



Annual Report of Železničná spoločnosť Slovensko, a.s. for 2013

In Bratislava, on 2 May 2014

For and on behalf of the Company:

Ing. Pavol Gábor

Chairman of the Board of Directors
and Director General of ZSSK

Ing. Ľubomír Húska,

Vice Chairman of the Board of Directors
and Economy Division Director of ZSSK

Auditor's Report on the Annual Report



Dodatok správy audítora o overení súladu výročnej správy s účtovnou závierkou

v zmysle zákona č. 540/2007 Z.z. § - u 23 odsek 5

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

- I. Overili sme účtovnú závierku spoločnosti Železničná spoločnosť Slovensko, a.s. so sídlom v Bratislave, IČO: 35 914 939 k 31. decembru 2013 uvedenú v prílohe výročnej správy, ku ktorej sme dňa 21. februára 2014 vydali správu audítora a v ktorej sme vyjadrili svoj názor v nasledujúcom znení:

Názor

Podľa nášho názoru účtovná závierka poskytuje pravdivý a verný obraz finančnej situácie spoločnosti Železničná spoločnosť Slovensko, a.s. k 31. decembru 2013 a výsledku jej hospodárenia za rok končiaci k uvedenému dátumu v súlade so zákonom o účtovníctve.

Zdôraznenie niektorých skutočností

Bez vplyvu na náš názor upozorňujeme na nasledujúcu skutočnosť

1. Ako je uvedené v Poznámke č.2.3 a č.15 priloženej účtovnej závierky spoločnosť eviduje dlhodobý hmotný majetok, ku ktorému Spoločnosť vykazuje rezervy na environmentálne záťaž vo výške 7 272 tis. EUR na základe povinnosti ekologického charakteru, ktoré vyplývajú v zmysle platnej legislatívy SR pre Spoločnosť pri ukončení prevádzok naftového hospodárstva. Spoločnosť uskutočňuje odhady budúcich peňažných tokov súvisiacich s environmentálnymi záväzkami a záväzkami z vyradenia majetku z prevádzky pomocou porovnávania cien, použitím analógií s podobnými aktivitami v minulosti a inými odhadmi. Hoci tieto odhady sú založené na najlepšom poznaní aktuálnych udalostí a postupov, skutočné výsledky sa môžu od týchto odhadov líšiť.
- II. Overili sme taktiež súlad výročnej správy s vyššie uvedenou účtovnou závierkou. Za správnosť zostavenia výročnej správy je zodpovedný štatutárny orgán spoločnosti. Našou úlohou je overiť súlad výročnej správy s účtovnou závierkou a na základe toho vydať dodatok správy audítora o súlade výročnej správy s účtovnou závierkou.

Overenie sme vykonali v súlade s medzinárodnými auditorskými štandardmi. Tieto štandardy požadujú, aby auditor naplánoval a vykonal overenie tak, aby získal primeranú istotu, že informácie uvedené vo výročnej správe, ktoré sú predmetom zobrazenia v účtovnej závierke, sú vo všetkých významných súvislostiach v súlade s príslušnou účtovnou závierkou.

Informácie uvedené vo výročnej správe sme posúdili s informáciami uvedenými v účtovnej závierke k 31. decembru 2013. Iné údaje a informácie, ako účtovné informácie získané z účtovnej závierky a účtovných kníh sme neoverovali. Sme presvedčení, že vykonané overovanie poskytuje dostatočný a vhodný základ pre náš názor.

BDR, spol. s r. o., M. M. Hodžu 3, 974 00 Banská Bystrica; IČO: 00614556, IČ DPH: SK 2020459199
Neposkytli sme spoločnosti Moore Stephens International Limited
Spoločnosť zapísaná v Obchodnom registri Okresného súdu Banská Bystrica, Oddiel Sro, Vložka číslo: 98/S
Banská Bystrica: telefón: 048/41 53 116, 41 53 114, fax: 048/41 53 117
<http://www.bdrbb.sk>



Podľa nášho názoru sú účtovné informácie vo výročnej správe spoločnosti Železničná spoločnosť Slovensko, a.s. v súlade s účtovnou závierkou k 31.decembru 2013.

V Banskej Bystrici, 2. máj 2014

BDR, spol. s r.o. Banská Bystrica
M.M.Hodžu 3, 974 01 Banská Bystrica
Licencia SKAu č. 6
Obchodný register Okresného súdu Banská Bystrica
Oddiel: Sro, Vložka číslo: 98/S, IČO: 00614556
Nezávislý člen Moore Stephens International Limited

Ing. Roman Juráš
Zodpovedný auditor
Licencia SKAu č. 1074



Supplement to the Auditor's Report on the consistency of the Annual Report with the Financial Statements

pursuant to Act no. 540/2007 Coll., Article 23(5)

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

- I. We have audited the Financial Statements of Železničná spoločnosť Slovensko, a.s., with the registered seat in Bratislava, company ID no.: 35 914 939, as on 31 December 2013 annexed to the Annual Report, to which we issued the Auditor's Report on 21 February 2014 where we expressed our Auditor's opinion as follows:

Opinion

In our opinion, the Individual Financial Statements present a faithful and objective overview of the financial situation of Železničná spoločnosť Slovensko, a.s. as on 31 December 2013, as well as the economic results for the year then ended, in accordance with the Act on accounting.

Emphasis on certain facts

Without an impact on our opinion, we hereby draw the attention to the following fact

1. As stated in Note no. 2.3 and no. 15 to the annexed Financial Statements, the Company reports long-term tangible assets, for which the Company reports reserves on environmental burden amounting to EUR 7,272 thousand based on an obligation of an ecological nature, resulting from the effective Slovak legislation when terminating operations of diesel management. The Company estimates future cash flows related to environmental liabilities and liabilities related to decommissioning of assets via price comparisons, analogies with similar past activities and other estimates. Even if these estimates are based on the best knowledge of current events and procedures, the actual results may differ from these estimates.
- II. We have also audited the consistency of the Annual Report with the aforementioned Financial Statements. The accuracy of the Annual Report's presentation is the responsibility of the Company's Statutory Body. Our responsibility is to verify the consistency of the Annual Report with the Financial Statements and based on our audit to issue a supplement to the Auditor's Report on consistency of the Annual Report with the Financial Statements.

We conducted our audit in accordance with the International Standards on Auditing. Those standards require that the Auditor plan and perform the audit so as to acquire adequate assurance that the information disclosed in the Annual Report and presented in the Financial Statements is consistent, in all material respects, with the relevant Financial Statements.

We assessed the consistency of the information presented in the Annual Report with the information presented in the Financial Statements as at 31 December 2013. We have not audited any data or information other than the financial information obtained from the Financial Statements and accounting ledgers. We believe that the auditing evidence that we obtained is sufficient and suitable as a basis for expressing our opinion.

In our opinion the financial information presented in the Annual Report of Železničná spoločnosť Slovensko, a.s. is consistent with the Financial Statements as on 31 December 2013.

In Banská Bystrica, 2 May 2014

BDR, spol. s r.o. Banská Bystrica
M.M.Hodžu 3, 974 01 Banská Bystrica
SKAu Licence no. 6
Companies' Register of the District Court of Banská Bystrica
Section: Sro, Entry no.: 98/S, Company ID no.: 00614556
An independent member of Moore Stephens International Limited

Ing. Roman Juráš
Responsible Auditor
SKAu Licence no. 1074

[signature in hand]

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

Dear customers, dear business partners,

the Annual Report of Železničná spoločnosť Slovensko, a.s. for 2013 presents several positive reports about the railway transport sector in Slovakia. As a public transport operator, our company dispatched 1,410 trains per day on average in the whole territory of Slovakia in 2013. It was a year when the position of railway transport was strengthened as regards the competition with other transport modes. And it was also a year when we were able to reduce substantially the company loss, to show the first positive impacts of having taken over the repair capacities from external entities under our own roof, and were able to make a significant progress in renewal of the rolling stock fleet for regional services with the help and support of the EU funds.

During 2013 Železničná spoločnosť Slovensko carried out transport services in the volume of 30.341 million train-kilometres, of which 29.121 million train-km were transport services in public interest ordered by the State. The scope of services was comparable with 2012. In the difficult economic conditions, however, we were realistically able to increase the number of passengers as well as to achieve a growth in revenues, not only as compared to the plan, but also in comparison with 2012.

During the year we transported 44.287 million passengers, of which almost 700 thousand by commercial, non-subsidised InterCity trains. The total growth of passengers by 2 % with approximately the same services is a proof that we are able to increase the interest in public railway transport even at times when we do not substantially extend the offer as to the number of trains. After 2012, which saw a decrease in passengers, this is gratifying news.

In 2013 the economic result of Železničná spoločnosť Slovensko was a loss of EUR 7.105 million. It is a result better by almost one third compared to what was expected in the plan, as well as in a year-to-year comparison. Compared to 2012 we improved the economic results by EUR 3.328 million. We were able to reduce the loss mostly thanks to lower costs on externally supplied repairs and maintenance, as well as thanks to a better use of our own repair capacities. Better prices of purchased services, resulting from effective public procurement, also had a certain impact. At the same time, we increased the income. We obtained EUR 91.197 million of revenues from passenger transport, which represented a year-to-year increase by EUR 1.569 million. Revenues from fare exceeded also the annual plan by almost 2 %.

At the same time, the last year was characterised by a significant turn in rolling stock modernisation financed with the help of the EU funds. In the first half-year we completed and commissioned the last 7 pieces out of 32 train sets of the first Project of renewal of rolling stock fleet for suburban and inter-regional public passenger railway transport. Other great news says that in the course of the year we managed to have yet another project approved and contracted. It concerns purchase of 29 units to support integrated transport systems in Bratislava and Košice, which have been fully under production now. These will be electric double-deck units and diesel multiple-unit sets, very similar to the train sets in the first project. Passengers will be able to enjoy travelling in nine of them already this autumn.

And thirdly, significant work started concerning the project preparation for establishing several workplaces for repairs and technical and hygienic maintenance of rolling stock. It is our priority investment plan for the next period of several years, which could help to solve the undesirable condition of the obsolete basis for maintenance and repairs of rolling stock. We would like to achieve this goal with the support of the EU funds.

2013 was a year of our great effort to enhance the travelling services. All activities focused on making the offered services more attractive in order to keep the existing and attract new passengers.

I would like to thank all my colleagues for the results achieved in 2013, without whom we would never arrive that far; our business partners for their services which helped us achieve our goals; and of course, our passengers, without whom our work would not have a meaning.

We are interested in continuing our efforts in further enhancing our services. I firmly believe that passengers will perceive our effort in the better quality of transport services and will choose train as their mode of transport more often - not only when travelling for work or to school, but also when travelling for entertainment and relax.

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

COMPANY PROFILE

Železničná spoločnosť Slovensko, a.s. (ZSSK)

**Rožňavská 1,
832 72 BRATISLAVA**

Company ID no.: 35 914 939

VAT registration no.: SK 20 219 200 76

Established on: 13 December 2004

Capital stock: EUR 212.441 million EUR

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

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

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

The bodies of the company:

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

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

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

The *Director General* is an executive body of ZSSK.

BOARD OF DIRECTORS OF ZSSK

Ing. Pavol GÁBOR

Chairman of the Board of Directors
Director General of ZSSK

since 26 April 2012

Ing. Ľubomír HÚSKA

Vice Chairman of the Board of Directors
Economy Division Director of ZSSK

since 26 April 2012

Ing. Igor KRŠKO

Member of the Board of Directors
Operation Division Director of ZSSK

since 26 April 2012

SUPERVISORY BOARD

JUDr. Andrej HOLÁK

**Chairman of the Supervisory Board
from 15 August 2012 to 30 April 2013**

Ing. Viktor STROMČEK

**Chairman of the Supervisory Board
since 14 May 2013**

Ing. Jaroslav MIKLA

**Member of the Supervisory Board
from 15 August 2012 to 2 September
2013
Vice Chairman of the Supervisory Board
since 3 September 2012**

Ing. Štefan HLINKA

**Member of the Supervisory Board
since 15 August 2012**

Ing. Vladimír ĽUPTÁK

**Member of the Supervisory Board
since 15 August 2012**

Bc. Ján ANDREANIN

**Member of the Supervisory Board
since 20 January 2010**

Jozef HLAVATÝ

**Member of the Supervisory Board
since 20 January 2010**

SCOPE OF BUSINESS

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

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

- 41) transport of rolling stock of foreign undertakings by passenger trains,
- 42) luggage storage.

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

- Licence no.0950/2007/L to carry out transport services by rail, based on Decision of the Railway Regulatory Authority no. 5711/2006-ÚRŽD/Sk of 26 January 2007 for an unlimited period of time
- Licence no. 01/2007/ŠD/L to carry out transport on a special line - Detská železnica (Children's Railway) in Košice, issued on 29 May 2007 for an unlimited period of time
- Licence Deed no. OŽP-A/2005/48837-2/CR1 of 12 December 2005, for an unlimited period of time
- Licence Deed no. Žo-2005/12193/2/Z25 of 16 March 2005
- Trade Licence no. OŽP-A/2008/23329-2 of 23 May 2008
- Trade Licence no. Žo-2005/12195/2/Z25 of 16 March 2005
- Decision of the Railway Regulatory Authority no. 2005T 0017 of 31 May 2005 for heat generation, valid for an unlimited period of time
- Authorisation of the Railway Regulatory Authority no. K – 23/2010 to carry out assembly, revision and testing of specific pressure devices,
- Authorisation of the Railway Regulatory Authority no. K - 31/2013 to carry out assembly, revision and testing of specific pressure devices,
- Authorisation of the Railway Regulatory Authority no. E - 40/2012 to carry out specific activities: assembly, repairs, revisions and testing of electric railway devices,
- Authorisation of the Railway Regulatory Authority no. E - 67/2011 to carry out specific activities: assembly, repairs, reconstruction, revision and testing of specific technical devices on electric railway lines,
- Authorisation of the Railway Regulatory Authority no. Zv – 21/2012 for welding of rolling stock,
- Authorisation of the Railway Regulatory Authority no. Zv – 20/2013 for welding of rolling stock,
- Authorisation of the Railway Regulatory Authority no. P -12/2012 to carry out assembly, repairs, revision and testing of specific gas devices,
- Authorisation of the Railway Regulatory Authority no. Z - 21/2010 to carry out assembly, repairs, revision and testing of specific technical lifting and transport devices,
- Authorisation of the Railway Regulatory Authority no. Z - 30/2013 to carry out specific activities on specific technical devices - lifting and transportation,
- Authorisation of the Railway Regulatory Authority no. D - 11/2012 for non-destructive testing of rolling stock,
- Authorisation of the Railway Regulatory Authority no. Z - 35/2012 to carry out inspection of bridge-like railway infrastructure structures.

PASSENGER TRANSPORT

During 2013, **44,287 thousand passengers** were transported by rail, which meant an increase by 787 thousand passengers against the plan, i.e. fulfilment of the plan in 101.81 %. In comparison with the last year 842 thousand passengers more were transported, i.e. a year-to-year increase by 1.94 %, of which:

- domestic transport recorded increase of passengers against the plan by 754 thousand passengers (1.91 %) and a year-to-year increase by 615 thousand passengers (1.56 %), of which IC trains saw decline of passengers compared to the plan by 12 thousand passengers, and a year-to-year increase by 14 thousand passengers
- international transport recorded increase against the plan by 45 thousand passengers (1.31 %) and a year-to-year increase by 213 thousand passengers (6.57 %).

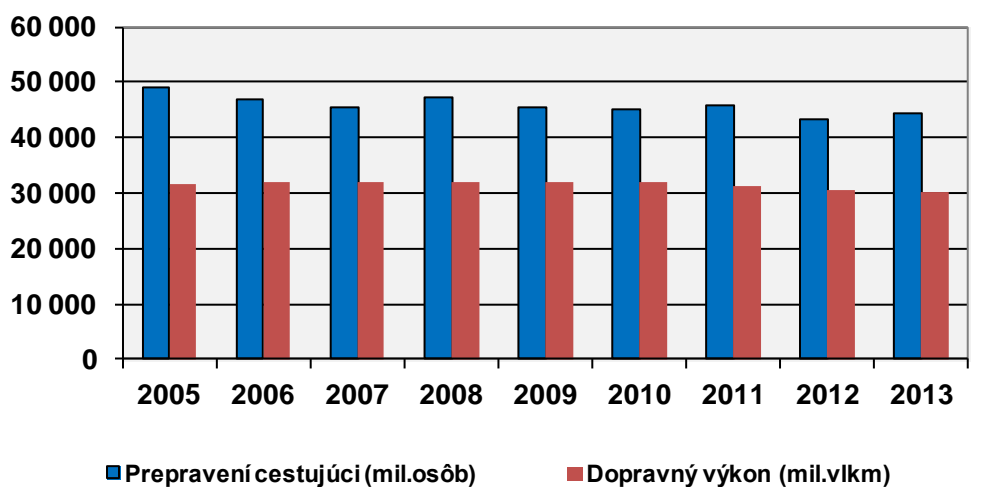
The total transport volume in **passenger-kilometres** in 2013 amounted to **2,421,953 thousand passenger-km**, which meant increase by 36,253 thousand against the plan (1.52 %). Compared to the last year, the transport performance increased by 8,467 thousand passenger-km (0.35 %).

The total transport volume in **train-km** without replacement bus transport in 2013 amounted to **30,350 thousand train-km**, which meant an increase by 6 thousand train-km against the plan (0.02 %). In comparison with the last year it decreased by 141 thousand train-km (-0.46 %).

Development of volumes in passenger transport:

Total passenger transport	2005	2006	2007	2008	2009	2010	2011	2012	2013	2011/2010
Transport volume (million passenger-km)	2,166.20	2,194.20	2,147.96	2,278.66	2,249.07	2,291.27	2,431.72	2,413.49	2,421.95	1.004
Passengers (million)	49.054	47.021	45.598	47.184	45.342	45.004	45.959	43.445	44.287	1.019
Transport volume (million train-km)*	31.655	31.853	31.933	31.894	31.891	31.886	31.148	30.491	30.350	0.9955

*/ train-km without replacement bus transport



Transported passengers (million)

Transport volumes (million train-km)

QUALITY MANAGEMENT SYSTEM, CERTIFICATES

Current structure of Integrated Management System

At the moment, the Integrated Management System (IMS) in ZSSK includes the following **certified products**:



Pursuant to
ISO 9001: 2008

- ⇒ sale of travel documents
- ⇒ IC trains on route Bratislava – Žilina – Košice and back
- ⇒ Ex trains on route Bratislava – Banská Bystrica and back
- ⇒ Operation of „EUROVLAKY“ train sets



Pursuant to
OHSAS 18001: 2007

- ⇒ rail passenger transport services

The certification company Bureau Veritas Slovakia spol. s r.o. carried out an integrated audit of the management system (MS) of ZSSK on 4 – 6 September 2013, the second supervisory audit for quality MS and the first supervisory audit for OHS MS. The aim of the audit was to inspect consistence of the system with the requirements of ISO 9001 and OHSAS 18001.

Based on the evaluation of the results of the previous audit and findings of the integrated audit in respect of the audited requirements of ISO and OHSAS standards, the auditing team did not identify any inconsistency, stated that the requirements of the standards were applied in the requested scope and c o n f i r m e d the continuing validity of the certificates on quality MS and OHS MS. The level of integration of individual management system was evaluated as **95 % - high**.

The course of establishing IMS

GRAPHICAL COURSE OF ESTABLISHING IMS										
Certified management system/ year:	005	006	007	008	009	010	011	012	013	014
Quality Management System - ISO 9001										
IC trains on the route Bratislava – Žilina - Košice and back	from 12 October 2005					Valid until 21 September 2014				
Sale of travel documents					from 22 September 2008			Valid until 21 September 2014		
Ex trains on the route Bratislava – Banská Bystrica and back							from 22 September 2011			
Operation of "EUROVLAKY" train sets							Valid until 21 September 2014			
OHS management system - OHSAS 18001										
Operation of rail passenger transport services					from 28 October 2009			Valid until 30 September 2014		
Integrated management system - ISO, OHSAS										
Quality + OHS					from 28 October 2009			Valid until 30 September 2014		

STRATEGIC OBJECTIVES

We are a transport company providing railway passenger regional, long-distance and international services.

We care about our passengers

The year 2013 was held in the spirit of modernising our trains and preparing the conditions for rendering the services and care of our clients better. The Project of renewal of the rolling stock fleet of Železničná spoločnosť Slovensko, a.s. for suburban and interregional public passenger transport by rail was completed, under which a total of 32 electric double-deck diesel units and Push-Pull units were purchased. Pre-project and project preparation has started concerning workplaces for repair and technical and hygienic maintenance of rolling stock. We are interested to continue our efforts and are convinced that passengers will perceive the effort in an enhanced quality and approach to them and their needs.

We offer 24-hour services of a contact centre to our customers. We intend to make the offered services more attractive through a marketing mix redesign in order to keep the existing customers and attract new ones.

We have created a special marketing portfolio for the segment of commercial trains with the aim of stabilising it and achieving a positive business result. Similarly, we consider necessary to update the marketing mix also for services under the Contract on Passenger Rail Transport Services, through rendering the products more attractive and introducing additional services.

We participate in a project that will make use of our services easier for passengers with reduced mobility.

Our Strategy 2020

Changes in the external as well as internal environment in the past, which have a substantial impact on the running of the Company, incurred a need to update the ZSSK Strategy.

Our goal

We wish to be the first-choice railway transport operator for our customers.

How to achieve our goal

- We concentrate on the customer and try to make the use of our services easier and more pleasant
- We invest into renewal of the rolling stock fleet and introduce modern rolling stock into operation
- We introduce modern technologies of handling the passengers and sale of tickets
- We intend to achieve a better reliability of train operation and quality of delivered services by establishing a network of workplaces for repair and technical and hygienic maintenance

ZSSK is ready to react to the challenges brought along by modernisation of the infrastructure, entry of competitors on the market, possible increase in prices of electric

energy and fuels, and to make use of the options of transport integration and further renewal of the rolling stock fleet co-financed from the EU funds.

Ecology

Railway transport is one of the most ecologically-friendly transport modes and its impact on the environment pollution is minimal, not only as regards production of polluting emissions from combustion motors, but also use of land, generation of waste, pollution of soil and water, or noise and vibration from transport operation. Nevertheless, ZSSK strives to continue to reduce negative impacts of its activity on the environment, in particular by renewal of the rolling stock fleet (i.e. under the programme of rolling stock fleet modernisation, including gradual decommissioning of obsolete motive power units and their replacement by new multiple units meeting the latest environmental requirements), as well as by rendering the whole transport system more efficient.

In relation to sale of a part of assets belonging to ZSSK CARGO, as of 1 February 2012 ZSSK purchased several workplaces that were assessed as environmental burdens within the project of systematic identification of environmental burdens of the Slovak Republic. Despite the fact that ZSSK has not caused the burden, there is an obligation to carry out remedial measures to remove pollution caused by long-term operation of these workplaces, in particular by repairs and diesel and oil operations. In such case, ZSSK will make maximum effort to obtain resources from the supporting EU funds in the programming period of 2014 – 2020.

OWNERSHIP INTERESTS OF ZSSK

as on 31 December 2013

(in thousand EUR)	Number of shares (pieces)	Share against equities	Financial assets	
			As on 31 December 2012	As on 31 December 2013
EUROFIMA	1,300	0.50%	5,049	4,965
Bureau Central de Clearing, s.c.r.l. Brussels (BCC)	1	0.68%	1	1
Total	x	x	5,050	4,966

In 2013 ZSSK did not obtain any new shares.

BUSINESS RESULTS

The Separate Financial Statements of ZSSK for 2013 are reported pursuant to the International Financial Reporting Standards.

Business result

The business result of ZSSK planned for 2013 was a loss amounting to EUR 10,667 thousand. The actual business result ZSSK achieved was a loss of EUR 7,105 thousand.

In thousand EUR	Actual figures 31 December 2012 * modified	Actual figures 31 December 2013	Difference	Index 2013/2012
Revenues				
Passenger transport and related revenues	111,888	112,544	664	1.01
Compensation from Contract on Passenger Rail Transport Services	217,508	226,856	9,348	1.04
Other subsidies	10,731	13,637	2,906	1.24
	340,119	353,037	12,918	1.04
Costs and expenses				
Consumption and services	-184,194	-182,673	1,521	0.99
Personnel costs	-89,269	-86,867	2,402	0.97
Depreciation, amortisation and impairment of tangible assets	-64,814	-67,593	-2,779	1.04
Other operational (costs), revenues, net	-652	-17,356	-16,704	26.62
	-338,929	-354,489	-15,560	1.05
Financial revenues and costs				
Financial revenues	3,339	9	-3,330	0.00
Financial costs	-7,667	-4,926	2,741	0.64
Net financial derivatives	-6,409	293	6,702	-0.05
	-10,737	-4,624	6,113	0.43
Tax costs	-886	-1,029	-143	1.16
Profit (loss) in the accounting period	-10,433	-7,105	3,328	0.68
Other comprehensive results:				
Items not to be reclassified into results	-839	442	1,281	-0.53
Revaluation of employee benefits (IAS 19)	-839	442	1,281	-0.53
Items that can be reclassified into results	0	0	0	0
Other comprehensive results in the accounting period	-839	442	1,281	-0.53
Total comprehensive results in the accounting period	-11,272	-6,663	4,609	0.59

*/ Modified in compliance with IAS 19 (Employee benefits)

In 2013 ZSSK did not expend any costs on research and development.

SELECTED ECONOMIC INDICATORS

	Unit	Actual figures 2012	Actual figures 2013	Difference	Index 2013/2012
Costs	thousand EUR	370,558	389,816	19,258	1.05
Revenues	"	360,125	382,711	22,586	1.06
Expensive ratio		1.03	1.02	-0.01	0.99
Operating revenues without compensation from public service contract	thousand EUR	132,464	133,993	1,530	1.01
Operating costs without depreciation	"	278,103	286,728	8,625	1.03
Coverage of costs by revenues	%	47.63	46.73	-0.90	0.98
Liabilities without accruals and deferrals*	thousand EUR	483,159	489,894	6,735	1.01
Total assets	"	829,428	854,537	25,109	1.03
Total indebtedness without accruals and deferrals *	%	58.25	57.33	-0.92	0.98
Current assets	thousand EUR	82,950	75,058	-7,892	0.90
Short-term liabilities without accruals and deferrals*	"	199,927	240,748	40,821	1.20
Total liquidity		0.41	0.31	-0.10	0.75
Loans + aid	thousand EUR	312,045	315,717	3,672	1.01
Total assets	thousand EUR	829,428	854,537	25,109	1.03
Loan encumbrance of assets	%	37.62	36.95	-0.67	0.98

*) Deferred expenses (capital transfer as investments into rolling stock and NRFC from ERDF and State Budget on Project no.1 (EDU, DMU, PP).

USE OF CONTRACTUAL COMPENSATION OF THE LOSS FOR SERVICES IN PUBLIC INTEREST IN 2013

in thousand EUR	2012	2013
ŽSR - track access charges	41,405	41,634
ŽSR - traction energy	31,127	31,092
ŽSR – other services	5,755	5,539
Services purchased from ZSSK CARGO	23,110	12,912
Railway repair and maintenance	1,364	5,400
Catering services and sleeping car services	3,025	3,557
Diesel	8,284	15,379
Operational interests	2,780	1,028
Cleaning of coaches	4,024	4,098
Rental	915	
Meal vouchers	1,341	1,165
Personnel costs = wages + insurance	76,212	75,756
Total compensation for services in public interest	199,342	197,559

In terms of the Budget Provisions of the Ministry of Finance of the Slovak Republic in 2013 ZSSK was allocated financial means from the State Budget in the amount of EUR 197,559 thousand.

On 23 December 2013 MTCRD transferred the amount of EUR 47.86 to the ZSSK's account and thus fully settled the liability of MTCRD resulting from the PSO Contract 2004 – 2008, as well as transferred the amount of EUR 219,070.36, reducing thus the liability of MTCRD of 2011 down to EUR 15,959,470.64.

DATA ON REMUNERATION OF THE STATUTORY AND SUPERVISORY BODIES OF ZSSK

In thousand EUR	2012	2013
Current body members:		
of which: Board of Directors	20	29
Supervisory Board	10	10
Former body members:		
of which: Board of Directors	9	
Supervisory Board	13	
Total remuneration:	52	39

ZSSK provides monetary remuneration to the members of the Supervisory Board and the Board of Directors. These amounts are subject to tax and levy obligations in terms of effective legal regulations.

SIGNIFICANT EVENTS AFTER THE DATE OF FINANCIAL ASSETS STATEMENT

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

SETTLEMENT OF THE REPORTED BUSINESS RESULTS OF 2013

In 2013 ZSSK reported accounting loss of EUR 7,105 thousand. Proposal of settlement of the reported business results:

To report the economic results of 2013 as uncovered loss of past years after adoption of the Separate Financial Statements of ZSSK prepared in compliance with the International Financial Reporting Standards as on 31 December 2013 by the General Assembly.

HUMAN RESOURCES

The planned number of employees as on 31 December 2013 was 5,699. The actual number of employees recorded as on 31 December 2013 was 5,724, which is more by 0.44 % compared to the plan.

Compared to 2012 ZSSK saw a decrease in the recorded number of employees from 5,846 to 5,724, which is less by 2.09 % of employees.

Recorded number of employees:

Total no. of ZSSK employees	2012	2013
	5,846	5,724
Managing processes	127	121
Business Division	1,064	1,051
Operation Division	3,090	3,058
Economy Division	85	82
Services Division	364	340
Maintenance Division	1,116	1,072

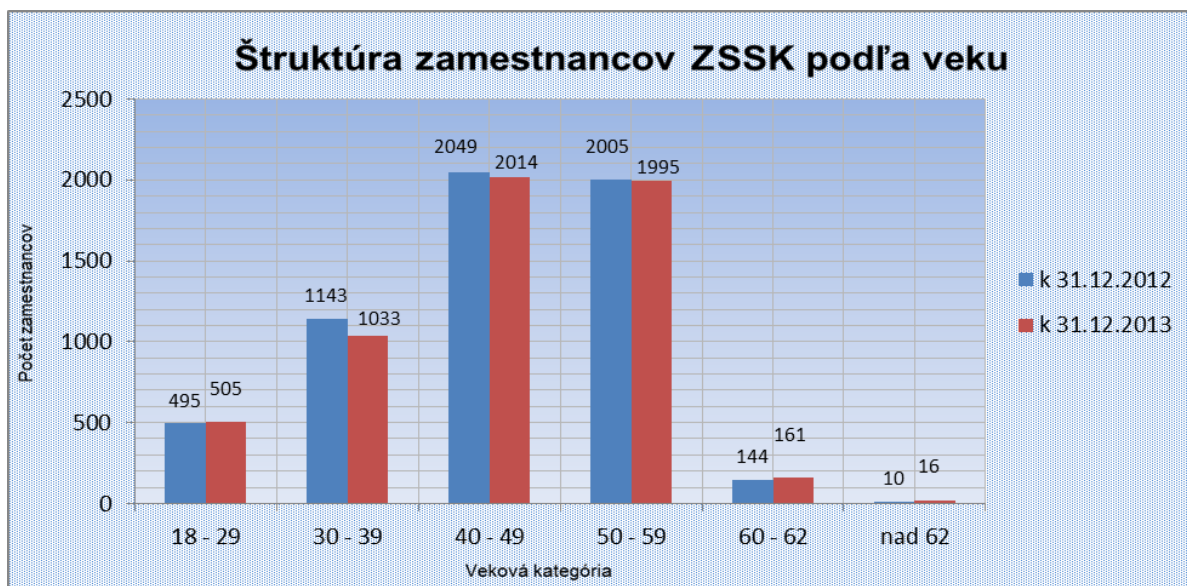
Break-down by sex:

Sex of employees	2012	2013
	5,846	5,724
Men	3,837	3,747
Women	2,009	1,977

The average wage in ZSSK in 2013 reached the amount of EUR **886.69**. Compared to 2012 the average wage increased by EUR 9.54, which is an increase by 1.09 %.

Age structure of the employees in 2013

Out of the total number of 5,724 employees; 505 were at the age below 29; 1,033 employees were at the age of 30 – 39; 2,014 employees at the age of 40 – 49; 1,995 employees at the age of 50 – 59; 161 employees at the age of 60 - 62 and 16 employees above 62.



Age structure of ZSSK employees

Number of employees

As on 31/12/2012

As on 31/12/2013

Age category

The above indicates that compared to 2012 ZSSK saw a decrease in the number of employees in 2013 in the age categories of 30 – 39, 40 – 49 and 50 - 59 years of age. Contrarily, the numbers of employees increased in the age categories of 18 – 29, 60 – 62 and over 62.

Due to the global trend of the overall aging of the population and dominance of employees in the post-reproduction and production age (45 – 64 years), the intention of ZSSK is a gradual increase of the employees in the lower age categories, in particular in the key operation and repair professions.

Tools to achieve this goal in 2013 included regular train driver courses organised twice a year, as well as an active cooperation with secondary schools, with which ZSSK signed Cooperation Agreements. Through lecturing, promotional and hiring activities ZSSK cooperates in a targeted education of young, qualified and productive source of labour force in order to sustainably ensure employment in the key professions needed by the Company.

As on 31 December 2013, the average age was 45.64 years, which is an increase by 0.33 % compared to 31 December 2012 (45.49 years).

Education structure of the employees in 2013

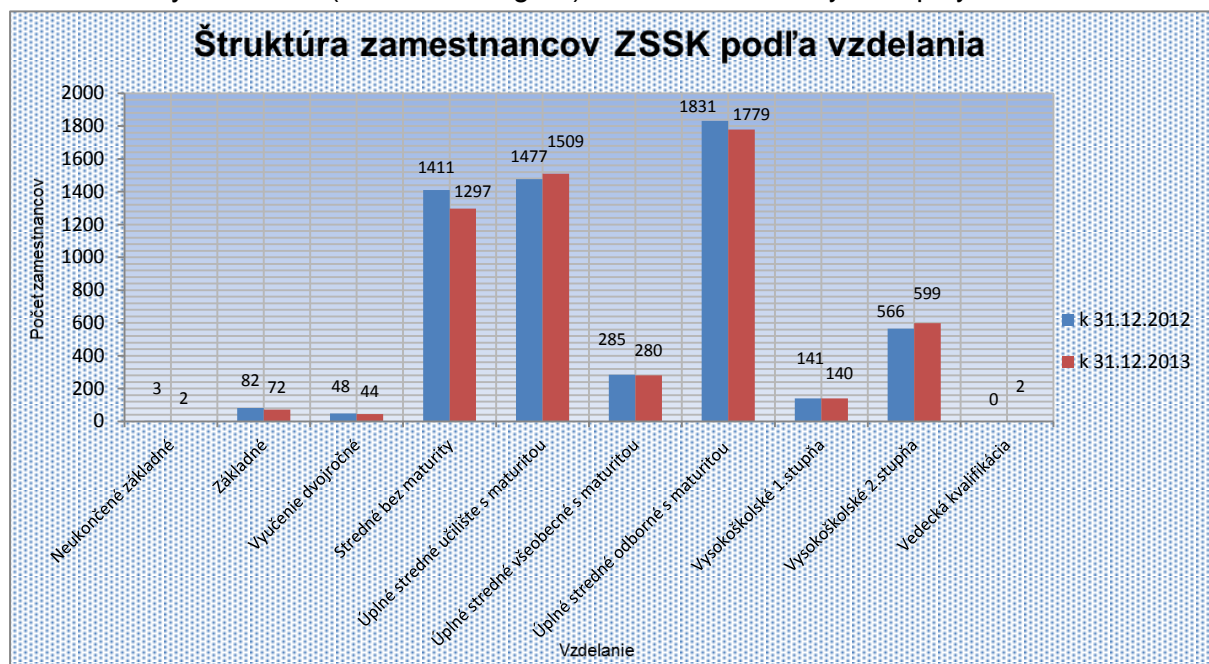
As regards the education structure in 2013, there was an increase of qualified employees compared to 2012:

- | | |
|-----------------------------------------------|-----------------|
| - Secondary vocational education with diploma | by 32 employees |
| - University education (master's degree) | by 33 employees |
| - Scientific qualification | by 2 employees. |

There was reduction in employees with:

- | | |
|-----------------------------------|-----------------|
| - Unfinished elementary education | by 1 employee |
| - Elementary education | by 10 employees |
| - Apprenticeship (two-year) | by 4 employees |

- Secondary vocational education without diploma by 114 employees
- Full secondary general education with diploma by 5 employees
- Full secondary specialized education with diploma by 52 employees
- University education (bachelor's degree) by 1 employee



Education structure of ZSSK employees

Number of employees

As on 31/12/2012

As on 31/12/2013

Incomplete elementary
 Elementary
 Apprenticeship (two-year)
 Secondary vocational without diploma
 Secondary vocational with diploma
 Full secondary general education with diploma
 Full secondary specialized education with diploma
 University (BA degree)
 University (MA degree)
 Scientific qualification

Education

As regards the percentages, the major group of ZSSK employees is represented by employees with full secondary specialized education with diploma amounting to 31.08 %, employees with secondary vocational education with diploma amounting to 26.36 % and employees with secondary vocational education without diploma of 22.66 % of the total number of employees. 12.95 % of the total number of ZSSK employees have university education.

The above data may be characterised as a positive development which corresponds to the long-term strategy of the Company in the area of human resources management.

NUMBER AND TYPES OF RECEIVED COMPLAINTS

Initial customers' complaints and repeated petitions by passengers or entities, delivered to ZSSK are handled in accordance with the Directive on „Handling of Claims“ with an on-line databases coded according to quality criteria structure stipulated in EN STN 13 816 on „Public Passenger Transport“, in accordance with the Regulation (EC) No. 1371/2007 of the European Parliament and of the Council on rail passengers' rights and obligations; respecting the provisions of Act No. 85/1990 Coll. on Petition Right; Act No. 514/2009 Coll. on Railway Transport, Act No. 250/2007 on Consumer Protection, Act No. 552/2003 Coll. on the Performance of Work in Public Interest, Commercial Code and Labour Code.

Total number of initial and repeated claims received in 2013: **2,919**

- number of overall justified (customers') claims 1,589
- of which number of claims with external justification 13
- of which number of claims with internal justification 1,576

Form of delivery:

- personally 33
- via conventional mail and entered in Complaints Books 1,069
- electronic claims 1,704
- indirect claims, media 104
- other 9

Number of claims by their subject and reasons:

Time – duration of train journey pursuant to the timetable due to infrastructure repairs, train delays, missed connections 774

Comfort – quality of transport, cleanliness at railway stations and on board of train-sets, toilets, sanitary conditions, heating, air-conditioning, doors, Wagon Slovakia ... 692

Customer care – behaviour of employees towards customers 514

Other – labour and wage relationship, situation in the company, misuse of position 392

Availability of travel documents – at cash desks, higher frequency, other sale channels, internet sale of tickets, passengers with reduced mobility 255

Information – travel information provided in general, during accidents and extraordinary situations 100

Safety – threats to safety of railway transport, criminal activity and health protection within railway infrastructure (at railway stations, on board of trains) 73

Serviceability of the rolling stock and infrastructure, operation hours, failures 49

Impacts on the environment (ecologic accidents, noise, vibrations caused by the operation) 3

Appreciation for employees of ZSSK 67

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

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

ORGANISATIONAL STRUCTURE OF ZSSK

General Assembly					
Supervisory Board					
Board of Directors			Internal Audit		
Director General					
Office of the Director General					
		Department of Strategy and International Relations	Human Resources Department	Inspection and Supervision Department	Communication Department
Business Division	Operation Division	Economy Division	Services Division	Maintenance Division	
Marketing Section	Operation Preparation Section		Accounting and Taxes Section	Legal Services Section	Maintenance and Repairs Section
Customer Services Section	Operation Management Section		Financial Management Section	Facility Management Section	Technology Section
Railway Clearing Section			Controlling Section	Logistics Section	
			EU Project Management Section	Information Technology Section	

ORGANISATIONAL UNITS

ZSSK has no organisational units.

LIST OF USED ABBREVIATIONS

DMU	Diesel multiple unit
EDU	Electric double-deck unit
ERDF	European Regional Development Fund
EU	European Union
IAS 19	International Accounting Standard – Employee benefits
IMS	Integrate Management System
MTCRD SR	Ministry of Transport, Construction and Regional Development of the Slovak Republic
MS	management system
NRFC	Non-repayable financial contribution
Norms ISO	Quality norms
Norms OHSAS	Occupational health and safety norms
PP	Push - pull
PSO	public service obligation
SR	Slovak Republic
ÚRŽD	Railway Regulatory Authority
ZSSK	Železničná spoločnosť Slovensko, a.s.
ZSSK CARGO	Železničná spoločnosť Cargo Slovakia, a.s.
ŽSR	Železnice Slovenskej republiky

General Representation of ZSSK at UIC:

PARIS

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

16, rue Jean-Rey-F
75015 Paris

☎ : +33(0) 1 44 49 21 14

Fax: +33(0) 1 44 49 21 19

e-mail: fazik@uic.asso.fr

**AN INDEPENDENT AUDITOR'S REPORT to the Separate
Financial Statements of ZSSK as on 31 December 2013**



SPRÁVA NEZÁVISLÉHO AUDÍTORA

za rok 2013

**z preskúmania účtovnej závierky
akciovej spoločnosti**

Železničná spoločnosť Slovensko, a.s.

Bratislava



SPRÁVA NEZÁVISLÉHO AUDÍTORA

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

Uskutočnili sme audit priloženej účtovnej závierky spoločnosti Železničná spoločnosť Slovensko, a.s., so sídlom v Bratislave, IČO: 35 914 939, ktorá obsahuje výkaz finančnej pozície k 31. decembru 2013, výkaz komplexného výsledku, výkaz zmien vo vlastnom imaní, výkaz o peňažných tokoch za rok končiaci k uvedenému dátumu, ako aj prehľad významných účtovných zásad a účtovných metód a ďalších vysvetľujúcich poznámok.

Zodpovednosť štatutárneho orgánu za účtovnú závierku

Štatutárny orgán je zodpovedný za zostavenie a objektívnu prezentáciu tejto účtovnej závierky v súlade so Zákonom o účtovníctve č. 431/2002 Z.z. v znení jeho dodatkov a Medzinárodnými štandardami pre finančné výkazníctvo v znení prijatom Európskou úniou. Táto zodpovednosť zahŕňa návrh, implementáciu a zachovávanie interných kontrol relevantných pre prípravu a objektívnu prezentáciu účtovnej závierky, ktorá neobsahuje významné nesprávnosti v dôsledku podvodu alebo chyby, ďalej výber a uplatňovanie vhodných účtovných zásad a účtovných metód, ako aj uskutočnenie účtovných odhadov primeraných za daných okolností.

Zodpovednosť audítora

Nášou zodpovednosťou je vyjadriť stanovisko k tejto účtovnej závierke na základe nášho auditu. Audit sme vykonali v súlade s Medzinárodnými auditorskými štandardmi. Podľa týchto štandardov máme dodržiavať etické požiadavky, naplánovať a vykonať audit tak, aby sme získali primerané uistenie, že účtovná závierka neobsahuje významné nesprávnosti.

Súčasťou auditu je uskutočnenie postupov na získanie auditorských dôkazov o sumách a údajoch vykázaných v účtovnej závierke. Zvolené postupy závisia od rozhodnutia audítora, vrátane posúdenia rizika významných nesprávností v účtovnej závierke, či už v dôsledku podvodu alebo chyby. Pri posudzovaní tohto rizika audítor berie do úvahy interné kontroly relevantné pre zostavenie a objektívnu prezentáciu účtovnej závierky v účtovnej jednotke, aby mohol navrhnúť auditorské postupy vhodné za daných okolností, nie však za účelom vyjadrenia názoru na účinnosť interných kontrol účtovnej jednotky. Audit ďalej obsahuje zhodnotenie vhodnosti použitých účtovných zásad a účtovných metód a primeranosti účtovných odhadov uskutočnených manažmentom, ako aj zhodnotenie prezentácie účtovnej závierky ako celku.

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

Názor

Podľa nášho názoru účtovná závierka poskytuje pravdivý a verný obraz finančnej situácie spoločnosti Železničná spoločnosť Slovensko, a.s. k 31. decembru 2013 a výsledku jej hospodárenia za rok končiaci k uvedenému dátumu v súlade s Medzinárodnými štandardami pre finančné výkazníctvo v znení prijatom Európskou úniou.

Zdôraznenie niektorých skutočností

Bez vplyvu na náš názor upozorňujeme na nasledujúcu skutočnosť

1. Ako je uvedené v Poznámke č.2.3 a č.15 priloženej účtovnej závierky spoločnosť eviduje dlhodobý hmotný majetok, ku ktorému Spoločnosť vykazuje rezervy na environmentálne záťaž vo výške 7 272 tis. EUR na základe povinnosti ekologického charakteru, ktoré vyplývajú v zmysle platnej legislatívy SR pre Spoločnosť pri ukončení prevádzok naftového hospodárstva. Spoločnosť uskutočňuje odhady budúcich peňažných tokov súvisiacich s environmentálnymi záväzkami a záväzkami z vyradenia majetku z prevádzky pomocou porovnávania cien, použitím analógií s podobnými aktivitami

v minulosti a inými odhadmi. Hoci tieto odhady sú založené na najlepšom poznaní aktuálnych udalostí a postupov, skutočné výsledky sa môžu od týchto odhadov líšiť.

Banská Bystrica, 21. februára 2014

BDR, spol. s r.o. Banská Bystrica
M.M.Hodžu 3, 974 01 Banská Bystrica
Licencia SKAu č. 6
Obchodný register Okresného súdu Banská Bystrica
Oddiel: Sro, Vložka číslo: 98/S, IČO: 00614556
Nezávislý člen Moore Stephens International Limited

Ing. Roman Juráš
Zodpovedný audítor
Licencia SKAu č. 1074



BDR

Auditing firm

INDEPENDENT AUDITOR'S REPORT

for 2013

**concerning examination of the Financial Statements
of the joint-stock company**

**Železničná spoločnosť Slovensko, a.s.
Bratislava**

BDR

Auditing firm

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying Financial Statements of the company Železničná spoločnosť Slovensko, a.s., with the seat in Bratislava, company ID no.: 35 914 939, containing the Statement of Financial Position reported as on 31 December 2013, Statement of Comprehensive Income, Statement of Changes in Equity, Cash Flow Statement for the year then ended, as well as an overview of the significant accounting principles, accounting methods and other explanatory notes.

Responsibility of the Statutory Body for the Financial Statements

The Statutory Body is responsible for elaboration and an objective presentation of these Financial Statements in compliance with Act on accounting no. 431/2002 Coll. as amended and the International Financial Reporting Standards as adopted by the EU. The responsibility includes proposal, implementation and observance of internal control relevant for elaboration and objective presentation of the Financial Statements, which shall not contain material inconsistencies whether due to fraud or mistake, selection and application of suitable accounting principles and accounting methods, as well as application of accounting estimates adequate to the given situation.

Auditor's responsibility

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

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

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

Opinion

In our opinion, the Financial Statements present a faithful and objective overview of the financial situation of Železničná spoločnosť Slovensko, a.s. as on 31 December 2013, as well as the economic results for the year then ended, in accordance with the International Financial Reporting Standards as adopted by the EU.

Emphasis on certain facts

Without an impact on our opinion, we hereby draw the attention to the following fact:

1. As stated in Note no. 2.3 and no. 15 to the annexed Financial Statements, the Company reports long-term tangible assets, for which the Company reports reserves on environmental burden amounting to EUR 7,272 thousand based on an obligation of an ecological nature, resulting

ANNEX – Separate Financial Statements of ZSSK for 2013

The Annual Report is annexed with the Separate Financial Statements of ZSSK reported pursuant to the International Financial Reporting Standards as on 31 December 2013.