such repair are based on the acquisition price of the long-term tangible asset, if the reporting criteria are met.

Repairs and maintenance are reported in the Profit and Loss Statement as costs of the accounting period, in which the given work was carried out. Assets are depreciated evenly during their lifespan period (20-50 years in case of buildings, 3-34 years in case of machines, equipment and other assets), while lands are not depreciated.

A tangible asset is disposed of if sold, or if no future economic benefit is expected from its use or sale. Profit or loss of disposed-of assets (calculated as the difference between net revenues from sale and the carrying amount) is included in the Statement of Comprehensive Income in the year, in which the asset is disposed of.

If necessary, the residual values of assets, lifespans and methods are examined and adjusted at the end of each financial year.

## C) INTANGIBLE ASSETS

Intangible assets are reported in their acquisition prices, after deduction of accumulated depreciation and accumulated impairment.

Assets are depreciated evenly during their lifespan (2-5 years).

An intangible asset is disposed of if sold, or if no future economic benefits are expected from its use or sale. Profit or loss of disposed-of assets (calculated as the difference between net revenues from sale and the carrying amount) is included in the Statement of Comprehensive Income in the year, in which the asset is disposed of.

If necessary, the residual values of intangible assets, lifespans and methods are examined and adjusted at the end of each financial year.

## D) LONG-TERM ASSETS HELD FOR SALE

Long-term assets and groups to be disposed of, classified as held for sale are measured in the lower of these two amounts: carrying amount and fair value reduced by costs on sale. Long-term assets and groups to be disposed of are classified as held for sale if their carrying amount may be recovered via a sale transaction rather than continuous use. This condition is considered fulfilled only in case a sale is highly probable and the asset or a group to be disposed of are ready for an immediate sale in the current condition. The Company management has to be involved in the sale, which is presumed to be completed within one year of the classification date.

Real estates, plants and equipment and intangible assets classified as held for sale are not depreciated.

## E) INVENTORIES

Inventories are measured in the lower of the acquisition price or net realisable value. Costs on bought inventories include the purchase price of inventories and costs related to their acquisition (transport costs, insurance, duty, commissions, excise tax). Weighted average method is used to calculate the acquisition price. A net recoverable value is the estimated selling price at ordinary activity, reduced by estimated costs necessary for sale. Adjustments are created for old, obsolete and slow-moving inventories in order to reduce them to net realisable value.

## F) IMPAIRMENT OF NON-FINANCIAL ASSETS

As at each reporting date, the Company assesses whether there is an indication of assets impairment. If there is such indication or a yearly asset impairment test is required, the Company makes an estimate of the recoverable amount of the assets. The recoverable amount of the assets is the higher value of the fair value of assets or a cash-generating unit reduced by costs on sale and the value in use, and is determined for individual items of assets only when the asset in question does not generate increase in financial means which are usually independent of increase from other assets or groups of assets.

If the carrying amount of assets is higher than their recoverable amount, the asset is considered impaired and is decreased down to the recoverable amount. When assessing the value in use, the assumed future cash flows are discounted down to their present value by a discount rate before taxation which reflects the present market evaluations of the time value of money and risks specific for the asset in question.

Impairment losses are reported in the Statement of Comprehensive Income as costs on depreciation, amortisation and asset impairment.

As on each reporting date, it is assessed whether there is an indication that impairment losses reported in the previous period do not exist or should be reduced. If there is any such indication, an estimate of the recoverable amount is made. Impairment loss reported in the previous period is recognised only when the estimates used to determine the recoverable amount of the asset changed since the last impairment loss was reported. In that case the carrying amount of the asset is increased up to its recoverable amount. Such increased amount may not exceed the carrying amount (after deduction of depreciation) which would be determined if no impairment loss was reported in the previous years. The amount is reported in the Comprehensive Income. Afterwards, in the future periods, depreciation is adjusted so that the adjusted carrying amount reduced by residual value would be allocated systematically during the remaining lifespan.

## G) FINANCIAL ASSETS

*Initial recognition and measurement*
Financial assets within the scope of IAS 39 are classified as financial instruments measured at fair value with changes reported into profit or loss, loans and receivables, investments held to maturity, financial assets held for sale and hedging derivative instruments. The Company determines classification of individual financial assets when initially recognised.

At initial recognition, financial assets are measured at their fair value which – to the exception of financial assets measured at their fair value with changes reported into profit or loss – is increased by costs directly related to acquisition of the financial asset.

Financial assets of the Company consist of financial means on bank accounts, financial means in cash, short-term and long-term receivables and derivative financial instruments.

*Subsequent measurement*
Subsequent measurement of financial assets depends on their classification and is carried out as follows:

*Financial assets measured in their fair value with changes reported into profit or loss*
Financial assets in their fair value with changes reported into profit or loss mean the financial assets held for trading and financial assets measured in their fair value at initial recognition with changes reported into the comprehensive income or loss. Financial assets are classified as held for sale in case they were bought for the purpose of further sale in the near future. This category of financial assets also includes financial derivatives invested into the Company that do not fulfil the conditions of hedging instruments as defined by IAS 39. Financial assets measured in their fair value with changes reported into comprehensive income or loss are presented in the balance sheet in their fair value, and the profit or loss from such financial instruments is reported within the Profit and Loss Statement.

*Loans and receivables*
Loans and receivables represent non-derivative financial assets with fixed or variable payments that are not quoted on active market. At initial recognition, loans and receivables are reported in their amortised value by effective interest rate method, reduced by an allowance. Amortised value is calculated while taking into account the discount and bonus at acquisition, fees that are inseparable part of the effective interest rate, and transaction costs. Profit and loss are reported in profit/loss of the accounting period in case loans and receivables are derecognised or impaired, as well as when in the amortisation process.

*Investments held to maturity*
Investments held to maturity are non-derivative financial assets with fixed or variable payments, with fixed maturity, which the Company intends and is able to hold until their maturity. When initially recognised, investments held to maturity are measured in amortised costs. These costs are calculated as the value, in which the financial asset was measured at initial recognition reduced by instalments of the principal and increased or decreased by effective interest rate method, by cumulative amortisation of the difference between the initially recognised value and the

value at maturity, and further reduced by an allowance. This calculation includes all fees and interests paid or received between the parties to the contract which are an inseparable part of the effective interest rate, transaction costs and all bonuses and discounts. Profit and loss is reported in profit/loss of the accounting period in case the investments are derecognised or impaired, as well as when in the amortisation process.

*Financial assets held for sale*

Financial assets held for sale are those non-derivative financial assets that are classified as held for sale or that are not classified in any of the three previous categories. At initial recognition the financial assets held for sale are measured in their fair value, with unrealised gain or loss reported as other comprehensive income under reserve from revaluation. In case such financial asset is derecognised or its impairment is identified, cumulative profit or loss that was reported before in the last comprehensive income is recognised in profit/loss of the accounting period.

When initially recognised, financial assets held for sale are measured pursuant to the existing market conditions and the intention of the management to hold them for a foreseeable period. In rare cases when these conditions become unsuitable, the Company may decide to reclassify such financial assets into loans and receivables or investments held to maturity if compliant with the respective IFRS.

*Impairment of financial assets*

At the end of each reporting period the Company assesses whether there is objective evidence of impairment of financial assets or a group of financial assets. Financial assets or a group of financial assets are considered impaired if there is objective evidence based on one or several events that occurred after the initial recognition of the asset (a "loss event") and when such loss event affects the expected future cash flows of financial assets or a group of financial assets, and which can be reliably estimated. Evidence on impairment may include indications about a debtor or a group of debtors having substantial financial difficulties, being unable to pay, repeatedly failing to pay interests or principal, probability that a partner is to go bankrupt or start a financial reorganisation, and when the discovered information indicates that there is a measurable decline in future expected cash flow, as well as subsequent changes or economic conditions indicating inability to pay.

*Assets measured in amortised costs*

At first the Company assesses significant financial assets individually whether there is objective evidence of impairment, and subsequently assesses individually or as a whole those financial assets that are not individually significant. In case the Company assessment leads to a conclusion that there is no evidence on impairment of financial assets, whether significant or insignificant, such financial asset is included into the group of financial assets with a similar risk which is assessed as a whole for impairment. Assets that were individually assessed for impairment and for which impairment loss was reported are not included into impairment assessment as a whole.

If there is objective evidence that assets measured in amortised costs were impaired, the amount of impairment loss is determined as the difference between their carrying amount and present value of the estimated future cash flows (with the exception of future expected credit losses) discounted by interests pursuant to the original effective interest rate for the given financial asset (i.e. the effective interest rate used at initial recognition). In case a loan has a variable interest rate, the discount rate to determine the impairment amount is the present effective interest rate.

The carrying amount of the asset is reduced through the account of allowances and the impairment amount is reported in the Profit and Loss Statement. The yield of interest is reported on the basis of the reduced carrying amount and pursuant to the interest rate which was used to discount future cash flows for the purposes of the asset impairment calculation. The yield of interest is reported as a part of financial income in the Profit and Loss Statement. Loans, together with reported allowances, are written off in case there is no real change of their future payment and all securing was realised or transferred to the Company. If in the subsequent year the amount of expected and previously reported impairment increases or decreases due to an event occurring after the impairment was reported, the previously reported impairment is increased or decreased through the account of allowances. If loans that were written-off are paid, the payment is reported in the Profit and Loss Statement.

The present value of the future expected cash flows is discounted by the original effective interest rate. If a loan has a variable interest rate, the discount rate for impairment measurement is the present effective interest rate.

*Financial assets held for sale*
If a financial asset held for sale is impaired, the difference of its acquisition price (after deducting any principal instalments and amortisation) and its present fair value reduced by previous impairment losses, equity losses is reported into Profit and Loss Statement. Impairment losses created in relation to equity instruments that are classified as held for sale are not derecognised retrospectively. Cancellation of an impairment loss concerning debt instruments classified as available for sale are reported in the Profit and Loss Statement if the increase of the fair value of such an instrument may objectively be attributable to an event which occurred after the impairment loss was reported in the Profit and Loss Statement.

*Derecognision of financial assets*
A financial asset (or a part of a financial asset or a group of similar financial assets) is derecognised if:

- the right to receive cash flows from the asset expired,
- the Company transferred its right to cash flows from the asset, or undertook a liability to pay the received cash flows in full without a significant delay to an independent third party and (a) the Company transferred in fact all risks and benefits from the asset, or (b) the Company did not transfer or keep in fact all risks and benefits related to the asset but transferred the control over the asset to an independent third party.

## H) FINANCIAL LIABILITIES

*Initial recognition and measurement*
Financial liabilities within the scope of IAS 39 are classified as financial liabilities measured in fair value with changes reported as profit or loss, loans and borrowings, or as derivative liabilities meant as effective hedge. The Company classifies a financial liability when initially recognised.

At initial recognition, financial liabilities are measured in their fair value, and loans and borrowings are measured in the fair value of the received consideration after deducting the costs incurred on the transaction.

Financial liabilities of the Company include trade liabilities, other liabilities, current accounts, loans, borrowings and financial derivatives.

*Subsequent measurement*
Measurement of financial liabilities depends on their classification:

*Financial liabilities measured in their fair value with changes reported into profit or loss*
Financial liabilities measured in their fair value with changes reported into profit or loss include financial liabilities held for trading and financial liabilities held for reporting changes in their fair value into profit or loss at initial recognition.

Financial liabilities are classified as held for trading if they were acquired for the purpose of sale in the near future. This category includes financial derivatives acquired by the Company, which do not meet the conditions for reporting of financial derivatives pursuant to IAS 39. Profit and loss from liabilities held for trading is reported in the Profit and Loss Statement.

*Loans and financial aid*
All loans and borrowings are initially recognised in the fair value of the received consideration after deducting the costs on obtained loan. After initial recognition they are reported in an amortised residual price by the effective interest rate method. Profit and loss is reported net in the Profit and Loss Statement after derecognision of liabilities, as well as during amortisation, except for cases when they are capitalised as costs on loans and borrowings.
The amortised residual price is calculated by taking into account all costs and discounts or bonuses of the settlement. Amortisation by the effective interest rate is reported under financial costs in the Profit and Loss Statement.

*Trade liabilities and other liabilities*
Trade liabilities and other liabilities are reported and measured in amortised costs, i.e. in the originally invoiced amount. The Company determines estimates of costs, for which it has not received an invoice by the end of the reporting period. An invoiced interest on overdue payment is reported under trade liabilities.

*Financial guaranties*
Financial guaranties issued by the Company mean contracts requiring performance to the benefit of the holder, in the amount of loss the holder incurs, in case a certain debtor fails to pay when obliged to do so in compliance with the conditions of the debt instrument. Financial guaranties are initially recognised as liabilities in fair value adjusted by transaction costs that may be directly attributable to guaranty issuance. Subsequently, the liabilities are measured in higher of these two values: the best estimate of costs on settlement of the present liability on the balance-sheet date and the amount reported when initially recognised reduced by cumulative debt redemption.

*Derecognision of financial assets*
A financial asset is derecognised in case such liability is settled or cancelled or its validity ceased.

If an existing financial liability is replaced by another liability towards the same debtor under substantially different conditions or, if the existing liability is significantly changed, such replacement or change is reported as derecognition of the original liability and recognition of a new liability, while the difference in the respective carrying amounts is reported in the Profit and Loss Statement.

I) OFFSETTING OF FINANCIAL INSTRUMENTS
Financial assets and financial liabilities are offset and the net value is reported in the balance sheet in case the Company has a legally enforceable right to compensate them and intends to offset them, or realise the asset and offset the liability at the same time.

J) FAIR VALUE OF FINANCIAL INSTRUMENTS
In case of investments actively tradable on organised financial markets the fair value as at balance-sheet date is determined on the basis of quoted market prices or dealer's offered price, without deducting any transaction costs.

In case of investments where quoted market price is not available, the fair value is determined by suitable measurement techniques. Such techniques include use of a recent independent market transaction, price determination on the basis of the present market value of another instrument which is the same in its nature, or the price is calculated on the basis of expected cash flows of net underlying assets of the investment or other measurement models.

K) DERIVATIVE FINANCIAL INSTRUMENTS
The Company owns financial derivatives as a hedge against interest risks. Financial derivatives are initially measured in their fair value as at the day of contract conclusion and are subsequently re-measured into fair value. Derivatives are reported as assets if their fair value is positive and as liabilities if negative. Profit or loss from changes in the fair value of derivatives is reported directly into profit/loss for the accounting period as financial income or costs.

Deposited derivatives are separated from the fundamental contract and are treated as separate derivatives if the following conditions are met:

- their economic characteristics and risks are not closely related to the economic characteristics of the fundamental contract,
- a separate instrument under the same conditions as the deposited derivative would meet the definition of a derivative, and
- a hybrid (combined) instrument is not measured in the fair value, while the changes in fair value are reported as net profit in the ordinary period.

*Hedging*
The Company´s portfolio does not include any hedging derivative, thus, the company does not keep hedge accounts.

*Classification of derivative instruments into short and long-term*

Financial derivatives are classified as short-term and long-term or divided into a short-term and long-term part pursuant to assessment of the facts and circumstances (i.e. underlying contractual cash flow).

- In case the Company owns a derivative as economic hedge (and does not apply hedge accounting) longer than 12 months after the balance-sheet date, derivatives are classified as long-term (or divided into a short-term and long-term part), identically to the classification of the underlying item.
- Embedded derivatives which are not closely associated with the host contract are classified identically with cash flows of the host contract.
- Financial derivatives that are primarily held for trading are classified as short-term.

## L) FINANCIAL MEANS AND FINANCIAL EQUIVALENTS

Financial means and financial equivalents consist of cash deposited in bank and in cash registers, and short-term deposits with maturity of three months or less, with only a slight risk of any change in value.

For the purposes of an overview of cash flows, financial means and financial equivalents mean those financial means and financial equivalents as defined above, after deduction of unpaid bank overdrafts.

## M) EMPLOYEE BENEFITS

The Company returns a proportion of paid gross wages to the state as contributions on health and social insurance and contributions into the unemployment fund, as stipulated by statutory rates effective during the year. Costs on such contributions are included into the Profit and Loss Statement of the same period as the associated wage costs. The Company is not obliged to return contributions above the framework of statutory rates.

The Company uses also uncovered long-term schemes with fixed benefits, which include benefits in the form of single contributions in case of employment termination, a life anniversary or invalidity. Costs on provision of these employee benefits are assessed separately for each scheme via the projected unit credit method, where costs incurred on employee benefits are reported in the Profit and Loss Statement so as to distribute them during the period of employment in the Company. The liability from employee benefits is determined as present value of forecast future cash decreases.

The actuarial profit and loss resulting from empiric adjustments and changes in actuarial forecasts is reported as revenues and costs at the time of their occurrence. Changes and adjustments of these long-term schedules with fixed benefits are reported as revenues and costs during the average remaining period of service of respective employees.

*Reserve for severance pay*

Pursuant to the Slovak legislation and based on the conditions of the Collective Agreement concluded between the Company and its employees, the Company employees are entitled to severance pay immediately after termination of their employment due to organisational changes. The amount of this liability is included into the reserves on liabilities and fees, if the plan of employee number reduction is defined and announced and if conditions for its implementation are met.

## N) RESERVES

Reserves are reported when the Company has an actual statutory or non-contractual obligation as a consequence of a past event, settlement of which is expected to result in a probable (rather yes than no) decrease of company resources representing economic benefits, when the amount of such obligation may be reliably estimated. Reserves are re-measured as at each balance-sheet date and their amount is adjusted so as to reflect the current best estimate. The reserve amount represents the present value of expenses which take into account the existing risks and which will probably be used to settle the liability in question. These expenses are determined via estimated risk-free interest rate as a discount rate. Where discounting is used, the carrying amount of the reserve is increased in each period in order to take into consideration reduction of discount from time perspective. This increase is reported as interest costs.

*Reserve on lawsuits*

Financial statements include reserves on lawsuits and potential lawsuits which were calculated through available information and assumptions of achievable outcomes of individual lawsuits, and it is probable that the outcome of such lawsuits will present a reliably measurable cost for the Company.

*Reserve for costs on the environment protection*

The reserve on the environment is created when occurrence of costs on reconstruction of the environment is probable and these costs may be reliably estimated. In general, creation of such reserves is time-wise corresponding to adoption of a formal plan or a similar obligation to sell investments or discard unused property. The amount of reported reserve is the best estimate of necessary expenses.

## O) REPORTING OF REVENUES

Revenues are reported in case it is probable that they will bring economic benefits to the Company, and when the amount of revenues may be reliably determined. Revenues are reported in the fair value of received consideration, without discounts, rebates and value added tax.

Revenues from transport and related services, as well as from other services are reported in the accounting period when the services were delivered, adjusted by discounts and deductions.

## P) LEASE

When determining whether a contract represents a lease or contains a lease, the substance of the contract is important, and it is necessary to assess whether fulfilment of the contract depends on use of a particular property and whether the contract transfers a right to use a property.

*Lessee*

The subject of financial lease when in essence all risks and benefits resulting from ownership of the leased item are transferred to the Company is capitalised at the beginning of the lease in the fair value of the leased property or in the present value of minimal leasing instalments, if lower. Leasing instalments are divided between financial cost and deduction of unpaid liability so that a constant interest rate is established for the remaining value of the liability. Financial cost is reported directly against Profit and Loss Statement.

Capitalised leased asset is depreciated for the lower of the estimated lifespan or the lease period.
Leasing instalments from operating lease are reported as costs in the Profit and Loss Statement, evenly during the lease period.

*Lessor*
Lease where the Company does not transfer all risks and benefits resulting from ownership of the lease item is classified as operating lease. Leasing instalments from operating lease are reported as revenues evenly during the lease period.

### Q) COSTS ON RECEIVED LOANS AND BORROWINGS

Capitalisation of costs on received loans and borrowings starts during preparation of qualified assets for their intended use, and expenses and costs are incurred in relation to received borrowings and loans. Costs on received borrowings and costs are capitalised until the asset is prepared for its intended use. Costs on received borrowings and loans consist of cost interests and other costs associated with foreign resources, including exchange rate differences from loans and borrowings in a foreign currency used to finance these projects in the scope, in which they are considered as adjustments of interest costs.

### R) SUBSIDIES

Subsidies are reported in their fair value if there is adequate assurance on reception of a subsidy and fulfilment of all conditions related to receiving of such subsidy. The Company reports the following subsidies:

- State subsidies to compensate costs of services in the public interest based on the Contract for Passenger Rail Transport Services concluded with the Slovak Republic represented by MTCRD. The Company reports them in the current accounting period, in which the costs related to these services in public interest are reported. In case of compensation of costs on services in the public interest incurred in the previous periods, it is reported as revenues of the period, in which the Slovak Republic represented by MTCRD decided to cover them.
- subsidies related to acquisition of long-term assets (rolling stock). The Company reports State subsidies granted by the Slovak Republic separately from subsidies granted from EU funds, which are further divided by individual funds. The Company reports them in the Statement of Financial Position as deferred income and as revenues evenly during the lifespan of the acquired long-term asset.

### S) PAYABLE AND DEFERRED TAX

Income tax consists of payable tax and deferred tax. Tax is reported in the Profit and Loss Statement, except for cases when it relates to items reported within other comprehensive income and loss or directly in equity. If it relates to these items, the tax is also reported within other comprehensive income and loss or directly in equity.

*Payable tax*
Tax receivables and liabilities for current and previous accounting periods are measured in the value, in which they are expected to be settled with the tax administrator. Payable tax is calculated pursuant to tax rates (and tax acts) enacted as on the balance-sheet date.

*Deferred tax*
Deferred income tax is reported pursuant to a liability method with temporary differences discovered as on the balance-sheet date between the tax base of assets and liabilities and their carrying amount for the purposes of financial reporting.

Deferred tax liability is reported for all taxable temporary differences.

Deferred tax liabilities are recognised in case of all deductible temporary differences, the carry-forward of unused tax loans and unused tax losses to the extent that it is probable that future taxable profit will enable to redeem these deductible temporary differences and unused tax loans and unused tax losses that were carried forward.

Review of the carrying amount of deferred tax receivables is carried out as on each balance-sheet date and the value is reduced to such extent that it is no longer probable that the taxable profit will be enough to redeem the whole deferred tax receivable or its part. Unreported deferred tax receivables are again re-measured as on each balance-sheet date and reported in the extent that it is probable that the future taxable profit will enable retroactive return of the deferred tax receivable.

Deferred tax receivables and liabilities are measured by tax rates which are assumed to be applied in the period when the asset is realised or liability settled, based on tax rates (and tax acts) enacted as at the balance-sheet date.

## 4 LONG-TERM TANGIBLE ASSETS

| *(in thousand EUR)* | Lands and buildings | Plants, equipment and other assets | Unfinished investments | Provided pre-payments | Total |
|---|---|---|---|---|---|
| **Acquisition price** | | | | | |
| As on 1 January 2012 | **11,594** | **760,607** | **6,924** | **19,761** | **798,886** |
| Additions | 40,314 | 7,841 | 108,004 | 36,210 | 192,369 |
| Disposals | 13 | 6,851 | 0 | 0 | 6,864 |
| Transfers | 6,547 | 152,346 | -111,023 | -47,870 | 0 |
| **As on 31 December 2012** | **58,442** | **913,943** | **3,905** | **8,101** | **984,391** |
| **Cumulated adjustments** | | | | | |
| As on 1 January 2012 | **1,037** | **194,001** | **0** | **0** | **195,038** |
| Additions | 1,279 | 59,453 | 0 | 0 | 60,732 |
| Disposals | 2 | 6,260 | 0 | 0 | 6,262 |
| Impairment loss | 388 | 550 | 0 | 0 | 938 |
| **As on 31 December 2012** | **2,702** | **247,744** | **0** | **0** | **250,446** |
| **Residual value as on 31 December 2012** | **55,740** | **666,199** | **3,905** | **8,101** | **733,945** |

| *(in thousand EUR)* | Lands and buildings | Plants, equipment and other assets | Unfinished investments | Provided pre-payments | Total |
|---|---|---|---|---|---|
| **Acquisition price** | | | | | |
| As on 1 January 2011 | **11,721** | **629,072** | **1,172** | **28,142** | **670,107** |
| Additions | 67 | 119,420 | 6,907 | 5,384 | 131,778 |
| Disposals | 194 | 2,805 | 0 | 0 | 2,999 |
| Transfers | 0 | 14,920 | -1,155 | -13,765 | 0 |
| **As on 31 December 2011** | **11,594** | **760,607** | **6,924** | **19,761** | **798,886** |
| **Cumulated adjustments** | | | | | |
| As on 1 January 2011 | **778** | **143,910** | **0** | **0** | **144,688** |
| Additions | 298 | 52,446 | 0 | 0 | 52,744 |
| Disposals | 42 | 2,356 | 0 | 0 | 2,398 |
| Impairment loss | 3 | 1 | 0 | 0 | 4 |
| **As on 31 December 2011** | **1,037** | **194,001** | **0** | **0** | **195,038** |
| **Residual value as on 31 December 2011** | **10,557** | **566,606** | **6,924** | **19,761** | **603,848** |

The category of lands and buildings includes operation and administrative buildings, customer centres, dressing rooms for train crews, depots, warehouses and track yards, together with underground services. The most important item in the category of plants, equipment and other assets is rolling stock in the amount of EUR 658,071 thousand. Other items include IT devices, cranes, air-conditioning and heating equipment, technological equipment of depots, inventories and tools used for repairs and maintenance of rolling stock.

The most important item of unfinished investments is acquisition of a datacentre in the amount of EUR 1,950 thousand.

The advance payments provided for acquisition of investments in the amount of EUR 8,101 thousand consist of the advance payments provided for acquisition of a diesel multiple-unit set no. 9-12 in the amount of EU 3,752 thousand, acquisition of PP multiple units no. 9-10 in the amount of EUR 2,497 thousand, which are part of the OP Transport Programme, plus an advance for reconstruction of 162/163 series locomotive to 361 series in the amount of EUR 1,851 thousand.

The Company carried out a comprehensive test for impairment of assets as on 31 December 2012. The test included examination of the condition and use of assets, which resulted in reporting of asset impairment in the amount of EUR 938 thousand as unused assets. Its recoverable amount was determined as selling price reduced by costs related to sale of the given assets, when the usable value was determined as zero or close to zero.

## NON-CURRENT ASSETS HELD FOR SALE

The assets held for sale are no longer depreciated. These assets are measured in their fair value, reduced by costs on sale. They include sale of useless assets which is of no use for the Company and is listed in the following table:

| *(in thousand EUR)* Class | Title | As on 31 December 2012 | As on 31 December 2011 |
|---|---|---|---|
| 10 | Buildings | 609 | 351 |
| 20 | Constructions | 216 | 0 |
| 60 | Transport vehicles | 97 | 0 |
| 90 | Real estate/lands | 93 | 72 |
| | **Total** | **1,015** | **423** |

The following costs and revenues are related to the assets held for sale:

| *(in thousand EUR)* | Amount |
|---|---|
| Energy consumption | 6 |
| Repairs | 4 |
| Other services | 14 |
| Taxes (on lands and constructions) | 3 |
| Other charges | 3 |
| Total costs | 30 |
| Lease | 3 |
| **Total revenues** | **3** |
| **Loss from assets held for sale** | **27** |

## INVESTMENTS INTO REAL ESTATES

Real estates located in Podkolibská ulica no. 1 in Bratislava, including lands, are leased for a long-term and reported pursuant to IAS 40 Investments into real estates. The Company measures the assets through the Fair value model. Compared to 2011, 2012 did not see any asset impairment in compliance with IAS 36.

| *(in thousand EUR)* Rented assets | As on 31 December 2012 | As on 31 December 2011 |
|---|---|---|
| Recreation facility, Valčík, Bratislava | 137 | 137 |
| Unirest Bratislava, Podkolibská Street | 166 | 166 |
| Lands at Vinohrady, Bratislava | 350 | 350 |
| **Total** | **653** | **653** |

In relation to operation of the real estate (Podkolibská Bratislava) reported pursuant to IAS 40 Investments into real estate, the following costs and revenues incurred as on 31 December 2012:

| *(in thousand EUR)* | Amount | Type |
|---|---|---|
| Costs | 5 | Tax on constructions and lands |
| Revenues | 8 | Yields of lease |
| **Profit from investments into real estates** | **3** | |

Costs on water supply, waste water and rain water are borne by the lessee in full amount.

## THE MANNER AND VALUE OF LONG-TERM ASSETS INSURANCE

| *(in thousand EUR)* Insured assets and insurance company | Total sum insured | Term of the Agreement from - to | Premium paid in 2012 | Premium paid in 2011 |
|---|---|---|---|---|
| Insurance policy on assets – fuelling stations no.: 8-863-000468/Dodatokč.2, QBE | 15 | 1. 1. 2012 – 31. 12. 2013 | 8 | 7 |
| Insurance of motive power units for consequences of failures and damage to whole units or destruction of whole units or motive power units – insurance of machines and accident insurance no. 6552737745/80 8009199/Kooperativa | 22,974 | 1. 3. 2009 – 28. 2. 2015 | | |
| Supplement no. 1 to the Insurance policy on motive power units no.:6552737745/ 80 8009199/Koope-ratíva | 12,928 | Premium for the 1st period from 1 March 2009 to 28 February 2013 | 2,767 | 2,951 |

## 5 LONG-TERM INTANGIBLE ASSETS

| *(in thousand EUR)* | Intangible assets | Unfinished investments | Provided pre-payments | Total |
|---|---|---|---|---|
| **Acquisition price** | | | | |
| As on 1 January 2012 | **12,266** | **1,402** | **0** | **13,668** |
| Additions | 45 | 2,958 | 0 | 3,003 |
| Disposals | 0 | 0 | 0 | 0 |
| Transfers | 2,214 | -2,214 | 0 | 0 |
| **As on 31 December 2012** | **14,525** | **2,146** | **0** | **16,671** |
| **Cumulated adjustments** | | | | |
| As on 1 January 2012 | 9,661 | 0 | 0 | 9,661 |
| Additions | 2,181 | 0 | 0 | 2,181 |
| Disposals | 0 | 0 | 0 | 0 |
| **As on 31 December 2012** | **11,842** | **0** | **0** | **11,842** |
| **Residual value as on 31 December 2012** | **2,683** | **2,146** | **0** | **4,829** |

| *(in thousand EUR)* | Intangible assets | Unfinished investments | Provided pre-payments | Total |
|---|---|---|---|---|
| **Acquisition price** | | | | |
| As on 1 January 2011 | **12,112** | **161** | **0** | **12,273** |
| Additions | 449 | 1,402 | 0 | 1,851 |
| Disposals | 456 | 0 | 0 | 456 |
| Transfers | 161 | -161 | 0 | 0 |
| **As on 31 December 2011** | **12,266** | **1,402** | **0** | **13,668** |
| **Cumulated adjustments** | | | | |
| As on 1 January 2011 | **7,381** | **0** | **0** | **7,381** |
| Additions | 2,582 | 0 | 0 | 2,582 |
| Disposals | 302 | 0 | 0 | 302 |
| **As on 31 December 2011** | **9,661** | **0** | **0** | **9,661** |
| **Residual value as on 31 December 2011** | **2,605** | **1,402** | **0** | **4,007** |

The most important item in the category of intangible assets were licences for SAP ECC in the amount of EUR 802 thousand and Microsoft licences in the amount of EUR 310 thousand.

The most significant items under unfinished investments include acquisition of iKVC software in the amount of EUR 615 thousand and datacentre in the amount of EUR 542 thousand.

## 6 FINANCIAL ASSETS

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

| *(in thousand EUR)* | Number of shares (pieces) | Participation in the equities in % | Financial assets | |
|---|---|---|---|---|
| | | | as on 31 December 2012 | As on 31 December 2011 |
| Eurofima | 1,300 | 0.50 % | 5,049 | 5,014 |
| BCC | 1 | 0.68 % | 1 | 1 |
| **Total** | **x** | **x** | **5,050** | **5,015** |

## 7 OTHER LONG-TERM ASSETS

| *(in thousand EUR)* | 31 December 2012 | 31 December 2011 |
|---|---|---|
| Receivables from financial derivatives (note 16) | **0** | **918** |
| Trade receivables | **747** | **724** |
| Other long-term receivables | **239** | **16** |
| **Total** | **986** | **1,658** |

## 8 INVENTORIES

| *(in thousand EUR)* | Acquisition price | (The lower of) acquisition value, or net recoverable value | Acquisition price | (The lower of) acquisition value, or net recoverable value |
|---|---|---|---|---|
| | **2012** | **2012** | **2011** | **2011** |
| Stored material | **7,675** | **7,272** | **3,020** | **3,012** |
| Fuel in tank | **294** | **294** | **215** | **215** |
| Other inventories | **9** | **9** | **13** | **13** |
| **Total inventories** | **7,978** | **7,575** | **3,248** | **3,240** |

No right of lien was established regarding the procured inventories.

## 9 TRADE RECEIVABLES AND OTHER RECEIVABLES

| *(in thousand EUR)* | 31 December 2012 | 31 December 2011 |
|---|---|---|
| Short-term trade receivables | **20,413** | **15,050** |
| Tax receivables | **6,947** | **13,433** |
| Other receivables | **1,993** | **3,650** |
| | **29,353** | **32,133** |
| Allowances to trade receivables and other receivables | **-1,535** | **-1,603** |
| | **27,818** | **30,530** |

Receivables after maturity amounted to EUR 2,891 thousand as on 31 December 2012 (EUR 1,859 thousand as on 31 December 2011).
Trade receivables are interest-free and in general payable within 14 – 90 days.
Information on receivables from related parties is stated under note 32.

Analysis of the age structure as on 31 December is as follows:

| Year | Total | Within maturity and without an adjusting entry | After maturity and without an adjusting entry | | | |
|---|---|---|---|---|---|---|
| | | | < 180 days | 180 – 270 days | 270 – 365 days | > 365 days |
| **2012** | 29,353 | 26,462 | 1,221 | 1,110 | 100 | 460 |
| **2011** | 32,133 | 30,274 | 558 | 18 | 55 | 1,228 |

## 10 FINANCIAL MEANS AND FINANCIAL EQUIVALENTS

For the purposes of a cash flow overview, the financial means and financial equivalents contain the following items:

| *(in thousand EUR)* | 31 December 2012 | 31 December 2011 |
|---|---|---|
| Financial means in cash register and financial equivalents | 207 | 192 |
| Financial means in banks | 31,172 | 20,085 |
| **Total** | **31,379** | **20,277** |

Financial means in banks bear interest pursuant to variable interest rates depending on daily deposit rates.

Bank overdrafts form an indivisible part of cash flow management and are reported as short-term interest-bearing loans and borrowings.

Bank overdrafts as on 31 December are as follows:

| *(in thousand EUR)* | 31 December 2012 | 31 December 2011 |
|---|---|---|
| | **Principal balance** | **Principal balance** |
| Tatra banka, a.s. | 7 | 4,995 |
| UniCredit Bank Slovakia a.s. | 5 | 33,329 |
| Všeobecná úverová banka, a.s. | - | 4,936 |
| Československá obchodná banka, a.s. | - | 24,984 |
| Sberbank Slovensko, a.s. (Volksbank, a.s.) | - | 2 |
| ING. Banka N.V. | 147 | - |
| | **159** | **68,246** |

## 11 SHAREHOLDERS' EQUITY

*Share capital*

Share capital is formed by a state investment in the Company administered by MTCRD as a deposit of certain assets and liabilities of the predecessor company, Železničná spoločnosť, containing 64 pieces of registered ordinary shares in the nominal value of one share of EUR 3,319,391.8874. All these shares were issued and paid in full.

*Statutory reserve fund*

When the Company was founded, a statutory reserve fund in the amount of 10 % of the share capital of the Company was established in the form of a non-monetary investment and pursuant to the Slovak legislation. Pursuant to the Slovak legislation, the statutory reserve fund has to increase at least by 10 % of annual net profit up to 20 % of the share capital of the Company. Pursuant to the Company Statutes, it is not possible to divide the statutory reserve fund, which may be used only to cover losses or to increase the share capital.

*Other funds*

Other funds represent the difference between the value of assets and liabilities deposited by the State when the Company was founded and by an additional investment in October 2005, and the share capital and statutory reserve fund. In 2011 (retrospectively as on 1 January 2010) they were reduced by EUR 59,949 thousand to correct an error in the initial measurement of the assets invested by the founder and identified in 2011.

*Settlement of loss from the previous accounting period*

Settlement of loss in the amount of EUR 15,765 thousand for the accounting period of 2011 was adopted by the General Assembly, which decided on 21 September 2012 to settle the loss by transferring the amount to account 429 – Unpaid loss of previous years.

Detailed figures on shareholders´ equity are provided in the Statement of Changes in the Equity.

## 12 FINANCIAL AID

EUROFIMA was established by fourteen countries by the "EUROFIMA Treaty" in 1955 to support purchase of standardised rolling stock fleet for member railways. Each contract means a separate purchase of rolling stock. The rolling stock is also pledged as conditional securing which ceases to exist by full settlement of the financial aid. The Slovak Republic indirectly undertook to repay the financial aid to EUROFIMA in compliance with the "EUROFIMA Treaty" ratified by the Slovak Government.

As on 31 December 2012:

| *(in thousand EUR)* | Currency | Amount | Maturity | Hedging |
|---|---|---|---|---|
| Eurofima III (Contract no. 2574) | EUR | 10,000 | 11/2/2013 | rolling stock |
| Eurofima IV (Contract no. 2593) | EUR | 15,000 | 4/2/2014 | rolling stock |
| Eurofima V (Contract no. 2616) | EUR | 10,000 | 4/2/2014 | rolling stock |
| Eurofima VI (Contract no. 2651) | EUR | 30,000 | 6/3/2015 | rolling stock |
| Eurofima VII.A (Contract no. 2670) | EUR | 8,000 | 7/4/2016 | rolling stock |
| Eurofima VII.B (Contract no. 2694) | EUR | 8,600 | 3/4/2017 | rolling stock |
| Eurofima VIII.A (Contract no.2718) | EUR | 14,000 | 3/4/2017 | rolling stock |
| Eurofima VIII.B (Contract no.2731) | EUR | 13,000 | 29/9/2020 | rolling stock |
| Eurofima IX. A (Contract no. 2753) | EUR | 11,106 | 29/9/2020 | rolling stock |
| **Total** | | **119,706** | | |
| **Short-term part** | | **10,000** | | |
| **Long-term part** | | **109,706** | | |

As on 31 December 2011:

| *(in thousand EUR)* | Currency | Amount | Maturity | Hedging |
|---|---|---|---|---|
| Eurofima III (Contract no. 2574) | EUR | 10,000 | 11/2/2013 | rolling stock |
| Eurofima IV (Contract no. 2593) | EUR | 15,000 | 4/2/2014 | rolling stock |
| Eurofima V (Contract no. 2616) | EUR | 10,000 | 4/2/2014 | rolling stock |
| Eurofima VI (Contract no. 2651) | EUR | 30,000 | 6/3/2015 | rolling stock |
| Eurofima VII.A (Contract no. 2670) | EUR | 8,000 | 7/4/2016 | rolling stock |
| Eurofima VII.B (Contract no. 2694) | EUR | 8,600 | 3/4/2017 | rolling stock |
| Eurofima VIII.A (Contract no. 2718) | EUR | 14,000 | 3/4/2017 | rolling stock |
| Eurofima VIII.B (Contract no. 2731) | EUR | 13,000 | 29/9/2020 | rolling stock |
| Eurofima IX. A (Contract no. 2753) | EUR | 18,350 | 29/9/2020 | rolling stock |
| **Total** | | **126,950** | | |
| **Short-term part** | | **7,244** | | |
| **Long-term part** | | **119,706** | | |

All financial aid bears interest at variable interest rate in the scope from 0.222 % p.a. to 2.073 % (from 1.031 % p.a. to 1.739 % p.a. in 2011).

## 13 INTEREST-BEARING LOANS AND BORROWINGS

As on 31 December 2012:

| | Currency | Principal balance In thousand EUR | Maturity | Hedging |
|---|---|---|---|---|
| **Long-term loans** | | | | |
| Tatra banka, a.s. | EUR | 7,057 | 31/12/2018 | No hedging |
| ČSOB, a.s. | EUR | 31,799 | 31/12/2018 | No hedging |
| ING.Bank, a.s. N.V | EUR | 14,373 | 31/12/2015 | No hedging |
| ING Bank, a.s. N.V. | EUR | 22,000 | 30/6/2016 | No hedging |
| Komerční banka, a.s. | EUR | 27,706 | 30/6/2016 | No hedging |
| SLSP, a.s. (refinanc. Eurofima) | EUR | 20,244 | 30/6/2016 | No hedging |
| **Total** | | **123,179** | | |
| **Short-term part of loans and borrowings** | | **20,164** | | |
| **Long-term part of loans and borrowings** | | **103,015** | | |

| | Currency | Principal balance In thousand EUR | Maturity | Hedging |
|---|---|---|---|---|
| **Krátkodobé úvery** | | | | |
| VÚB, a.s. | EUR | 24,000 | 30/6/2013 | No hedging |
| VÚB, a.s. | EUR | 45,000 | 30/6/2013 | No hedging |
| **Short-term loans** | | **69,000** | | |
| **Short-term part of loans and borrowings (see above)** | | **20,164** | | |
| **Bank overdrafts (note 10)** | | **159** | | |
| **Total** | | **89,323** | | |

All loans are in EUR, unless stated otherwise in the table.

Some loan contracts include also an obligation of the Company to fulfil certain financial and non-financial indicators. These indicators are based on managerial statements prepared by the Company (as the Company no longer prepares financial statements pursuant to Slovak standards).

The fair value of interest-bearing loans and borrowings is EUR 192,338 thousand (EUR 239,734 thousand as on 31 December 2011).

All loans and borrowings bear interest at variable interest rate in the scope from 0.877 % p.a. to 3.087 % p.a. (from 1.629% p.a. to 3.465 % p.a. in 2011).

As on 31 December 2011

| | Currency | Amount in foreign currency | Principal balance In thousand EUR | Maturity | Hedging |
|---|---|---|---|---|---|
| **Long-term loans** | | | | | |
| Tatra banka, a.s. | EUR | | 784 | 31/12/2018 | No hedging |
| ČSOB, a.s. | EUR | | 13,047 | 31/10/2017 | No hedging |
| ING Banka, a.s.. | EUR | | 19,164 | 31/12/2015 | No hedging |
| **Total** | | | **32,995** | | |
| **Short-term part of loans and borrowings** | | | **4,791** | | |
| **Long-term part of loans and borrowings** | | | **28,204** | | |

| | Currency | Amount in foreign currency | Principal balance In thousand EUR | Maturity | Hedging |
|---|---|---|---|---|---|
| **Short-term loans** | | | | | |
| UBS AG 6 | CHF | 2 822 | 2,321 | 31/8/2012 | SERG |
| ČSOB, a.s. | EUR | | 151 | 29/6/2012 | No hedging |
| ČSOB, a.s. | EUR | | 581 | 31/1/2012 | No hedging |
| ČSOB, a.s. | EUR | | 240 | 16/4/2012 | No hedging |
| Tatra banka, a.s. | EUR | | 18,200 | 2/1/2012 | No hedging |
| UniCredit Bank, a.s. | EUR | | 42,000 | 2/1/2012 | No hedging |
| VÚB, a.s. | EUR | | 20,000 | 2/1/2012 | No hedging |
| VÚB, a.s. | EUR | | 55,000 | 2/1/2012 | No hedging |
| **Short-term loans** | | | **138,493** | | |
| **Short-term part of loans and borrowings (see above)** | | | **4,791** | | |
| **Bank overdrafts (note 10)** | | | **68,246** | | |
| **Total** | | | **211,530** | | |

## 14 EMPLOYEE BENEFITS

| *(in thousand EUR)* | Bonuses at retirement | Contributions at life anniversaries | Compensatory contribution in case of invalidity | Total |
|---|---|---|---|---|
| As on 1 January 2012 | **5,465** | **1,536** | **347** | **7,348** |
| Costs on present services | 246 | 75 | 3 | 324 |
| Interest costs | 208 | 58 | 13 | 279 |
| Actuarial profit and loss | 283 | 415 | -3 | 695 |
| Paid benefits | -167 | -457 | -74 | -698 |
| Costs on past services | 1,399 | 343 | 40 | 1,782 |
| **As on 31 December 2012** | **7,434** | **1,970** | **326** | **9,730** |
| Short-term as on 31 December 2012 | 388 | 234 | 68 | 690 |
| Long-term as on 31 December 2012 | 7,046 | 1,736 | 258 | 9,040 |
| **As on 31 December 2012** | **7,434** | **1,970** | **326** | **9,730** |

| *(in thousand EUR)* | Bonuses at retirement | Contributions at life anniversaries | Compensatory contribution in case of invalidity | Total |
|---|---|---|---|---|
| As on 1 January 2011 | **5,173** | **1,489** | **306** | **6,968** |
| Costs on present services | 192 | 148 | 76 | 416 |
| Interest costs | 259 | 74 | 15 | 348 |
| Actuarial profit and loss | 169 | 58 | 0 | 227 |
| Paid benefits | -329 | -146 | -50 | -525 |
| Costs on past services | 1 | -87 | 0 | -86 |
| **As on 31 December 2011** | **5,465** | **1,536** | **347** | **7,348** |
| Short-term as on 31 December 2011 | 338 | 166 | 50 | 554 |
| Long-term as on 31 December 2011 | 5,127 | 1,370 | 297 | 6,794 |
| **As on 31 December 2011** | **5,465** | **1,536** | **347** | **7,348** |

Main actuarial assumption:

| | 2012 | 2011 |
|---|---|---|
| Discount rate (% p.a.) | 3.80% | 5.00% |
| Increase of wages (%) | 0% - 4.50% | 3.50% |
| Probability of male mortality (%) | 0.036% - 2.4250% | 0.036% - 2.4250% |
| Probability of female mortality (%) | 0.0185% - 0.9132% | 0.0185% - 0.9132% |

## 15 RESERVES

| *(in thousand EUR)* | Environmental burdens | Lawsuits | Redundancy payment, severance payment | Other reserves | Total |
|---|---|---|---|---|---|
| As on 1 January 2012 | **48** | **411** | **3,082** | **0** | **3,541** |
| Additions | 6,626 | 662 | 1,072 | 610 | 8,970 |
| Interest costs | 0 | 0 | 79 | 0 | 79 |
| Recognised part of the subsidy | 0 | -9 | 0 | 0 | -9 |
| Use | -42 | 0 | -513 | 0 | -555 |
| As on 31 December 2012 | **6,632** | **1,064** | **3,720** | **610** | **12,026** |
| Short-term as on 31 December 2012 | 3,352 | 580 | 1,025 | 610 | 5,567 |
| Long-term as on 31 December 2012 | 3,280 | 484 | 2,695 | 0 | 6,459 |
| As on 31 December 2012 | **6,632** | **1,064** | **3,720** | **610** | **12,026** |

| *(in thousand EUR)* | Environmental burdens | Lawsuits | Redundancy payment, severance payment | Total |
|---|---|---|---|---|
| As on 1 January 2011 | **176** | **1,217** | **3,401** | **4,794** |
| Additions | 0 | 411 | 363 | 774 |
| Interest costs | 0 | 0 | 170 | 170 |
| Recognised part of the subsidy | 0 | -1,143 | 0 | -1,143 |
| Use | -128 | -74 | -852 | -1,054 |
| As on 31 December 2011 | **48** | **411** | **3,082** | **3,541** |
| Short-term as on 31 December 2011 | 48 | 191 | 1,116 | 1,355 |
| Long-term as on 31 December 2011 | 0 | 220 | 1,966 | 2,186 |
| As on 31 December 2011 | **48** | **411** | **3,082** | **3,541** |

*Lawsuits*

Reserves on lawsuits concern several legal claims. In 2012 the Company evaluated the reserves on lawsuits of the previous periods without changes because there is a continuing risk of outflow of finances on these lawsuits. At the same time, new reserves were created, of which the most significant consists of a reserve on damages and other-than-financial damage for death of Lukáša Krampl during a train accident, in the amount of EUR 130,000, and a reserve on the lawsuit with the company Meton, s.r.o. concerning validity and efficiency of the legal action - withdrawal from the contract on transfer of receivables due to serious breach of the contract, in the amount of EUR 135,000.

In 2012 the Company purchased long-term tangible assets – diesel facilites – from Železničná spoločnosť Cargo Slovakia, a.s. as on 1 February 2012. After having completed the diesel operation in terms of the effective Slovak legislation, the Company has obligations of ecological nature which are highly costly. A reserve in the amount of EUR 6,626 thousand was created for these significant costs.

## 16 FINANCIAL DERIVATIVES

As at the day of book closing (i.e. 31 December), the financial derivatives were measured by an external company pursuant to the principle of determining the present value of all financial flows from the given instrument. Discount factors are calculated from the actual market data obtained from the Reuters information system. Expected cash flows were determined either by using calculation of forward interest rates or by stochastic simulation of market variables.

| Creditor | Derivative | Measurement as on 31 December 2012 | | Measurement results | |
|---|---|---|---|---|---|
| | | receivable | liability | receivable | liability |
| Crédit Agricole | EUROFIMA VI | 280 | -34,469 | 0 | -34,189 |
| Crédit Agricole | EUROFIMA VII A | 133 | -3,856 | 0 | -3,723 |
| NOMURA | EUROFIMA VI / IRIS | 37,235 | -38,858 | 0 | -1,623 |
| | **Total** | **37,648** | **-77,183** | **0** | **-39,535** |

| Creditor | Derivative | Measurement as on 31 December 2011 | | Measurement results | |
|---|---|---|---|---|---|
| | | receivable | liability | receivable | liability |
| Crédit Agricole | EUROFIMA VI | 2,695 | -36,429 | 0 | -33,734 |
| Crédit Agricole | EUROFIMA VII A | 1,001 | -4,440 | 0 | -3,439 |
| VUB, a.s. | EUROFIMA VII B | 900 | 18 | 918 | 0 |
| NOMURA | EUROFIMA VI / IRIS | 37,695 | -40,953 | 0 | -3,258 |
| | **Total** | **42,291** | **-81,804** | **918** | **-40,431** |

## 17 OTHER LONG-TERM LIABILITIES

| *(in thousand EUR)* | 31 December 2012 | 31 December 2011 |
|---|---|---|
| Deferred income in relation to investments from EU Structural Funds | **66,322** | **38,354** |
| Deferred income in relation to investments from the State Budget | **27,844** | **31,980** |
| Deferred income in relation to investments in combination of the State Budget and EU Structural Funds | **66,322** | **38,354** |
| Liabilities towards the social fund | **147** | **82** |
| Other liabilities | **3,592** | **590** |
| | **164,227** | **109,360** |

Changes in the social fund are presented in the following table:

| *(in thousand EUR)* | 2012 | 2011 |
|---|---|---|
| **As on 1 January** | **82** | **50** |
| Creation | 567 | 467 |
| Drawing | 502 | 435 |
| **As on 31 December** | **147** | **82** |

## 18 TRADE LIABILITIES AND OTHER LIABILITIES

| *(in thousand EUR)* | 31 December 2012 | 31 December 2011 |
|---|---|---|
| Trade liabilities | **95,180** | **90,959** |
| Short-term part of deferred income in relation to investments | **16,878** | **12,384** |
| Tax liabilities | **552** | **467** |
| | **112,610** | **103,810** |

Short-term trade liabilities after maturity (account 321) amounted to EUR 4,746 thousand as on 31 December 2012 (EUR 540 thousand as on 31 December 2011).

More detailed information on liabilities towards related parties is stated under note 32.

## 19 CONTINGENT LIABILITIES

A lawsuit was filed with the District Court of Bratislava III against the Company primarily, and secondly against Železničná spoločnosť Cargo Slovakia, a.s., as the legal successors of ŽSR and Železničná spoločnosť, a.s. concerning damages in the amount of EUR 82,775 thousand with accessories, jointly and severally. The complainant LANCILLON Limited (a legal predecessor was Martinská mechatronická, a.s.) justifies its claim by a breach of obligations resulting from the "Contract on constructing a prototype of a 755-series locomotive" of 6 November 1995 as amended by Supplements no. 1 and 2 , the "Contract for work concerning tests of the prototype of a 755-series locomotive" of November 1997, and the "Contract for work no. 1/98-755 on construction of two prototypes of a 755-series locomotive in a testing series" of August 1998. The complainant based the right to damages on allegedly frustrated tests of the prototype by ŽSR and a subsequent failure to fulfil an alleged obligation to purchase 98 pieces of serially produced locomotives of 755-series from the complainant.

Based on a legal analysis, the Company management assumes that the complaint is unjustified because the supplier (complainant) did not meet the contractual obligations resulting from individual contracts. Therefore, no reserve was created for the lawsuit.

## 20 INCOME TAX

Tax base for 2012 is zero (2011 - zero). The business result before taxation is reduced by reported deferred tax which is not included in the reported business result which is the base for income tax calculation. When calculating deferred income tax, the rate of 23 % was used in terms of the Amendment to the Income Tax Act.

| *(in thousand EUR)* | 31 December 2012 | 31 December 2011 |
|---|---|---|
| Profit / (loss) before taxation | **-10,386** | **-15,437** |
| Tax at statutory tax rate of 19% | **-1,973** | **-2,933** |
| Impact of tax loss that cannot be redeemed in the future | **1,644** | **1,929** |
| Non tax deductible costs | **1,215** | **1,332** |
| **Income tax** | **886** | **328** |

Deferred tax receivables and liabilities may be divided as follows:

| *(in thousand EUR)* | 31 December 2012 | 31 December 2011 |
|---|---|---|
| **Deferred tax receivables** | | |
| Unamortised tax loss | **14,126** | **14,869** |
| Employee benefits | **2,238** | **1,396** |
| Long-term receivables from PSO Contract | **0** | **1,011** |
| Redundancy payment, severance payment | **856** | **586** |
| Investment subsidies | **431** | **0** |
| Other | **969** | **119** |
| | **18,620** | **17,981** |
| **Deferred tax liabilities** | | |
| **Long-term tangible assets** | **-30 129** | **-28,795** |
| Other | **-229** | **-44** |
| | **-30,358** | **-28,839** |
| **Net deferred tax liabilities** | **-11,738** | **-10,858** |

The Company reports unamortised tax loss from 2007-2012 in the amount of EUR 61,417 thousand. The Company is entitled to redeem tax losses as on 31 December 2009 for five years against future taxable profits, and tax losses as on 31 December 2011 for seven years. Redemption will be as follows:

| *(in thousand EUR)* | 31 December 2012 | 31 December 2011 |
|---|---|---|
| 2012 | 10,825 | 15,703 |
| 2013 | 8,021 | 8,021 |
| 2014 | 11,724 | 21,724 |
| 2017 | 10,000 | 20,848 |
| 2018 | 10,848 | 11,961 |
| 2019 | 10,000 | |
| 2020 | 11,961 | - |
| **Total unredeemed tax loss** | **61,417** | **78,257** |

## 21 TRANSPORT OF PASSENGERS AND RELATED REVENUES

| *(in thousand EUR)* | 31 December 2012 | 31 December 2011 |
|---|---|---|
| Passenger transport | | |
| Passenger transport - national | 70,007 | 65,265 |
| Passenger transport - international | 17,836 | 16,946 |
| | **87,843** | **82,211** |
| Other transport-related revenues: | | |
| Performance of passenger coaches | 12,677 | 9,707 |
| Traction performance abroad | 5,865 | 5,932 |
| Other revenues | 5,495 | 3,928 |
| | **24,037** | **19,567** |
| | **111,880** | **101,778** |

When preparing and adopting prices of national services, the Company follows the Decree of the Railway Regulatory Authority on fare regulation in railway transport (hereinafter the "Decree") which stipulates the scope and maximum amount of selected types of fare. With the effective date of 1 November 2011 the Railway Regulatory Authority issued a new Decree which increased the prices by 9.96%.

In terms of the valid Contract on Public Rail Transport Services a carrier may transport passengers even for prices lower than stipulated by the Decree. Fare and transport conditions exceeding the scope of the Decree have to be adopted by the Company Board of Directors. It informs MTCRD on any discounts, together with justification and expected benefits. Pricing and adoption of prices of international services is subject to multilateral and bilateral agreements with foreign railway undertakings.

## 22 SUBSIDIES RESULTING FROM THE CONTRACT ON PASSENGER RAIL TRANSPORT SERVICES

The Company has concluded a Contract on Passenger Rail Transport Services with the Slovak Republic represented by MTCRD which is the basis for operation of passenger transport by rail. In 2012 compensation in the form of prepayments amounting to EUR 199,342 thousand was granted for its operation. The receivable resulting from compensation of loss from 2004 – 2008, 2009 and 2010 was paid more than one year before the maturity date, which was reflected in the revenues in the amount of EUR 18,166 thousand.

| *(in thousand EUR)* | 31 December 2012 | 31 December 2011 |
|---|---|---|
| Compensation to cover costs on services in public interest | 199,342 | 204,999 |
| Revenues from compensation paid before maturity date | 18,166 | - |
| **Total** | **217,508** | **204,999** |

Subsidies on compensation of uncovered loss from years 2004 - 2008, 2009 and 2010 in compliance with the Contract on Passenger Rail Transport Services amounted to EUR 156,491 thousand. The amount was paid in the following instalments:

| *(in thousand EUR)* | Subsidy | Paid amount | Payment date |
|---|---|---|---|
| Subsidy for 2004 - 2008 | 71,933 | 71,933 | 14/8/2012 |
| Subsidy for 2009 | 17,042 | 17,042 | 20/12/2012 |
| Subsidy for 2010 | 67,516 | 23,400<br>44,116 | 20/12/2012<br>27/12/2012 |
| Subsidy for 2011 | **16,178** | - | payable in 2013 |
| **Total** | **172,669** | **156,491** | |

## 23 OTHER SUBSIDIES

| *(in thousand EUR)* | 31 December 2012 | 31 December 2011 |
|---|---|---|
| Subsidies on investments: | | |
| from the State Budget | **4,208** | **4,125** |
| from the State Budget in combination with EU funds | **3,259** | **825** |
| from Structural Funds | **3,259** | **825** |
| Other | **5** | **4** |
| | **10,731** | **5,779,** |

*State Budget subsidies*

In 2012 no State Budget subsidy was granted to the Company for investment purposes. Revenues include subsidies of previous periods (EUR 11,618 thousand in 2010 and EUR 33,194 thousand in 2009) which were designated and used to reconstruct diesel coaches 810+010 and multiple-unit sets 813+913, modernisation of Bdt and Bdgteer coaches and motive power units of 362 and 363 series.

| *(in thousand EUR)* | Subsidy received in 2009 | Subsidy received in 2010 | Total |
|---|---|---|---|
| As on 1 January 2012 | **26,165** | **9,952** | **36,117** |
| Drawing | 0 | 0 | 0 |
| Recognised part of the subsidy | -3 226 | -982 | -4 208 |
| **As on 31 December 2012** | **22,939** | **8,970** | **31,909** |
| Short-term as on 31 December 2012 | 3,091 | 7,987 | 11,078 |
| Long-term as on 31 December 2012 | 19,848 | 983 | 20,831 |
| **As on 31 December 2011** | **22,939** | **8,970** | **31,909** |

| *(in thousand EUR)* | 2009 | 2010 | Total |
|---|---|---|---|
| As on 1 January 2011 | **29,308** | **10,935** | **40,243** |
| Drawing | 0 | 0 | 0 |
| Recognised part of the subsidy | -3 143 | -983 | -4 126 |
| **As on 31 December 2011** | **26,165** | **9,952** | **36,117** |
| Short-term as on 31 December 2011 | 3,154 | 982 | 4,136 |
| Long-term as on 31 December 2011 | 23,011 | 8,970 | 31,981 |
| **As on 31 December 2011** | **26,165** | **9,952** | **36,117** |

Subsidy from the State Budget in combination with a subsidy from Structural Funds of the European Union

In order to renew the rolling stock fleet for suburban and inter-regional railway passenger public transport in Slovakia, the Company started to draw a non-repayable financial contribution in 2009 within the framework of the Operational Programme Transport. According to the Contract on provision of a non-repayable financial contribution the amount of eligible costs under the Operation Programme Transport was determined as EUR 186,338 thousand, and the maximum level of financing of the non-repayable financial contribution to EUR 177,021 thousand. The funding of the non-repayable financial contribution is divided evenly; 50 % from the State Budget of the Slovak Republic, and 50 %

from the European Regional Development Fund.

In 2012 double-deck units in the value of EUR 38,718 thousand were put into operation, as well as Push-Pull multiple units in the value of EUR 42,444 thousand, and diesel multiple units in the value of EUR 26,581 thousand, plus motive power units were reconstructed in the amount of EUR 2,107 thousand under the Operational Programme Transport. In December 2010 the first electric double-deck unit procured under the Operational Programme Transport was put into operation. Parts of the subsidy from the non-repayable financial contributions are gradually recognised as of January 2011.

| *(in thousand EUR)* | Subsidy from the EU Structural Funds | Subsidy from the State Budget in combination with EU | Total |
|---|---|---|---|
| As on 1 January 2012 | **42,477** | **42,477** | **84,954** |
| Drawing | 33,510 | 33,510 | 67,020 |
| Recognised part of the subsidy | -3 259 | -3 259 | -6 518 |
| **As on 31 December 2012** | **72,728** | **72,728** | **145,456** |
| Short-term as on 31 December 2012 | 6,406 | 6,406 | 12,812 |
| Long-term as on 31 December 2012 | 66,322 | 66,322 | 132,644 |
| **As on 31 December 2012** | **72,728** | **72,728** | **145,456** |

| *(in thousand EUR)* | Subsidy from the EU Structural Funds | Subsidy from the State Budget in combination with EU | Total |
|---|---|---|---|
| As on 1 January 2011 | **10,548** | **10,548** | **21,096** |
| Drawing | 32,754 | 32,754 | 65,508 |
| Recognised part of the subsidy | -825 | -825 | -1 650 |
| **As on 31 December 2011** | **42,477** | **42,477** | **84,954** |
| Short-term as on 31 December 2011 | 4,123 | 4,123 | 8,246 |
| Long-term as on 31 December 2011 | 38,354 | 38,354 | 76,708 |
| **As on 31 December 2011** | **42,477** | **42,477** | **84,954** |

## 24 OTHER NET OPERATING (COSTS) REVENUES

| *(in thousand EUR)* | 31 December 2012 | 31 December 2011 |
|---|---|---|
| Insurance of long-term tangible assets | **-3,162** | **-3,334** |
| Damage compensation | **675** | **1,513** |
| Revenues from sale of assets and material | **766** | **229** |
| Others, net | **1,069** | **-747** |
| | **-652** | **-2 339** |

## 25 CONSUMPTION AND SERVICES

| *(in thousand EUR)* | 31 December 2012 | 31 December 2011 |
|---|---|---|
| Track access charges | 43,415 | 46,035 |
| Repairs and maintenance | 23,491 | 28,927 |
| Energy consumption | 36,487 | 31,934 |
| Material consumption | 28,376 | 20,984 |
| Performance of passenger coaches | 8,291 | 8,288 |
| Performance of motive power units | 6,629 | 6,365 |
| Shunting | 3,855 | 7,910 |
| Cleaning of vehicles, tidying-up, waste removal | 4,537 | 4,113 |
| Rental | 3,300 | 4,214 |
| Services of Wagon Slovakia | 3,254 | 3,797 |
| IT services | 4,467 | 3,830 |
| Travelling costs | 2,147 | 2,050 |
| Operators' performance | 1,158 | 1,063 |
| Costs on replacement bus transport during traffic closures | 405 | 1,031 |
| Costs related to care of employees | 1,495 | 1,438 |
| Mediating commissions | 1,809 | 1,676 |
| Services of ŽSR employees | 5,358 | 7,470 |
| Costs on audit | 56 | 73 |
| of which costs on audit of the current Financial Statements | 28 | 60 |
| Other assurance services | 1,166 | 707 |
| Other | 4,498 | 2,641 |
| | **184,194** | **184,546** |

Significant items of consumed purchases and services in 2012 include mostly costs on track access charges, traction energy consumption and other services ordered from ŽSR. The Company has concluded a business relationship concerning the use of ŽSR infrastructure where the price depends on kilometres and rates for individual types of transport as stipulated by the Decree of the Railway Regulatory Authority. It has also concluded contracts on purchase of traction energy (see note 31 – Related parties).

Costs on repairs regard mainly rolling stock and services related to operation of rolling stock. The Company has a contract for provision of these activities with Železničná spoločnosť Cargo Slovakia, a.s., ŽOS Trnava and ŽOS Vrútky. A great part of costs is related to material consumption (see note 32 – Related parties).

## 26 PERSONNEL COSTS

| *(in thousand EUR)* | 31 December 2012 | 31 December 2011 |
|---|---|---|
| Labour costs | 64,126 | 50,142 |
| Social security costs | 25,982 | 20,647 |
| **Total** | **90,108** | **70,789** |

An overview of remuneration of the Supervisory Board and the Board of Directors:

| *(in thousand EUR)* | | 31 December 2012 | 31 December 2011 |
|---|---|---|---|
| **Current members:** | | | |
| **of which:** | - Board of Directors | 20 | 28 |
| | - Supervisory Board | 10 | 32 |
| **Former members** | | | |
| **of which:** | - Board of Directors | 9 | 9 |
| | - Supervisory Board | 13 | - |
| **Total remunerations** | | **52** | **69** |

As on 31 December 2012 the number of employees was 5,846 (4,792 as on 31 December 2011), of which 214 managing employees (181 as on 31 December 2011).

The average wage in 2012 amounted to EUR 877.15, while in 2011 it was EUR 856.80.

## 27 FINANCIAL INCOME

| *(in thousand EUR)* | 31 December 2012 | 31 December 2011 |
|---|---|---|
| Yield interests | 3,336 | 2,913 |
| Other net financial income | 3 | 10 |
| **Total** | 3,339 | 2,923 |

## 28 FINANCIAL COSTS

| *(in thousand EUR)* | 31 December 2012 | 31 December 2011 |
|---|---|---|
| Cost interests | -6,619 | -6,959 |
| Bank expenses | -1,039 | -132 |
| Net exchange rate (losses) income | -9 | 53 |
| **Total** | -7,667 | -7,038 |

## 29 LOSS FROM FINANCIAL DERIVATIVES

| *(in thousand EUR)* | 31 December 2012 | 31 December 2011 |
|---|---|---|
| Net change in derivative measurement | - 21 | -3,794 |
| Costs on derivative operations, except for changes in derivative measurements (net) | -6,388 | -6,728 |
| **Total** | -6,409 | -10,522 |

## 30 FINANCIAL RISK MANAGEMENT

The operations of the Company are exposed to various market risks. The main risks for the Company include the interest risk, liquidity risk and credit risk. To minimize the risk resulting from changes in exchange rate differences and interest rates, the Company entered into transactions with required parameters, or concludes derivative contracts to hedge individual transactions and total risks via instruments available on the market.

Transaction meeting the hedging conditions are called hedging transactions, while those carried out for hedging purposes but not meeting the conditions for hedging operations are classified as commercial transactions.

The main financial liabilities of the Company include loans and borrowings bearing interest, bank overdrafts and trade liabilities. The main purpose of these financial liabilities is to secure the funding for the Company operation. The Company has various financial assets at its disposal, including trade receivables and other receivables and short-term deposits which result directly from its activities.

The Board of Directors of the Company monitors and approves the procedures of management of the above risks as stated below.

## INTEREST RISK

The Company is exposed to the risk of changes in the market interest rates associated with long-term and short-term liabilities resulting from loans and bank overdrafts with variable interest rates. The Company has a broad portfolio of loans with various variable interest rates, which the Company is able to keep at a very low level. In respect of a part of its loans, the Company is prepared to transfer them also to fixed interest rates, in case of indicated and more stable growth of rates. The Company has been monitoring the market development constantly.
The following table shows a sensitivity analysis concerning changes in the interest rate by 100 basis point upwards or downwards, assuming all other variables would remain without changes. It includes a forecasted impact on income before taxation for the period of 12 months after the balance-sheet date. No influence on equity is expected.

| | 31 December 2012 | 31 December 2011 |
|---|---|---|
| O/N, 1M EURIBOR (+/-1%) | +/- 1.802 | +/- 1.758 |
| 3M, 6M EURIBOR (+/-1%) | +/- 1.762 | +/- 1.719 |

## LIQUIDITY RISK

The Company policy is to hold sufficient amount of financial means and financial equivalents in compliance with its financial strategy, or to have financial means available in an adequate amount from foreign resources to cover the insufficient liquidity risk. The amount of foreign resources in the form of available loans as on 31 December 2012 and 2011 is as follows:

| *(in thousand EUR)* | 31 December 2012 | 31 December 2011 |
|---|---|---|
| Long-term loan resources | 212,721 | 147,910 |
| Short-term loan resources | 99,323 | 218,774 |
| **Total available loan resources** | **312,044** | **366,684** |

The following table sums up the maturity of financial liabilities as on 31 December 2012 based on contractual non-discounted payments.

| *(in thousand EUR)* | Upon request | Within 3 months | From 3 to 12 months | From 1 to 5 years | Over 5 years | Total |
|---|---|---|---|---|---|---|
| Long-term loans and financial aid | 0 | 0 | 0 | 150,930 | 61,791 | **212,721** |
| Trade liabilities and other liabilities | 0 | 79,902 | 15,830 | 3,592 | 0 | **99,324** |
| Short-term loans | 0 | 10,147 | 89,176 | 0 | 0 | **99,323** |
| **Total** | 0 | 90,049 | 105,006 | 154,522 | 61,791 | **411,368** |

The following table sums up the maturity of financial liabilities as on 31 December 2011 based on contractual non-discounted payments.

| *(in thousand EUR)* | Upon request | Within 3 months | From 3 to 12 months | From 1 to 5 years | Over 5 years | Total |
|---|---|---|---|---|---|---|
| Long-term loans and financial aid | 0 | 0 | 0 | 87,373 | 60,537 | **147,910** |
| Trade liabilities and other liabilities | 0 | 81,423 | 10,004 | 590 | 0 | **92,017** |
| Short-term loans | 0 | 144,802 | 73,792 | 0 | 0 | **218,594** |
| **Total** | 0 | 226,225 | 83,796 | 87,963 | 60,537 | **458,521** |

Long-term loans over 5 years in the amount of EUR 61,791 thousand involve loans which may be paid-up also earlier pursuant to the agreed instalment calendar.
The Company applies cash-flow planning to manage the liquidity risk. The actual cash-flow development is then evaluated at regular basis. In case risk events occur that would threaten the liquidity, measures and operative instruments are modelled in order to manage the liquidity. The Company has sufficient short-term operative loan possibility to span short-term oscillations in liquidity.

### CREDIT RISK

Credit risk represents a risk of financial loss of the Company in case a customer or counterparty to a financial instrument fails to fulfil its contractual obligations. The Company sells its services to various customers, of which none, whether individually or jointly, represents a significant risk of unpaid receivables as to their volume, solvency or nature of business. The Company management monitors continuously the credit risk exposure, where it is governed by the ZSSK Regulation for Claims.
The maximum risk of failed payment amounts to the carrying amount of each financial asset, including financial derivatives, reported in the balance sheet and reduced by allowance. The Company has the risk under control, as it is significantly limited by the measures applied. The Company further constantly monitors development of the risk.

### CAPITAL MANAGEMENT

The main objective of the Company as regards capital management is to ensure high credit rating and sound financial capital indicators with the aim to support is business activity and maximize the value for shareholders.
The Company manages and adjusts its capital structure with respect to changes in economic conditions.
The Company monitors its indebtedness through an indebtedness indicator calculated as the ratio of debt consisting of interest-bearing loans and borrowings and financial aid from third parties, and the equity.

| *(in thousand EUR)* | 31 December 2012 | 31 December 2011 |
|---|---|---|
| Long-term financial aid | 109,706 | 119,706 |
| Long-term loans | 103,015 | 28,204 |
| Short-term financial aid | 10,000 | 7,244 |
| Short-term loans, including short-term part of long-term loans | 89,323 | 211,530 |
| **Debt** | **312,044** | **366,684** |
| | | |
| **Shareholders' equity** | **167,518** | **178,790** |
| **Indicators of indebtedness (%)** | **187%** | **205%** |

## 31 POSTAL SERVICES

Železničná spoločnosť Slovensko, a.s. was registered at the Postal Regulatory Office in the Postal Services Register on 15 August 2012 under number 17 as a postal entity providing interchangeable postal services and other postal services in compliance with Article 23 of Act no. 324/2011 Coll. on postal services.
In accordance with the provisions of Article 36 of the Act on Postal Services, ZSSK as a postal company providing interchangeable postal services, is obliged to keep separate accounts on costs and revenues from interchangeable services. Separate bookkeeping of costs and revenues is ensured by the second degree of analytical evidence. The greatest revenues of 2012 include revenues from concluded long-term contracts on provision of postal services for Železničná spoločnosť Cargo and Železnice Slovenskej republiky.

### OPERATION COSTS AND REVENUES

| | as on 31 December 2012 | as on 31 December 2011 |
|---|---|---|
| Consumed purchases | 3 | 5 |
| Consumed services | 46 | 34 |
| Personnel costs | 284 | 283 |
| Costs on operation | 237 | 193 |
| Depreciation of tangible and intangible assets | 3 | 3 |
| **Total costs** | **573** | **518** |
| **Revenues** from provision of interchangeable postal services | **621** | **621** |
| **Profit (loss)** | **48** | **103** |

## 32 RELATED PARTIES

Parties related to the Company are all companies associated through property (i.e. under the State control), EUROFIMA and the Board of Directors.

The following table shows the total amount of transactions concluded with related parties during the years ending on 31 December 2012 and 2011:

| *(in thousand EUR)* | 31 December 2012 | | | |
|---|---|---|---|---|
| **Related parties** | **Revenues generated with related parties** | **Costs on transactions with related parties** | **Receivables towards related parties** | **Liabilities towards related parties** |
| ŽSR | 719 | 89,165 | 74 | 6,960 |
| ZSSK CARGO | 5,508 | 71,462 | 846 | 2,445 |
| EUROFIMA | 0 | 0 | 0 | 119,706 |

| *(in thousand EUR)* | 31 December 2012 | | | |
|---|---|---|---|---|
| **Related parties** | **Revenues generated with related parties** | **Costs on transactions with related parties** | **Receivables towards related parties** | **Liabilities towards related parties** |
| ŽSR | 637 | 88,460 | 154 | 4,774 |
| ZSSK CARGO | 1,204, | 37,132 | 480 | 11,881 |
| EUROFIMA | 0 | 0 | 0 | 126,950 |

The main contracts of the Company with ŽSR and ZSSK CARGO are concluded usually for a period of one year and are renewed on a yearly basis. Costs towards ŽSR include mostly track access charges and costs on purchase of traction electric energy. Costs towards ZSSK CARGO include mostly purchase of assets, repairs, reconstructions and modernisation of passenger coaches and motive power units, and purchase of diesel.

Pursuant to an extract from the Companies´ Register of the District Court of Bratislava I, the statutory bodies of the Company were are follows:

Statutory body: Board of Directors

| Name | Position | From: | To: |
|---|---|---|---|
| Mgr. Pavel Kravec | Chairman | 16/9/2010 | 25/4/2012 |
| Ing. Jaroslav Paulický | Vice-Chairman | 16/9/2010 | 25/4/2012 |
| Ing. Pavol Tarcala | Member | 16/9/2010 | 25/4/2012 |
| | | | |
| Ing. Pavol Gábor | Chairman | 26/4/2012 | |
| Ing. Ľubomír Húska | Vice-Chairman | 26/4/2012 | |
| Ing. Igor Krško | Member | 26/4/2012 | |

Supervisory body: Supervisory Board

| Name | Position | From: | To: |
|---|---|---|---|
| Ing. Jozef Kováč | Chairman | 11/10/2010 | 14/8/2012 |
| Ing. Vincent Štuller | Vice-Chairman | 11/10/2010 | 14/8/2012 |
| JUDr. Juraj Kamenca, CSc. | Member | 11/10/2010 | 14/8/2012 |
| Ing. Martin Mlýnek | Member | 11/10/2010 | 10/4/2012 |

| Name | Position | From: | Note |
|---|---|---|---|
| JUDr. Andrej Holák | Chairman | 15/8/2012 | |
| Ing. Jaroslav Mikla | Vice-Chairman | 3/9/2012 | from 15/08/2012 to 02/09/2012 Member |
| Bc. Ján Andreanin | Member | 20/1/2010 | |
| Jozef Hlavatý | Member | 20/1/2010 | |
| Ing. Štefan Hlinka | Member | 15/8/2012 | |
| Ing. Vladimír Ľupták | Member | 15/8/2012 | |

## 33 EVENTS WHICH OCCURRED AFTER THE BOOK CLOSING DATE

Železničná spoločnosť Slovensko, a.s. does not report any significant events after the date of the Statement of Financial Position.

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