



ŽELEZNIČNÁ SPOLOČNOSŤ SLOVENSKO
NÁRODNÝ DOPRAVCA

ANNUAL REPORT | 2016



ŽELEZNIČNÁ SPOLOČNOSŤ SLOVENSKO
NÁRODNÝ DOPRAVCA

Annual Report of Železničná spoločnosť Slovensko, a.s. for 2016

In Bratislava, on 19 April 2017

For and on behalf of the Company:

Mgr. Filip Hlubocký
Chairman of the Board of Directors
of ZSSK

Dipl. Ing. Patrik Horný
Vice Chairman of the Board of Directors
of ZSSK



DODATOK SPRÁVY NEZÁVISLÉHO AUDÍTORA

Pre akcionárov, dozornú radu a predstavenstvo spoločnosti
Železničná spoločnosť Slovensko, a.s. Bratislava

k výročnej správe

v zmysle § 27 odsek 6 zákona č. 423/2015 Z.z. o štatutárnom audite a o zmene a doplnení zákona č. 431/2002 Z. z. o účtovníctve v znení neskorších predpisov (ďalej len „zákon o štatutárnom audite“).

Overili sme účtovnú závierku spoločnosti Železničná spoločnosť Slovensko, a.s. so sídlom v Bratislave, IČO: 35 914 939, (ďalej aj „Spoločnosť“) k 31. decembru 2016, uvedenú v priloženej výročnej správe Spoločnosti, ku ktorej sme dňa 28. februára 2017 vydali správu nezávislého audítora z auditu účtovnej závierky v nasledujúcom znení:

Správa z auditu účtovnej závierky

Názor

Uskutočnili sme audit priloženej účtovnej závierky spoločnosti Železničná spoločnosť Slovensko, a.s. so sídlom v Bratislave, IČO: 35 914 939, ktorá obsahuje súvahu k 31. decembru 2016, výkaz ziskov a strát za rok končiaci sa ku uvedenému dátumu, a poznámky, ktoré obsahujú súhrn významných účtovných zásad a účtovných metód a ďalšie vysvetľujúce informácie.

Podľa nášho názoru priložená účtovná závierka poskytuje pravdivý a verný obraz finančnej situácie spoločnosti Železničná spoločnosť Slovensko, a.s. k 31. decembru 2016 a výsledku jej hospodárenia za rok končiaci sa ku uvedenému dátumu podľa zákona č. 431/2002 Z.z. o účtovníctve v znení neskorších predpisov (ďalej len „zákon o účtovníctve“).

Základ pre názor

Audit sme vykonali podľa medzinárodných auditorských štandardov (International Standards on Auditing - ISA). Naša zodpovednosť podľa týchto štandardov je uvedená v odseku Zodpovednosť audítora za audit účtovnej závierky. Od Spoločnosti sme nezávislí podľa ustanovení zákona č. 423/2015 o štatutárnom audite a o zmene a doplnení zákona č. 431/2002 Z. z. o účtovníctve v znení neskorších predpisov (ďalej len „zákon o štatutárnom audite“) týkajúcich sa etiky, vrátane Etického kódexu audítora, relevantných pre náš audit účtovnej závierky a splnili sme aj ostatné požiadavky týchto ustanovení týkajúcich sa etiky. Sme presvedčení, že auditorské dôkazy, ktoré sme získali, poskytujú dostatočný a vhodný základ pre náš názor.

Zdôraznenie niektorých skutočností

1. Ako je uvedené v Poznámke č.2.3. a č.15 priloženej účtovnej závierky, Spoločnosť má dlhodobý hmotný majetok, ku ktorému boli v súlade s IAS 37 vytvorené v minulých účtovných obdobiach rezervy na environmentálne záťaž. K 31.12.2016 bola výška rezervy posúdená a je vo výške 405 tis. EUR na základe zostávajúcich povinností ekologického charakteru, ktoré vyplývajú Spoločnosti v zmysle platnej legislatívy SR. Spoločnosť uskutočňuje odhady budúcich peňažných tokov, súvisiacich s environmentálnymi záväzkami pomocou porovnávania cien, použitím analógií s podobnými aktivitami v minulosti a inými odhadmi. Výška rezervy a predpoklady, na základe ktorých bola daná rezerva vypočítaná, sa prehodnocujú na ročnej báze vždy k súvahovému dňu. Hoci tieto odhady sú založené na najlepšom poznaní aktuálnych udalostí a postupov, skutočné výsledky sa môžu od týchto odhadov líšiť.
2. Ako je uvedené v Poznámke č.2.3 a č.15 priloženej účtovnej závierky, Spoločnosť vykazuje rezervy na súdne spory týkajúce sa viacerých právnych nárokov. Najvýznamnejšia rezerva k 31.12. 2016 vo výške 16,7 mil. EUR je vzhľadom na neistý výsledok na pasívny obchodno-právny spor s navrhovateľom so spoločnosťou LANCILLON LIMITED vo veci náhrady ušlého zisku z dôvodu zmarenia rekonštrukcie ŽKV. Rozdiel v celkovej výške požadovanej náhrady Spoločnosť naďalej vykazuje ako podmienený záväzok. Ako je uvedené v Poznámke č.16 b) priloženej účtovnej závierky (Podmienené záväzky), voči Spoločnosti je v tejto veci vedený súdny spor o náhradu škody vo výške 51 752 tis. EUR

s príslušenstvom. Hoci tieto odhady sú založené na najlepšom poznaní aktuálnych udalostí a postupov, skutočné výsledky sa môžu od týchto odhadov líšiť. Spoločnosť využíva služby aj externých právnych poradcov a skúsenosti z podobných predchádzajúcich súdnych konaní na určenie pravdepodobných výsledkov sporov a potreby tvorby rezervy.

Zodpovednosť štatutárneho orgánu za účtovnú závierku

Štatutárny orgán účtovnej jednotky Železničná spoločnosť Slovensko, a.s. je zodpovedný za zostavenie tejto účtovnej závierky tak, aby poskytovala pravdivý a verný obraz podľa zákona o účtovníctve a za tie interné kontroly, ktoré považuje za potrebné na zostavenie účtovnej závierky, ktorá neobsahuje významné nesprávnosti, či už v dôsledku podvodu alebo chyby.

Pri zostavovaní účtovnej závierky je štatutárny orgán zodpovedný za zhodnotenie schopnosti Spoločnosti nepretržite pokračovať vo svojej činnosti, za opísanie skutočností týkajúcich sa nepretržitého pokračovania v činnosti, ak je to potrebné, a za použitie predpokladu nepretržitého pokračovania v činnosti v účtovníctve, ibaže by mal v úmysle Spoločnosť zlikvidovať alebo ukončiť jej činnosť, alebo by nemal inú realistickú možnosť než tak urobiť.

Zodpovednosť audítora za audit účtovnej závierky

Našou zodpovednosťou je získať primerané uistenie, či účtovná závierka ako celok neobsahuje významné nesprávnosti, či už v dôsledku podvodu alebo chyby, a vydať správu audítora, vrátane názoru. Primerané uistenie je uistenie vysokého stupňa, ale nie je zárukou toho, že audit vykonaný podľa medzinárodných auditorských štandardov vždy odhalí významné nesprávnosti, ak také existujú. Nesprávnosti môžu vzniknúť v dôsledku podvodu alebo chyby a za významné sa považujú vtedy, ak by sa dalo odôvodnene očakávať, že jednotlivo alebo v súhrne by mohli ovplyvniť ekonomické rozhodnutia používateľov, uskutočnené na základe tejto účtovnej závierky.

V rámci auditu uskutočneného podľa medzinárodných auditorských štandardov, počas celého auditu uplatňujeme odborný úsudok a zachovávame profesionálny skepticizmus. Okrem toho:

- Identifikujeme a posudzujeme riziká významnej nesprávnosti účtovnej závierky, či už v dôsledku podvodu alebo chyby, navrhujeme a uskutočňujeme auditorské postupy reagujúce na tieto riziká a získavame auditorské dôkazy, ktoré sú dostatočné a vhodné na poskytnutie základu pre náš názor. Riziko neodhalenia významnej nesprávnosti v dôsledku podvodu je vyššie ako toto riziko v dôsledku chyby, pretože podvod môže zahŕňať tajnú dohodu, falšovanie, úmyselné vynechanie, nepravdivé vyhlásenie alebo obídenie internej kontroly.
- Oboznamujeme sa s internými kontrolami relevantnými pre audit, aby sme mohli navrhnúť auditorské postupy vhodné za daných okolností, ale nie za účelom vyjadrenia názoru na efektívnosť interných kontrol Spoločnosti.
- Hodnotíme vhodnosť použitých účtovných zásad a účtovných metód a primeranosť účtovných odhadov a uvedenie s nimi súvisiacich informácií, uskutočnené štatutárnym orgánom.
- Robíme záver o tom, či štatutárny orgán vhodne v účtovníctve používa predpoklad nepretržitého pokračovania v činnosti a na základe získaných auditorských dôkazov záver o tom, či existuje významná neistota v súvislosti s udalosťami alebo okolnosťami, ktoré by mohli významne spochybniť schopnosť Spoločnosti nepretržite pokračovať v činnosti. Ak dospejeme k záveru, že významná neistota existuje, sme povinní upozorniť v našej správe audítora na súvisiace informácie uvedené v účtovnej závierke alebo, ak sú tieto informácie nedostatočné, modifikovať náš názor. Naše závery vychádzajú z auditorských dôkazov získaných do dátumu vydania našej správy audítora. Budúce udalosti alebo okolnosti však môžu spôsobiť, že spoločnosť prestane pokračovať v nepretržitej činnosti.
- Hodnotíme celkovú prezentáciu, štruktúru a obsah účtovnej závierky vrátane informácií v nej uvedených, ako aj to, či účtovná závierka zachytáva uskutočnené transakcie a udalosti spôsobom, ktorý vedie k ich vernému zobrazeniu.

Správa k ďalším požiadavkám zákonov a iných právnych predpisov

Správa k informáciám, ktoré sa uvádzajú vo výročnej správe – dodatok správy nezávislého audítora

Štatutárny orgán je zodpovedný za informácie uvedené vo výročnej správe, zostavenej podľa požiadaviek zákona o účtovníctve. Náš vyššie uvedený názor na účtovnú závierku sa nevzťahuje na iné informácie vo výročnej správe.

V súvislosti s auditom účtovnej závierky je našou zodpovednosťou oboznámenie sa s informáciami uvedenými vo výročnej správe a posúdenie, či tieto informácie nie sú vo významnom nesúlade s auditovanou účtovnou závierkou alebo našimi poznatkami, ktoré sme získali počas auditu účtovnej závierky, alebo sa inak zdajú byť významne nesprávne.

Posúdili sme, či výročná správa Spoločnosti obsahuje informácie, ktorých uvedenie vyžaduje zákon o účtovníctve.

Na základe prác vykonaných počas auditu účtovnej závierky, podľa nášho názoru:

- informácie uvedené vo výročnej správe zostavenej za rok 2016 sú v súlade s účtovnou závierkou za daný rok,
- výročná správa obsahuje informácie podľa zákona o účtovníctve.

Okrem toho, na základe našich poznatkov o účtovnej jednotke a situácii v nej, ktoré sme získali počas auditu účtovnej závierky, sme povinní uviesť, či sme zistili významné nesprávnosti vo výročnej správe, ktorú sme dostali pred dátumom vydania tejto správy audítora. V tejto súvislosti neexistujú zistenia, ktoré by sme mali uviesť.

Banská Bystrica, 19.apríla 2017

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Obchodný register Okresného súdu Banská Bystrica
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Nezávislý člen Moore Stephens International Limited

Ing. Ľudmila Svätová, MBA
kľúčový auditorský partner
licencia SKAu č. 936





SUPPLEMENT TO THE AUDITOR'S REPORT

**To the shareholders, the Supervisory Board and the Board of Directors
of Železničná spoločnosť Slovensko, a.s. Bratislava**

concerning the Annual Report

in terms of Article 27 (6) of Act No. 423/2015 Coll. on Statutory Audit and on Amendments and Supplements to Act No. 431/2002 Coll. on Accounting, as amended (hereinafter only the "Statutory Audit Act").

We have audited the Financial Statements of Železničná spoločnosť Slovensko, a.s., with the registered seat in Bratislava, company ID no.: 35 914 939 (hereinafter referred to as the Company), as on 31 December 2016 annexed to the Annual Report of the Company, to which we issued the Independent Auditor's Report on 28 February 2017 as follows:

Report on the Financial Statements Audit

Opinion

We have audited the annexed Financial Statements of Železničná spoločnosť Slovensko, a.s. with the registered seat in Bratislava, company ID no.: 35 914 939, containing the Balance Sheet as on 31 December 2016, Profit and Loss Statement for the year ended on the same date, and Notes expressing the summation of significant accounting principles and accounting methods, and further explanations.

In our opinion, the annexed Financial Statements present a faithful and objective overview of the financial situation of Železničná spoločnosť Slovensko, a.s. as on 31 December 2016, as well as the economic results for the year then ended, in accordance with Act No. 431/2002 Coll. on Accounting, as amended (hereinafter only the Accounting Act).

Background to the Opinion

We conducted the audit pursuant to the International Standards on Auditing (ISA). Our responsibility according to these Standards is stipulated under the paragraph on the Auditor's responsibility concerning the audit of the financial statements. We are independent of the Company in terms of the provisions of Act no. 423/2015 on Statutory Audit and on Amendments and Supplements to Act No. 431/2002 Coll. on Accounting, as amended (hereinafter only the "Statutory Audit Act") concerning the ethics, including the Auditor's Code of Ethics, relevant to our audit of the financial statements. We also met other ethical requirements of these provisions. We believe that the obtained auditing evidence provides sufficient and suitable basis for our opinion.

Emphasis on certain facts

1. As stated in Notes no. 2.3 and no. 15 to the annexed Financial Statements, the Company owns long-term tangible assets, for which reserves on environmental burden were created in the past reporting periods in compliance with IAS 37. As on 31 December 2016 the reserve was assessed in the amount of EUR 405 thousand based on the remaining obligations of ecological nature imposed on the Company in terms of the effective Slovak legislation.

The Company estimates future cash flows related to environmental liabilities via price comparisons, analogies with similar past activities and other estimates. The reserve amount and the basis for the reserve calculation are revaluated on an annual basis, always on the date of the balance. Even if these estimates are based on the best knowledge of current events and procedures, the actual results may differ from these estimates.

2. As stated in Notes no. 2.3 and no. 15 to the annexed Financial Statements, the Company reports reserves on lawsuits concerning several legal claims. As on 31 December 2016, the most significant reserve in the amount of EUR 16.7 million concerned an uncertain result of a passive commercial and legal lawsuit with the complainant, the company LANCILLON LIMITED, as regards compensation of lost profit due to failed reconstruction of the rolling stock. The Company continues to report the difference in the total claimed compensation as a contingent liability. As stated in Note no. 16 b) of the annexed Financial Statements (Contingent Liabilities), the Company is a defendant in a law-suit in this matter concerning compensations in the amount of EUR 51,752 thousand with interests. Even if these estimates are based on the best knowledge of current events and procedures, the actual results may differ from these estimates. The Company makes use also of services of external legal advisors and experience from similar previous lawsuits to determine the probable results of lawsuits and the need to create a reserve.

Responsibility of the Statutory Body for the Financial Statements

The Statutory Body of the reporting entity – Železničná spoločnosť Slovensko, a.s. – is responsible for elaboration of these Financial Statements so as to provide an objective and truthful presentation in compliance with the Accounting Act, as well as for the internal control it considers necessary to elaborate the Financial Statements without any material inconsistencies whether due to fraud or mistake.

When preparing the Financial Statements, the Statutory Body is responsible for assessment of the Company's ability to continue as a going concern, for description of the facts relevant to continue as a going concern, if necessary, and for applying the going concern assumption to the accounting, unless it intends to dissolve the Company or to end its activities, or there would be no other realistic option other than doing so.

Responsibility of the Auditor for the audit of the Financial Statements

It is our responsibility to acquire reasonable assurance that the Financial Statements as such do not contain material inconsistencies, whether due to fraud or mistake, and to issue the Auditor's Report, including its opinion. A reasonable assurance is assurance of a high degree, however, it is not a guarantee that the audit conducted pursuant to the International Standards on Auditing must always disclose material inconsistencies, if any. Inconsistencies might occur due to fraud or mistake and are considered significant if there is a reasoned assumption that, individually or in total, they could affect the economic decisions of the users based on these Financial Statements.

Professional judgement is applied and professional scepticism is maintained within the audit carried out pursuant to the International Standards on Auditing and throughout the whole audit. Besides:

- We identify and assess the risks of material misstatements in the financial statements, whether due to fraud or mistake, propose and apply auditing procedures reacting to these risks, and acquire auditing evidence that is sufficient and adequate to provide a basis for our opinion. The risk of not discovering a material misstatement due to fraud is higher than such a risk due to mistake as a fraud might include a secret agreement, falsification, deliberate omission, false statement or evasion of an internal control.
- We learn about the internal controls relevant for the audit so as to be able to propose auditing procedures suitable for the respective circumstances, however, not with the purpose of expressing an opinion on efficiency of the Company's internal controls.

- We assess appropriateness of the used accounting principles and accounting methods and adequacy of the accounting estimates and presentation of the related information as carried out by the Statutory Body.
- We conclude whether the Statutory Body makes an appropriate use of the going concern assumption in its accounting and, based on the obtained auditing evidence, we conclude whether there is a material uncertainty related to events or circumstances that could significantly affect the ability of the Company to continue as a going concern. If we conclude that there is such material uncertainty, we are obliged to draw the attention within the Auditor's Report to the relevant information presented in the Financial Statements or, if the information is insufficient, to modify our opinion. Our conclusions are based on auditing evidence obtained by the date of issuance of our Auditor's Report. Any future events or circumstances, however, can cause the Company to cease its continuation as a going concern.
- We assess the overall presentation, structure and content of the Financial Statements, including the presented information, as well as the fact whether the Financial Statements present the carried-out transactions and events in a way leading to their truthful presentation.

Report on further requirements imposed by law and other legal regulations

Report on the information presented in the Annual Report – Supplement to the Independent Auditor's Report

The Statutory Body is responsible for the information presented in the Annual Report prepared pursuant to the requirements of the Accounting Act. Our opinion above on the Financial Statement does not apply to other information in the Annual Report.

In respect of the Financial Statements audit, it is our responsibility to get familiar with the information presented in the Annual Report and to assess whether the information is not in material inconsistency with the audited Financial Statements or our knowledge as obtained during the audit of the Financial Statements, or seem otherwise incorrect.

We have assessed whether the Company's Annual Report contains information as required by the Accounting Act.

Based on the findings obtained during the audit of the Financial Statements, our opinion is that:

- the information presented in the Annual Report for 2016 is consistent with the Financial Statements for the same year,
- the Annual Report contains the information in compliance with the Accounting Act.

Besides, based on our knowledge of the accounting entity and its situation obtained during the audit of the Financial Statements, we are obliged to state whether we discovered any material misstatements in the Annual Report we obtained before issuing the Auditor's Report. In this respect, there are no findings to be reported.

In Banská Bystrica, 19 April 2017

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An independent member firm of Moore Stephens International Limited

Ing. Ľudmila Svätojánska Kiňová, MBA
Managing Partner
SKAu Licence no. 936

[signature in hand]

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

Dear customers and business partners!

In 2016 we reached several milestones that moved us forward in our effort to become a modern national transport operator. We were successful in achieving better business results than planned. Compared to the previous year we transported more passengers, renewed operation of InterCity trains and added the title of "National Transport Operator" to our logo.

Thanks to modern solutions for maintenance planning and the strategy focusing on revenues increasing, in 2016 we were able to reduce the loss of 2015 from EUR 5.89 down to 5.15 million. At the same time, this positive result is better by more than EUR 300 thousand than assumed by our plans. We are glad that the annual trend of reducing the loss of previous years was successfully confirmed also in the last year. In the period of 2013 to 2016, the improved business result of the Company accounts for almost two million euro (1.954 million). Our goal is to be a modern and efficient transport operator, and a leader in mobility and approach to customers. We wish to be a reliable and safe company, an attractive employer responsible to the environment. It is the Company's ambition to achieve a balanced budget in the horizon of four years.

A positive trend was seen also in passenger transport. Last year we transported 65.6 million passengers, of which two fifths (26.7 million) were transported free-of-charge, which represents an almost 15-percent increase. The final balance of year-on-year increases from 2013 to 2016 thus amounts to 21.3 million passengers.

A special feature of the last year was the fact that we lost our flagship product of InterCity trains in the course of the year when their operation was cancelled in January. However, already from the next new train timetable starting in December we put them back on rail. We even linked their re-launch with a new concept of fast connection between the West and the East of Slovakia. This goal has been gradually attracting attention of passengers who appreciate not only the speed but also the journey time from Bratislava to Košice of 4 hours and 42 minutes and, foremost, the travelling reliability. The journey time is not final, we feel ambitious to make the trip even faster.

ZSSK is a network-wide transport operator that dispatches more than 1,450 trains daily, offers comprehensive services in public interest and provides for mobility of inhabitants throughout the whole Slovakia. We put an emphasis on our role in railway transport by requesting the Industrial Property Office of the Slovak Republic to add the title of the "National Transport Operator" to the logo of ZSSK. We are proud to bear the title.

The investments into the rolling stock fleet renewal were not as massive as in the previous years when ZSSK implemented projects co-financed from the European Union funds (EUR 570 million) since 2008, nevertheless, investments of more than EUR 41 million helped to modernise 15 pieces of passenger coaches, 5 motive power units, and to enhance the interior of further 11 passenger coaches. Our aim for the next years is to invest more than one billion euro to renewal of the rolling stock fleet and to establish operation and maintenance centres throughout Slovakia.

When balancing all pluses and minuses, I believe we can consider 2016 a successful year. Yet again we are closer to more satisfied partners, customers as well as employees whose professional work deserves a special emphasis. Our Company has an immense human potential and I am very glad I can rely on them in the future.

Filip Hlubocký

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

Tax registration no.: 20 219 200 76

Established on: 13 December 2004

Share capital: 212,441 mil. EUR

ZSSK is a joint-stock company with the seat in the Slovak Republic (SR), founded on 13 December 2004 and entered into the Companies Register of the District Court of Bratislava I as of 1 January 2005. Its founder and the sole owner (the only shareholder) is the State. The rights of the State as the shareholder are executed by the Ministry of Transport and Construction of the Slovak Republic (MTC SR) with the seat at Námestie slobody 6, 811 06 Bratislava. The Company does not figure as an associate partner with unlimited liability in any other company.

In terms of § 21(4) of the Act on State Statistics as amended, in April 2016 ZSSK was included into the statistical register of organisations in the S13 sector – Public Administration.

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 of the company is to transport passengers 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 Transport Services in Public Interest concluded pursuant to Act of the Slovak National Council no. 514/2009 Coll. on transport by rail as amended, between ZSSK as the transport operator and the State (represented by MTC 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

From 26 April 2012 to 17 June 2016

Mgr. Filip HLUBOCKÝ

Chairman of the Board of Directors

Director General of ZSSK

Since 18 June 2016

Ing. Ľubomír HÚSKA

Vice Chairman of the Board of Directors

Economy Division Director of ZSSK

From 26 April 2012 to 17 June 2016

Dipl. - Ing. Patrik HORNÝ

Vice Chairman of the Board of Directors

Economy Division Director of ZSSK

Since 21 June 2016

Member from 18 June to 20 June 2016

Ing. Igor KRŠKO

Member of the Board of Directors

Operation Division Director of ZSSK

From 26 April 2012 to 17 June 2016

Ing. Karol MARTINČEK

Member of the Board of Directors

Business Division Director of ZSSK

Since 18 June 2016

SUPERVISORY BOARD

Ing. Jaroslav MIKLA

Chairman of the Supervisory Board

Since 1 September 2015

Mgr. Ladislava CENGLOVÁ

Vice Chairman of the Supervisory Board

Since 9 September 2015

Ing. Štefan HLINKA

Member of the Supervisory Board

From 15 August 2012 to 17 June 2016

Ing. Martin KAPITULÍK

Member of the Supervisory Board

Since 18 June 2016

Ing. Vladimír ĽUPTÁK

Member of the Supervisory Board

From 15 August 2012 to 17 June 2016

Peter CIBULA, Mgmt.

Member of the Supervisory Board

Since 18 June 2016

Jozef HLAVATÝ

Member of the Supervisory Board

Since 20 January 2010

Peter DUBOVSKÝ

Member of the Supervisory Board

Since 23 January 2015

Based on Act no. 423/2015 Coll. on Statutory Audit and on Amendments and Supplements to Act no. 431/2002 Coll. on Accounting as amended, ZSSK is an entity subject to oversight and is obliged to establish an audit committee since 17 June 2016. In compliance with Article 34(5)d) of the above Act, the Supervisory Board of ZSSK acts as the audit committee.

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) software provision – 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 specified 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, revisions and testing of specified lifting devices,
- 41) transport of rolling stock of foreign undertakings by passenger trains,
- 42) luggage storage.

The company may run the 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

Special authorisations:

- Authorisation of the Transport Authority no. K - 18/2016 to carry out assembly, maintenance, revision and testing of specific technical pressure devices
- Authorisation of the Transport Authority no. P - 11/2015 to carry out assembly, repairs, revision and testing of specific technical gas devices
- Authorisation of the Transport Authority no. E - 63/2015 to carry out specific activities: assembly, repairs, maintenance, reconstruction, revision, tests of specified electric technical devices on railway infrastructure
- Authorisation of the Transport Authority no. Zv - 12/2016 for welding of rolling stock
- Authorisation of the Transport Authority no. Z 28/2015 to carry out inspection and non-destructive testing of lifting steel structures
- Authorisation of the Transport Authority no. Z - 32/2016 to carry out repairs, maintenance, revision and testing of specific technical lifting and transportation devices
- Authorisation of the Transport Authority no. D - 10/2014 for non-destructive testing of rolling stock
- Authorisation of the Transport Authority no. P-Z/17-2016-18 to carry out training and testing of professional capability to work with specified technical lifting and transportation devices - operation of lifting devices and operation of transportation devices
- Authorisation of the Transport Authority no. P-Z/06-2016-18 to carry out training and testing of professional capability to work with specified technical devices - operation of pressure devices
- Authorisation of the Transport Authority no. P-Z/05-2016-18 to carry out training and testing of professional capability to work with specified technical devices - operation of gas devices
- Authorisation of the Transport Authority no. P-E/20-2016-18 to carry out training and testing of professional capability to work with specified technical electric devices
- Authorisation of the MTC SR no. 28058/2016/C350-SŽDD/z.75851 to carry out technical inspection of rolling stock before their commissioning and during their operation, and testing of technical capability of rolling stock for operation

PASSENGER TRANSPORT

During 2016, **65,606 thousand passengers** were transported by rail, which meant an increase by 10,258 thousand passengers against the plan, i.e. fulfilment of the plan in 118.53 %. In comparison with the last year 8,331 thousand passengers more were transported, i.e. a year-to-year increase by 14.55 %, of which:

- national transport recorded increase of passengers against the plan by 9,997 thousand passengers (19.27 %) and a year-to-year increase by 8,189 thousand passengers (15.25 %), of which IC trains saw increase of passengers compared to the plan by 11 thousand passengers, and a year-to-year decrease by 290 thousand passengers,
- international transport recorded increase against the plan by 261 thousand passengers (7.55 %) and a year-to-year increase by 142 thousand passengers (3.97 %).

The total transport volume in **passenger-kilometres** in 2016 amounted to **3,193,722 thousand passenger-km**, which meant increase by 187,502 thousand against the plan (6.24 %). Compared to the last year, the transport performance increased by 112,475 thousand passenger-km (3.65 %).

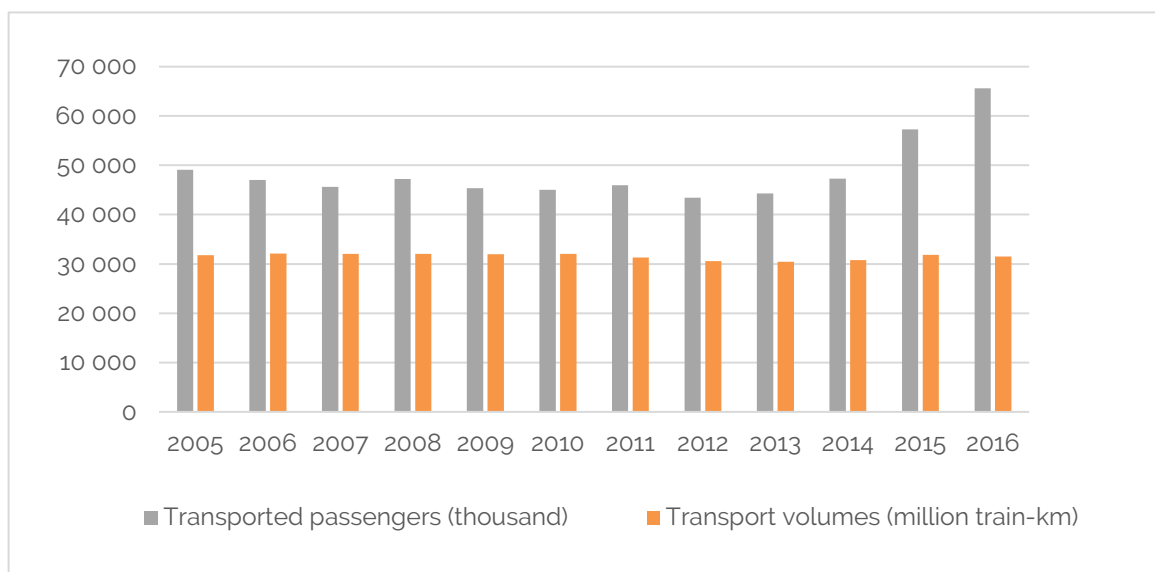
A significant year-to-year increase of transported passengers and passenger-km in national transport was influenced primarily by introduction of free-of-charge services for chosen groups of citizens, i.e. by changing the transport and tariff conditions for transporting passengers by trains according to the Contract on Transport Services in Public Interest concluded on 17 November 2014. The year-to-year decrease in passengers transported by IC trains was affected mainly by cancelled IC train operation as of 18 January 2016 (the operation of IC trains was renewed since 11 December 2016). These changes brought along a year-to-year drop in revenues from transport fare.

The total transport volume in **train-km** including replacement bus transport in 2016 amounted to **31,477 thousand train-km**, which meant an increase by 146 thousand train-km against the plan (0.47 %). Compared to the last year, it decreased by 379 thousand train-km (-1.20 %) due to cancelled operation of IC trains as of 18 January 2016.

Development of volumes in passenger transport:

Total passenger transport	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2016/2015
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	2 503,13	3 081,25	3 193,72	1.04
Passengers (million)	49,054	47,021	45,598	47,184	45,342	45,004	45,959	43,445	44,287	47,286	57,275	65,606	1.211
Transport volume (million train-km)* /	31,785	32,068	32,060	32,002	31,980	32,048	31,331	30,559	30,438	30,791	31,856	31,477	1.035

* / train-km including replacement bus transport



QUALITY MANAGEMENT SYSTEM, CERTIFICATES

Integrated Management System

The introduced integrated management system (IMS) includes several coordinated activities, which direct and manage enhancement of the quality of the services delivered by the Company.

The certified systems focus on the quality management, employee training, and occupational health and safety, and guarantee that the activities are carried out in compliance with the requirements of the respective standards.

At the moment, the Integrated Management System applied by **ZSSK includes the following certified products:**



- ✓ ticket sale
- ✓ employee training
- ✓ provision of passenger transport services by rail

Between 30 May and 1 June 2016 the certification firm SGS Slovakia spol. s r.o. carried out the second review audit of IMS in terms of the requirements of ISO 9001 (Quality) and OHSAS 18001 (Occupational Health and Safety).

The audit assessed the level of integration of individual systems and, at the same time, confirmed the continuing validity of the certificate on quality and occupational health and safety.

SM Quality

pursuant to ISO 9001: 2008

SM OHS

pursuant to OHSAS 18001: 2007



STRATEGIC OBJECTIVES

Who we are

We are a transport company providing passenger railway regional, long-distance and international services. We provide for a mutually interconnected network services from regional trains to trains of a higher category. In cooperation with foreign transport operators we offer sale of transport documents to travel throughout the whole Europe.

Our goal

We wish to be the railway transport operator of the first choice for the customers as well as for the public service contracting authorities. Therefore, we have to take a clear position on the open market as an innovative leader in mobility and approach to customers, with a firm standing in the railway sector.

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 develop the key competencies of our employees through targeted trainings and education
- We will achieve a better reliability of train operation and quality of delivered services by establishing a network of workplaces for repairs and technical and hygienic maintenance

We care about our passengers

2016 saw continuing modernisation of our trains, focusing on the quality enhancement and extension of the offer of our services pursuant to the customer needs, by which we intend to stabilise the trend of increasing passenger numbers. Improving the vehicle quality and more efficient services of regional and long-distance transport is one of the main pre-conditions for achieving the objectives of ZSSK.

In this period other projects co-financed from the EU funds were under preparation and implementation, focusing on procurement of new and modernised rolling stock, as well as projects on enhancing the level and safety of communication within railway activities in transport hubs.

Project preparation for establishment of workplaces of technical and hygienic maintenance of rolling stock was completed, where the three top-priority workplaces will be constructed by 2020. We wish to continue our efforts further and believe that passengers have seen it in better quality, approach to customers 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.

A marketing portfolio was prepared for commercial trains that were again introduced into operation in December in order to stabilise the segment and to achieve positive economic results within the horizon of three years.

In 2016 the pilot operation was continuously tested and evaluated on three lines of Humenné - Stakčín, Trnava – Kúty and Čadca – Makov within the "SMS ticketing" project. At the beginning of the year, purchase of tickets and reservations for passengers entitled to free-of-charge transportation as well as reservations for holders of MAXI KLASIK card through mobile phone text messages was launched via the Contact Centre.

As a nationwide transport operator we see our irreplaceable role in improving the travelling conditions for people with health disabilities. We are the only operator offering options of a comfortable journey throughout the whole state to this citizen group. We participate in projects that will make use of our services easier for passengers with reduced mobility.

ZSSK is ready to react to the challenges brought along by modernisation of the infrastructure, entry of competitors on the transport 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

Given its advantages, railway transport has the least negative impact on the environment, the highest safety level among land transport modes, and the lowest energy consumption. It is among the most important transport modes within the society's transport system. The aim of ZSSK and its activities is to maintain this dominant position of railway transport.

In 2016 the environmental activities of ZSSK focused on finding a solution to the issue of an environmental burden related to the projected construction of "Technical and hygienic maintenance of rolling stock in Nové Zámky".

The Slovak Ministry of the Environment changed the Decision of the District Office of Nitra on specifying the obliged entity for the respective environmental burden and made ZSSK the obliged entity. ZSSK filed a remonstrance against the Decision of the Slovak Ministry of the Environment.

Similarly, specification of the obliged entity for the environmental burden at the locomotive depot in Filakovo is in the process, where the District Office of Banská Bystrica has not decided yet. These are both old ecologic burdens that were not caused by activities of ZSSK.

In the respective period, the environmental activities of ZSSK followed a chief objective of waste management, namely prevention of waste production. Selected workplaces (with high concentration of administrative activities) are included into municipal waste separation and separation of specific waste items. Separation of individual parts of dangerous and other wastes generated by operation and maintenance was aimed at the effort to reduce the volume of produced waste and, at the same time, to increase the material and energy use.

The following activities were also related to the environment protection: inspections of observance of individual legal provisions applicable to the environment, monitoring of released waste water quality and underground water quality, notifications in terms of the Waste Act and Air Act.

No extraordinary events related to worsening of water quality and caused by activities of ZSSK as a consequence of leaked pollutants occurred in 2016.

OWNERSHIP INTERESTS OF ZSSK as on 31 December 2016

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

	Number of shares (pieces) as on 31/12/20016	Share against the equity in %	As on 31 December 2015 in thousand EUR	As on 31 December 2016 in thousand EUR
EUROFIMA	1,300	0.50%	5,625	5,675
Bureau Central de Clearing, s.c.r.l. Brussels (BCC)	1	0.68%	1	1
Total	x	x	5,626	5,676

In 2016 ZSSK did not obtain any new shares.

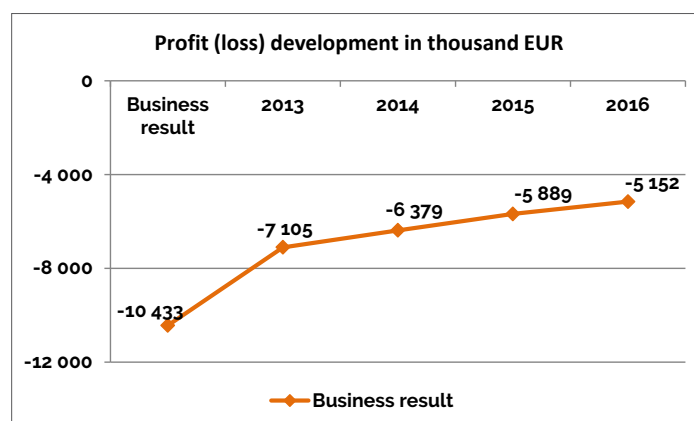
BUSINESS RESULTS

The Separate Financial Statements of ZSSK for 2016 are reported pursuant to the International Financial Reporting Standards.

Business result

The business result of ZSSK planned for 2016 was a loss amounting to EUR 5,457 thousand. The actual business result ZSSK achieved was a loss of EUR 5,152 thousand.

In thousand EUR	Actual figures 31 December 2015	Actual figures 31 December 2016	Difference	Index 2016/2015
Revenues				
Passenger transport and related revenues	90, 003	90, 635	632	1.01
Compensation from Contract on Transport Services in Public Interest	226, 106	238, 310	12, 204	1.05
Other subsidies	32, 286	31, 826	-460	0.99
Other net operation (costs), revenues	9, 715	3, 398	-6, 317	0.35
	358, 110	364, 169	6, 059	1.02
Costs				
Consumption and services	-177, 724	-178, 683	-959	1.01
Personnel costs	-97, 636	-101, 835	-4, 199	1.04
Depreciation, amortisation and impairment of tangible assets	-86, 649	-85, 970	679	0.99
	-362, 009	-366, 488	-4, 479	1.01
Financial (costs) revenues				
Financial revenues	9	73	64	8.11
Financial costs	-3, 329	-3, 719	-390	1.12
Net financial derivatives	-193	-111	82	0.58
	-3, 513	-3, 757	-244	1.07
Tax costs	1 523	924	-599	0.61
Profit (loss) in the accounting period	-5 889	-5, 152	737	0.87
Other comprehensive results:				
Items not to be reclassified into results	650	-526	-1, 176	-0.81
Revaluation of employee benefits (IAS 19)	650	-526	-1, 176	-0.81
Items that can be reclassified into results	0	0	0	
Other comprehensive results in the accounting period	650	-526	-1, 176	-0.81
Total comprehensive results in the accounting period	-5, 239	-5, 678	-439	1.08



In 2016 ZSSK did not expend any costs on research and development.

INDICATORS

	Unit	Actual figures 2015	Actual figures 2016	Difference	Index 2016/2015
Costs	thousand EUR	382, 571	376, 108	-6, 463	0.98
Revenues	"	376, 682	370, 956	-5, 726	0.98
Expensive ratio		1.02	1.01	-0.01	1.00
Operating revenues without compensation from public service contract and subsidies	thousand EUR	95, 635	95, 647	12	1.00
Operating costs without depreciation		271, 149	282, 062	10, 913	1.04
Coverage of costs by revenues	%	35.27	33.91	-1.36	0.96
Liabilities without accruals and deferrals*	thousand EUR	439, 183	453, 093	13, 910	1.03
Total assets	"	1 031, 398	1 013, 941	-17, 457	0.98
Total indebtedness without accruals and deferrals *	%	42.59	44.72	2.14	1.05
Current assets	thousand EUR	56, 832	80, 836	24, 004	1.42
Short-term liabilities without accruals and deferrals*	"	160, 889	178, 547	17, 658	1.11
Total liquidity		0.35	0.45	0.10	1.29
Loans + aid	thousand EUR	311, 793	341, 646	29, 853	1.10
Total assets	thousand EUR	1 031, 398	1 013, 941	-17, 457	0.98
Loan encumbrance of assets	%	30.23	33.69	3.46	1.11

*) Accrued revenues (subsidy on modernisation of rolling stock and NRFC from EU funds and the State Budget on projects).

DATA ON REMUNERATION OF THE STATUTORY AND SUPERVISORY BODIES OF ZSSK

In thousand EUR	2015	2016
Current members		
of which: Board of Directors	31	18
Supervisory Board	16	20
Former members		
of which: Board of Directors		15
Supervisory Board		3
Total remuneration:	47	56

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 THE STATEMENT OF FINANCIAL POSITION

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

SETTLEMENT OF THE REPORTED BUSINESS RESULTS OF 2016

In 2016 ZSSK reached accounting loss of EUR 5,151,553.78. Proposal of settlement of the reported business results:

In its Decision no. 44/RA-2017 of 18 June 2017 the sole shareholder approved of the loss settlement in the amount of EUR 5,151,553.78 for the reporting period of 2016 by its recognition on account 429 – Unpaid loss of past years.

HUMAN RESOURCES

The planned number of employees as on 31 December 2016 was 6,000, while the actual number as on 31 December 2016 amounted to 5,924, which was less by 1.27% compared to the plan.

Compared to 2015 ZSSK saw a decrease in the recorded number of employees from 5,949 to 5,924 in 2016, which is less by 0.42 % of employees.

Recorded number of employees:

Total no. of ZSSK employees	2015	2016
	5 949	5 924
Managing processes	135	141
Business Division	1, 066	1, 076
Operation Division	3, 195	3, 182
Economy Division	74	77
Services Division	383	368
Maintenance Division	1, 096	1, 080

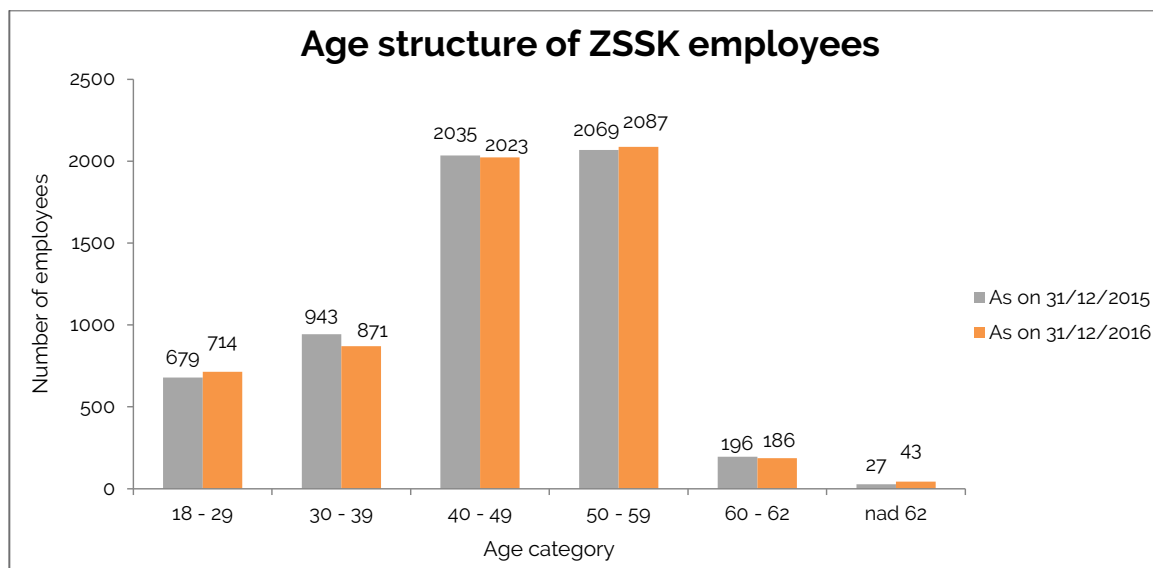
Break-down by sex:

Sex of employees	2015	2016
	5, 949	5, 924
Men	3, 881	3, 830
Women	2, 068	2, 094

The average wage in ZSSK in 2016 reached the amount of EUR 990.50. Compared to 2015 (EUR 956.25) the average wage increased by EUR 34.25, which is an increase by 3.58 %.

Age structure of the employees in 2016

Out of the total number of 5,924 employees; 714 were at the age below 29; 871 employees were at the age of 30 – 39; 2,023 employees at the age of 40 – 49; 2,087 employees at the age of 50 – 59; 186 employees at the age of 60 – 62 and 43 employees above 62.



The above indicates that compared to 2015 ZSSK saw a decrease in the number of employees in 2016 in the age categories of 30 – 39, 40 – 49 and 60 – 62 years of age. Contrarily, the numbers of employees increased in the age categories of 18 – 29, 50 – 59 and over 62.

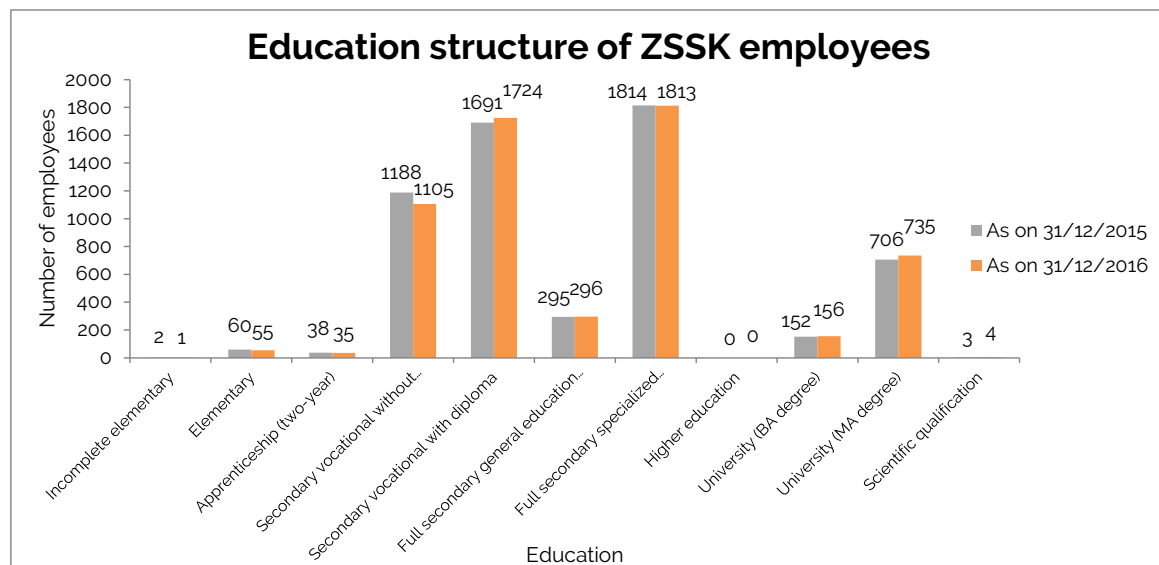
Due to the global trend of the overall aging of the population and dominance of employees in the post-reproduction and production age (45 – 64 years), the intention of ZSSK is a gradual increase of the employees in the lower age categories, in particular in the key operation and repair professions.

The tools to achieve this objective in 2016 included, in particular, locomotive drivers trainings organised three times, twice-held Open Door Days in six Depot Operation Centres/Operation Centres, a promotional event called "Transport Studies", an internal graduate scheme of ZSSK, as well as an attractive cooperation with secondary schools and universities that signed Mutual Cooperation Agreements with ZSSK.

Besides a gradual reduction of the average employee age, the aim is to ensure employment in the key professions of ZSSK in the future through raising qualified and productive resources of labour force.

As on 31 December 2016 the average age was 45.39, which is more by 0.06 % compared to 31 December 2015 (45.36 years of age).

Education structure of the employees in 2016



As regards the education structure in 2016, there was an increase of qualified employees compared to 2015:

- | | |
|--|------------------|
| • Full secondary vocational education with diploma | by 33 employees |
| • Full secondary general education with diploma | by 1 employee. |
| • University education (bachelor's degree) | by 4 employees |
| • University education (master's degree) | by 29 employees. |

There was reduction in employees with:

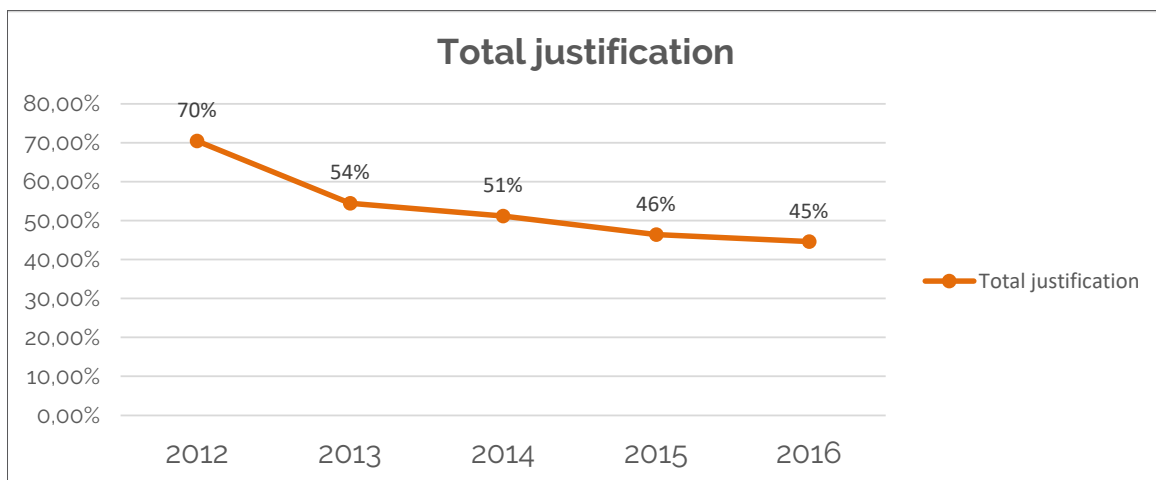
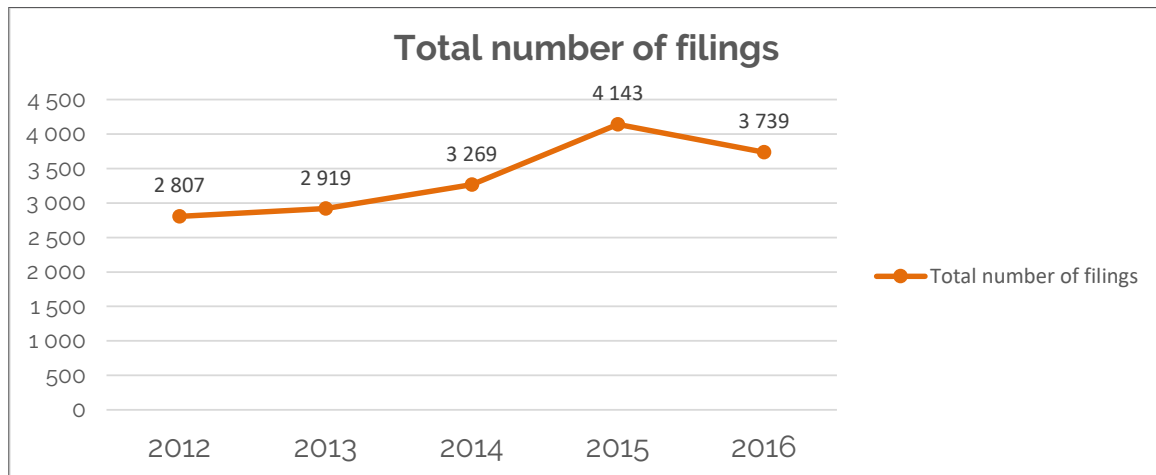
- | | |
|---|-----------------|
| • Unfinished elementary education | by 1 employee |
| • Elementary education | by 5 employees |
| • Apprenticeship (two-year) | by 3 employees |
| • Secondary vocational education without diploma | by 83 employees |
| • Full secondary specialized education with diploma | by 1 employee. |

As regards the percentages, the major group of ZSSK employees is represented by employees with full secondary specialized education with diploma amounting to 1,813 (30.60 % of the total employee number), employees with secondary vocational education with diploma amount to 1,724 (29.10 %). 15.11 % of the total number of ZSSK employees have university education.

NUMBER AND TYPES OF RECEIVED COMPLAINTS

Motions, petitions, claims as well as comments to the train timetable recorded by ZSSK serve, besides other sources, as a source of information to enhance the quality and services delivered to the customers. Other forms of filings, such as appraisals, proposals, ideas by customers as well as the Company employees are also used for this purpose.

The following graphs show the total number of first customer filings, and serious and repeated filings recorded between 2012 and 2016, as well as their qualitative indicator – their justification.



The records of claims filed with ZSSK in selected indicators in years 2012 - 2016

Indicator	Value				
	2012	2013	2014	2015	2016
Total number of claims	2, 807	2, 919	3, 269	4, 143	3, 739
of which: certified trains	84	127	103	97	0
sale of tickets and free-of-charge transport	210	255	273	706	497
OHS	72	73	106	105	107

The shortcomings of certified trains concerned:

- certified trains were not operated in 2016

The shortcomings of ticket sale and free-of-charge transport concerned:

- continuing shortcomings in ticket sale via internet, complicated internet sale
- filling-in of personal data during internet sale
- inaccessibility – sold-out allotment of tickets for free-of-charge services
- discontentedness with the credit system
- increased frequency of passengers
- travelling comfort, cleanliness of coaches, toilettes

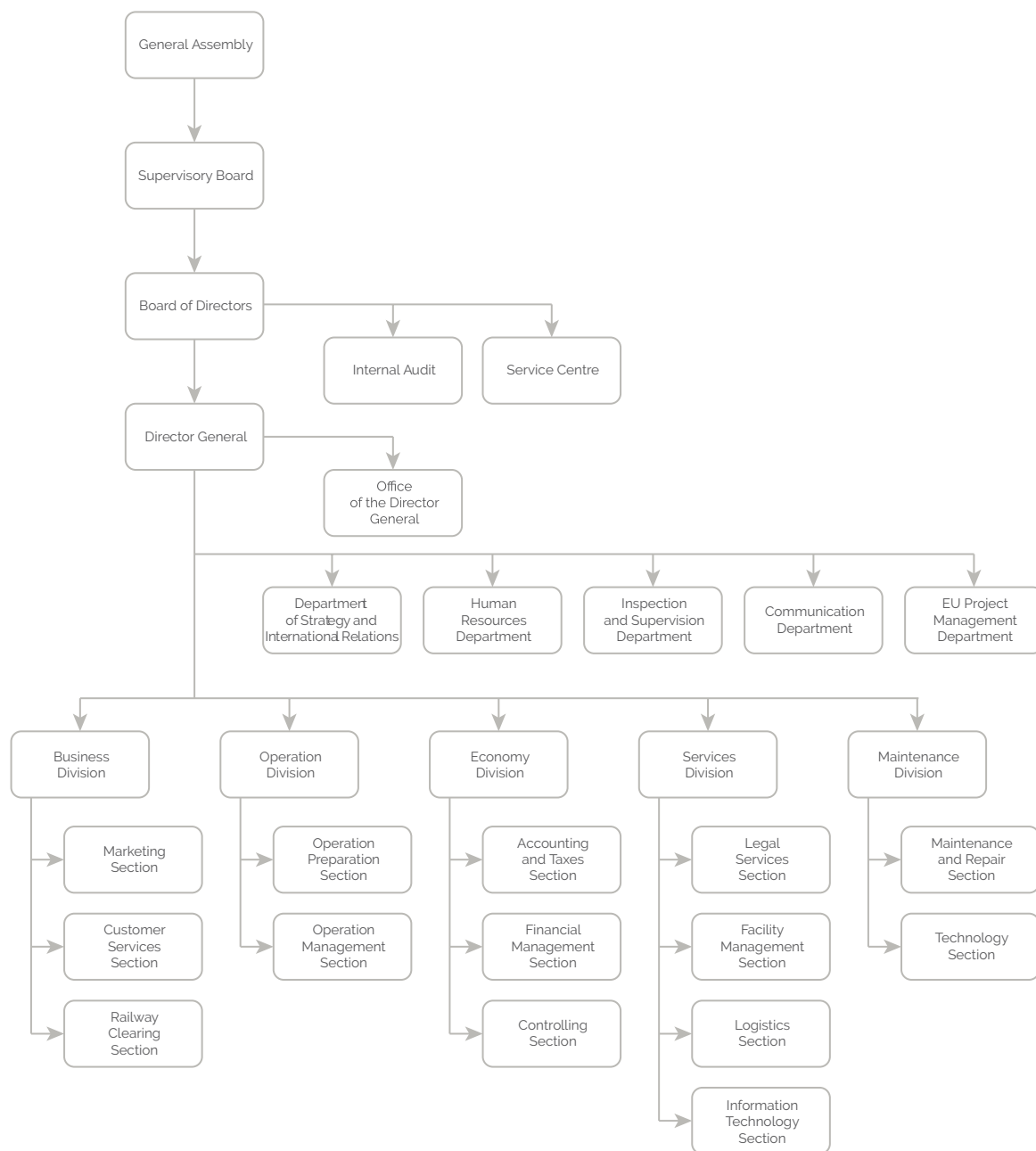
The shortcomings of occupational health and safety concerned:

- passenger injuries – passengers trapped by doors when boarding or getting off a train, falls
- intrusion by Roma citizens, homeless people
- Guards of ĽS Naše Slovensko political party on-board trains
- trains stopping elsewhere than at the platforms, getting off in the track yard

The recorded shortcomings concerning transport of immobile passengers were minimal.

The share of the so-called internally justified complaints amounted to 41.86 % in 2016.

ORGANISATIONAL STRUCTURE OF ZSSK 1 – 31 December 2016



ORGANISATIONAL UNITS

ZSSK has no organisational units.

LIST OF USED ABBREVIATIONS



BCC	Bureau Central de Clearing, s. c.r.l. Brusel
EU	European Union
IC trains	Commercial trains
IMS	Integrated Management System
ISO norms	Quality norms
ĽS Naše Slovensko	Kotleba - Ľudová strana Naše Slovensko
MTC SR	Ministry of Transport and Construction of the Slovak Republic
ME SR	Ministry of the Environment of the Slovak Republic
NRFC	Non-repayable financial contribution
OHS	Occupational health and safety
OHSAS norms	Norms for occupational health and safety
PSC	Public service contract
RS	Rolling stock
ÚRŽD	Railway Regulatory Authority
ZSSK	Železničná spoločnosť Slovensko, a.s.
ZSSK CARGO	Železničná spoločnosť Cargo Slovakia, a.s.
ŽSR	Železnice Slovenskej republiky

Delegate of ZSSK at the International Union of Railways (UIC) in Paris:

Ing. Jozef FÁZIK
Chargé de Mission

UIC Union Internationale des Chemins d fer
Internationaler Eisenbahnverband
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**AN INDEPENDENT AUDITOR'S REPORT to the Separate Financial
Statements as on 31 December 2016**



SPRÁVA NEZÁVISLÉHO AUDÍTORA
z auditu účtovnej závierky
a
Správa k ďalším požiadavkám zákonov a iných právnych predpisov
pre akciovú spoločnosť
Železničná spoločnosť Slovensko, a.s.
Bratislava
za rok 2016



SPRÁVA NEZÁVISLÉHO AUDÍTORA

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

Správa z auditu účtovnej závierky

Názor

Uskutočnili sme audit priloženej účtovnej závierky spoločnosti Železničná spoločnosť Slovensko, a.s. so sídlom v Bratislave, IČO: 35 914 939, ktorá obsahuje súvahu k 31. decembru 2016, výkaz ziskov a strát za rok končiaci k uvedenému dátumu, a poznámky, ktoré obsahujú súhrn významných účtovných zásad a účtovných metód a ďalšie vysvetľujúce informácie.

Podľa nášho názoru priložená účtovná závierka poskytuje pravdivý a verný obraz finančnej situácie spoločnosti Železničná spoločnosť Slovensko, a.s. k 31. decembru 2016 a výsledku jej hospodárenia za rok končiaci k uvedenému dátumu v súlade so zákonom o účtovníctve.

Základ pre názor

Audit sme vykonali podľa medzinárodných auditorských štandardov (International Standards on Auditing - ISA). Naša zodpovednosť podľa týchto štandardov je uvedená v odseku Zodpovednosť audítora za audit účtovnej závierky. Od Spoločnosti sme nezávislí podľa ustanovení zákona č. 423/2015 o štatutárnom audite a o zmene a doplnení zákona č. 431/2002 Z. z. o účtovníctve v znení neskorších predpisov (ďalej len „zákon o štatutárnom audite“) týkajúcich sa etiky, vrátane Etického kódexu audítora, relevantných pre náš audit účtovnej závierky a splnili sme aj ostatné požiadavky týchto ustanovení týkajúcich sa etiky. Sme presvedčení, že auditorské dôkazy, ktoré sme získali, poskytujú dostatočný a vhodný základ pre náš názor.

Zdôraznenie niektorých skutočností

1. Ako je uvedené v Poznámke č.2.3. a č.15 priloženej účtovnej závierky, Spoločnosť má dlhodobý hmotný majetok, ku ktorému boli v súlade s IAS 37 vytvorené v minulých účtovných obdobiach rezervy na environmentálne záťaž. K 31.12.2016 bola výška rezervy posúdená a je vo výške 405 tis. EUR na základe zostávajúcich povinností ekologického charakteru, ktoré vyplývajú Spoločnosti v zmysle platnej legislatívy SR. Spoločnosť uskutočňuje odhady budúcich peňažných tokov, súvisiacich s environmentálnymi záväzkami pomocou porovnávania cien, použitím analógií s podobnými aktivitami v minulosti a inými odhadmi. Výška rezervy a predpoklady, na základe ktorých bola daná rezerva vypočítaná, sa prehodnocujú na ročnej báze vždy k súvahovému dňu. Hoci tieto odhady sú založené na najlepšom poznaní aktuálnych udalostí a postupov, skutočné výsledky sa môžu od týchto odhadov líšiť.
2. Ako je uvedené v Poznámke č.2.3 a č.15 priloženej účtovnej závierky, Spoločnosť vykazuje rezervy na súdne spory týkajúce sa viacerých právnych nárokov. Najvýznamnejšia rezerva k 31.12. 2016 vo výške 16,7 mil. EUR je vzhľadom na neistý výsledok na pasívny obchodno-právny spor s navrhovateľom so spoločnosťou LANCILLON LIMITED vo veci náhrady ušlého zisku z dôvodu zmarenia rekonštrukcie ŽKV. Rozdiel v celkovej výške požadovanej náhrady Spoločnosť naďalej vykazuje ako podmienený záväzok. Ako je uvedené v Poznámke č.16 b) priloženej účtovnej závierky (Podmienené záväzky), voči Spoločnosti je v tejto veci vedený súdny spor o náhradu škody vo výške 51 752 tis. EUR s príslušenstvom. Hoci tieto odhady sú založené na najlepšom poznaní aktuálnych udalostí a postupov, skutočné výsledky sa môžu od týchto odhadov líšiť. Spoločnosť využíva služby aj externých právnych poradcov a skúsenosti z podobných predchádzajúcich súdnych konaní na určenie pravdepodobných výsledkov sporov a potreby tvorby rezervy.

Zodpovednosť štatutárneho orgánu za účtovnú závierku

Štatutárny orgán účtovnej jednotky Železničná spoločnosť Slovensko, a.s. je zodpovedný za zostavenie tejto účtovnej závierky tak, aby poskytovala pravdivý a verný obraz podľa zákona o účtovníctve a za tie interné kontroly, ktoré považuje za potrebné na zostavenie účtovnej závierky, ktorá neobsahuje významné nesprávnosti, či už v dôsledku podvodu alebo chyby.

Pri zostavovaní účtovnej závierky je štatutárny orgán zodpovedný za zhodnotenie schopnosti Spoločnosti nepretržite pokračovať vo svojej činnosti, za opísanie skutočností týkajúcich sa nepretržitého pokračovania v činnosti, ak je to potrebné, a za použitie predpokladu nepretržitého pokračovania v činnosti v účtovníctve, ibaže by mal v úmysle Spoločnosť zlikvidovať alebo ukončiť jej činnosť, alebo by nemal inú realistickú možnosť než tak urobiť.

Zodpovednosť audítora za audit účtovnej závierky

Našou zodpovednosťou je získať primerané uistenie, či účtovná závierka ako celok neobsahuje významné nesprávnosti, či už v dôsledku podvodu alebo chyby, a vydať správu audítora, vrátane názoru. Primerané uistenie je uistenie vysokého stupňa, ale nie je zárukou toho, že audit vykonaný podľa medzinárodných auditorských štandardov vždy odhalí významné nesprávnosti, ak také existujú. Nesprávnosti môžu vzniknúť v dôsledku podvodu alebo chyby a za významné sa považujú vtedy, ak by sa dalo odôvodnene očakávať, že jednotlivo alebo v súhrne by mohli ovplyvniť ekonomické rozhodnutia používateľov, uskutočnené na základe tejto účtovnej závierky.

V rámci auditu uskutočneného podľa medzinárodných auditorských štandardov, počas celého auditu uplatňujeme odborný úsudok a zachovávame profesionálny skepticizmus. Okrem toho:

- Identifikujeme a posudzujeme riziká významnej nesprávnosti účtovnej závierky, či už v dôsledku podvodu alebo chyby, navrhujeme a uskutočňujeme auditorské postupy reagujúce na tieto riziká a získavame auditorské dôkazy, ktoré sú dostatočné a vhodné na poskytnutie základu pre náš názor. Riziko neodhalenia významnej nesprávnosti v dôsledku podvodu je vyššie ako toto riziko v dôsledku chyby, pretože podvod môže zahŕňať tajnú dohodu, falšovanie, úmyselné vynechanie, nepravdivé vyhlásenie alebo obídenie internej kontroly.
- Oboznamujeme sa s internými kontrolami relevantnými pre audit, aby sme mohli navrhnúť auditorské postupy vhodné za daných okolností, ale nie za účelom vyjadrenia názoru na efektívnosť interných kontrol Spoločnosti.
- Hodnotíme vhodnosť použitých účtovných zásad a účtovných metód a primeranosť účtovných odhadov a uvedenie s nimi súvisiacich informácií, uskutočnené štatutárnym orgánom.
- Robíme záver o tom, či štatutárny orgán vhodne v účtovníctve používa predpoklad nepretržitého pokračovania v činnosti a na základe získaných auditorských dôkazov záver o tom, či existuje významná neistota v súvislosti s udalosťami alebo okolnosťami, ktoré by mohli významne spochybniť schopnosť Spoločnosti nepretržite pokračovať v činnosti. Ak dospejeme k záveru, že významná neistota existuje, sme povinní upozorniť v našej správe audítora na súvisiace informácie uvedené v účtovnej závierke alebo, ak sú tieto informácie nedostatočné, modifikovať náš názor. Naše závery vychádzajú z auditorských dôkazov získaných do dátumu vydania našej správy audítora. Budúce udalosti alebo okolnosti však môžu spôsobiť, že spoločnosť prestane pokračovať v nepretržitej činnosti.
- Hodnotíme celkovú prezentáciu, štruktúru a obsah účtovnej závierky vrátane informácií v nej uvedených, ako aj to, či účtovná závierka zachytáva uskutočnené transakcie a udalosti spôsobom, ktorý vedie k ich vernému zobrazeniu.

Správa k ďalším požiadavkám zákonov a iných právnych predpisov

Správa k informáciám, ktoré sa uvádzajú vo výročnej správe

Štatutárny orgán je zodpovedný za informácie uvedené vo výročnej správe, zostavenej podľa požiadaviek zákona o účtovníctve. Náš vyššie uvedený názor na účtovnú závierku sa nevzťahuje na iné informácie vo výročnej správe.

V súvislosti s auditom účtovnej závierky je našou zodpovednosťou oboznámenie sa s informáciami uvedenými vo výročnej správe a posúdenie, či tieto informácie nie sú vo významnom nesúlade s auditovanou účtovnou závierkou alebo našimi poznatkami, ktoré sme získali počas auditu účtovnej závierky, alebo sa inak zdajú byť významne nesprávne.

Výročnú správu sme ku dňu vydania správy audítora z auditu účtovnej závierky nemali k dispozícii.

Keď získame výročnú správu, posúdime, či výročná správa Spoločnosti obsahuje informácie, ktorých uvedenie vyžaduje zákon o účtovníctve, a na základe prác vykonaných počas auditu účtovnej závierky, vyjadríme názor, či:

- informácie uvedené vo výročnej správe zostavenej za rok 2016 sú v súlade s účtovnou závierkou za daný rok,
- výročná správa obsahuje informácie podľa zákona o účtovníctve.

Okrem toho uvedieme, či sme zistili významné nesprávnosti vo výročnej správe na základe našich poznatkov o účtovnej jednotke a situácii v nej, ktoré sme získali počas auditu účtovnej závierky.

Banská Bystrica, 28. februára 2017

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Obchodný register Okresného súdu Banská Bystrica
Oddiel: Sro, Vložka číslo: 98/S, IČO: 00614556
Nezávislý člen Moore Stephens International Limited

Ing. Ľudmila Svätová, MBA
kľúčový auditorský partner
licencia SKAu č. 936



BDR
Auditing Firm

INDEPENDENT AUDITOR'S REPORT

concerning examination of the Financial Statements
and
Report on further requirements of the law and other legal regulations
for the joint-stock company

Železničná spoločnosť Slovensko, a.s.
Bratislava

2016

BDR
Auditing firm

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements audit

Opinion

We have audited the annexed Financial Statements of Železničná spoločnosť Slovensko, a.s. with the registered seat in Bratislava, company ID no.: 35 914 939, containing the Balance Sheet as on 31 December 2016, Profit and Loss Statement for the year ended on the same date, and Notes expressing the summation of significant accounting principles and accounting methods, and further explanations.

In our opinion, the annexed Financial Statements present a faithful and objective overview of the financial situation of Železničná spoločnosť Slovensko, a.s. as on 31 December 2016, as well as the economic results for the year then ended, in accordance with Accounting Act.

Background to the Opinion

We conducted the audit pursuant to the International Standards on Auditing (ISA). Our responsibility according to these Standards is stipulated under the paragraph on the Auditor's responsibility concerning the audit of the financial statements. We are independent of the Company in terms of the provisions of Act no. 423/2015 on Statutory Audit and on Amendments and Supplements to Act No. 431/2002 Coll. on Accounting, as amended (hereinafter only the "Statutory Audit Act") concerning the ethics, including the Auditor's Code of Ethics, relevant to our audit of the financial statements. We also met other ethical requirements of these provisions. We believe that the obtained auditing evidence provides sufficient and suitable basis for our opinion.

Emphasis on certain facts

1. As stated in Notes no. 2.3 and no. 15 to the annexed Financial Statements, the Company owns long-term tangible assets, for which reserves on environmental burden were created in the past reporting periods in compliance with IAS 37. As on 31 December 2016 the reserve was assessed in the amount of EUR 405 thousand based on the remaining obligations of ecological nature imposed on the Company in terms of the effective Slovak legislation. The Company estimates future cash flows related to environmental liabilities via price comparisons, analogies with similar past activities and other estimates. The reserve amount and the basis for the reserve calculation are revaluated on an annual basis, always on the date of the balance. Even if these estimates are based on the best knowledge of current events and procedures, the actual results may differ from these estimates.
2. As stated in Notes no. 2.3 and no. 15 to the annexed Financial Statements, the Company reports reserves on lawsuits concerning several legal claims. As on 31 December 2016, the most significant reserve in the amount of EUR 16.7 million concerned an uncertain result of a passive commercial and legal lawsuit with the complainant, the company LANCILLON LIMITED, as regards compensation of lost profit due to failed reconstruction of the rolling stock. The Company continues to report the difference in the total claimed compensation as a contingent liability. As stated in Note no. 16 b) of the annexed Financial Statements (Contingent Liabilities), the Company is a defendant in a law-suit in this matter concerning compensations in the amount of EUR 51,752 thousand with interests. Even if these estimates are based on the best knowledge of current events and procedures, the actual results may

differ from these estimates. The Company makes use also of services of external legal advisors and experience from similar previous lawsuits to determine the probable results of lawsuits and the need to create a reserve.

Responsibility of the Statutory Body for the Financial Statements

The Statutory Body of the reporting entity – Železničná spoločnosť Slovensko, a.s. – is responsible for elaboration of these Financial Statements so as to provide an objective and truthful presentation in compliance with the Accounting Act, as well as for the internal control it considers necessary to elaborate the Financial Statements without any material inconsistencies whether due to fraud or mistake.

When preparing the Financial Statements, the Statutory Body is responsible for assessment of the Company's ability to continue as a going concern, for description of the facts relevant to continue as a going concern if necessary, and for applying the going concern assumption to the accounting, unless it intends to dissolve the Company or to end its activities, or there would be no other realistic option other than doing so.

Responsibility of the Auditor for the audit of the Financial Statements

It is our responsibility to acquire reasonable assurance that the Financial Statements as such do not contain material inconsistencies, whether due to fraud or mistake, and to issue the Auditor's Report, including its opinion. A reasonable assurance is assurance of a high degree, however, it is not a guarantee that the audit conducted pursuant to the International Standards on Auditing must always disclose material inconsistencies, if any. Inconsistencies might occur due to fraud or mistake and are considered significant if there is a reasoned assumption that, individually or in total, they could affect the economic decisions of the users based on these Financial Statements.

Professional judgement is applied and professional scepticism is maintained within the audit carried out pursuant to the International Standards on Auditing and throughout the whole audit. Besides:

- We identify and assess the risks of material misstatements in the financial statements, whether due to fraud or mistake, propose and apply auditing procedures reacting to these risks, and acquire auditing evidence that is sufficient and adequate to provide a basis for our opinion. The risk of not discovering a material misstatement due to fraud is higher than such a risk due to mistake as fraud might include a secret agreement, falsification, deliberate omission, false statement or evasion of an internal control.
- We learn about the internal controls relevant for the audit so as to be able to propose auditing procedures suitable for the respective circumstances, however, not with the purpose of expressing an opinion on efficiency of the Company's internal controls.
- We assess appropriateness of the used accounting principles and accounting methods and adequacy of the accounting estimates and presentation of the related information as carried out by the Statutory Body.
- We conclude whether the Statutory Body makes an appropriate use of the going concern assumption in its accounting and, based on the obtained auditing evidence, we conclude whether there is a material uncertainty related to events or circumstances that could significantly affect the ability of the Company to continue as a going concern. If we conclude that there is such material uncertainty, we are obliged to draw the attention within the Auditor's Report to the relevant information presented in the Financial Statements or, if the information is insufficient, to modify our opinion. Our conclusions are based on auditing evidence obtained by the date of issuance of our Auditor's Report. Any future events or circumstances, however, can cause the Company to cease its continuation as a going concern.
- We assess the overall presentation, structure and content of the Financial Statements, including the presented information, as well as the fact whether the Financial Statements present the carried-out transactions and events in a way leading to their truthful presentation.

Report on further requirements imposed by law and other legal regulations**Report on the information presented in the Annual Report**

The Statutory Body is responsible for the information presented in the Annual Report prepared pursuant to the requirements of the Accounting Act. Our opinion above on the Financial Statement does not apply to other information in the Annual Report.

In respect of the financial statements audit, it is our responsibility to get familiar with the information presented in the Annual Report and to assess whether the information is not in material inconsistency with the audited Financial Statements or our knowledge as obtained during the audit of the Financial Statements, or seem otherwise incorrect.

The Annual Report was not available at the date of issuing our Auditor's Report on the Financial Statements audit.

When we obtain the Annual Report, we will assess whether the Company's Annual Report contains information as required by the Accounting Act and, based on the findings obtained during the audit of the Financial Statements, we will express our opinion on whether:

- the information presented in the Annual Report for 2016 is consistent with the Financial Statements for the same year,
- the Annual Report contains the information in compliance with the Accounting Act.

Besides, based on our knowledge of the accounting entity and its situation obtained during the audit of the Financial Statements, we will state whether we discovered any material misstatements in the Annual Report.

In Banská Bystrica, 28 February 2017

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Companies' Register of the District Court of Banská Bystrica
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An independent member firm of Moore Stephens International Limited

Ing. Ľudmila Svätojánska Kiňová, MBA
Managing Partner
SKAu Licence no. 936

[signature in hand]

ANNEX – Separate Financial Statements of ZSSK for 2016

The Annual Report is annexed with the Separate Financial Statements of ZSSK reported pursuant to the International Financial Reporting Standards as on 31 December 2016.



ŽELEZNIČNÁ SPOLOČNOSŤ SLOVENSKO
NÁRODNÝ DOPRAVCA

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