2011

ANNUAL REPORT

ŽELEZNICE SLOVENSKEJ REPUBLIKY

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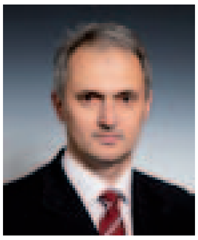
FOREWORD OF DIRECTOR GENERAL



Dear colleagues, business partners and railway friends,

The year 2011 has been difficult, but also successful for both the railways and railwaymen. Many changes having a significant impact on current and mainly future functioning of one of the biggest Slovak companies had taken place. I definitely take the introduction of the new charging scheme for the access to railway infrastructure applicable from 1 January 2011 as the most important step up to new era of rail transport in Slovakia. Reduction in charges for freight transport by an average of more than 50 percent and for passenger transport by roughly 10 percent has given railway undertakings operating freight and passenger services an opportunity to change their trade policy, make more effective use of Slovakia´s favourable geographical position and moreover strengthen the rail´s competitiveness against the road.

The Revitalization programme for the railway companies approved by the Government of the Slovak Republic had a decisive influence on the operation of ŽSR in 2011. As an essential recovery plan for the railway sector, the programme is aimed at securing the stability of the Slovak railway sector in operation, technical and financial management areas by performing measures under the approved programme for the railway companies as well as performing measures by the state defined in the revitalization programme.

Individual measures of the revitalization programme has been incorporated in the internal environment of the company, whether through the Strategy of ŽSR, or the definition of initiatives in Saving and optimization programme within individual fields of activity of ŽSR such as operation, economy and employment. The economic performance of ŽSR over the past year has been associated with significant cost reductions than planned, particularly in items of consumed purchases and services, which results from introduced saving and optimization programme of ŽSR. Also rationalizing workforce, revising various activities of Internal Organizational Units and reorganizing Regional Directorates as well as other areas of activity of ŽSR was necessary.

Following approval of the 2012 state budget, ŽSR has actually advanced towards balanced business results, where finally the state and the railways would mutually perform its obligations. This gives the railways after many years a real opportunity to not only deal with disrepairs, but also to start up the implementation of its own planned investment projects according to priorities. Revitalization programme has been adopted with optimism, while at the same time we are aware of great commitment to reduce company´s overall costs in following years. This is reflected both in the development of employment, including dealing with non-profitable railway lines and overall program of rationalization. After a year of operation under the new regime, we have observed that we are well on a way to company´s recovery and towards reaching balanced business results from public service activities and operations.

Over the period January – December 2011, ŽSR reported loss amounted to 31,784 thou. €, which compared to the actual figures as at 31 December 2010 showed a better business result by 69,681 thou. €, and lower by 161,293 thou. € as compared to the plan. These results are mainly associated with performed recovery measures within ŽSR and budgetary measures of the state.

In 2011, costs amounted to 512,569 thou. €, which is a figure lower by 34,149 thou. € in comparison to the plan. Revenues amounted to 480,785 thou. €, which is a figure higher by 127,143 thou. € as planned. In 2011, ŽSR had an average registered number of 15,820 employees. In compliance with the Collective agreement an average salary amounted to 765.65 €.

Demands of our customers has even more intensified over the past year, particularly in relation to speed, security, accuracy and availability of transport services. Equally important requirements are interoperability and cost-effectiveness of ŽSR´s expenditure as the infrastructure manager. In order to effectively run as the company able to fulfil the Strategy of ŽSR, it is necessary to focus on other funding options of EU financing within the Transport Operational Programme. In addition, we have focused on a possibility to develop projects within the calls for the Research and Development Operational Programme with the aim of streamlining the system of railway infrastructure maintenance. In the future we plan to respond to launched calls on other operational programmes, where we would not only meet recipient eligibility criteria, but based on specific actions carry out activities aimed at development of ŽSR.

The year 2011 has brought ŽSR a significant advance on the international level. ŽSR has been approached with the offer of Brussels based Community of European Railway and Infrastructure Companies (CER) for the position of Vice-Chairman of the CER Management Committee. Given the fact that CER is an organization that significantly contributes to improving the status of rail transport in the international context and actively promotes the interests of member railways towards the European institutions, ŽSR accepts this offer. From the international perspective is important to consider that although a number of intentions, but the documents show the need for using environmentally friendly modes of transport, such as rail transport, there is still a strong lobby in relation to road transport. Therefore, part of a comprehensive European policy on rail infrastructure in the future should be to define priorities for use of rail transport, transfer of long distance traffic from road to rail, and in particular the increase of interest in funding projects that support new and upgraded rail infrastructure. Particularly in these areas there is potential for future development of rail transport.
With regard to national activities let me mention just three most important ones. In record time the reconstruction of the 35 kilometre track section between Bratislava and Dunajská Streda was successfully done. The modernization of the track section Žilina - Krásno Kysucou and the construction of a new marshalling yard Žilina - Teplička were completed. In 2011, new double-deck units were rolled out on our tracks as well as state-of-the-art push-pull train sets. Great piece of work has succeeded in relation to the safety at level crossings. ŽSR has implemented a system of level crossing identification by allocating a unique number to each level crossing. A balanced business results (as a result of revitalization already mentioned) gives a real foundation for the future creation of own funds for investment, in particular - in comparison to the previous year - to increase the range of railway infrastructure reconstruction projects in addition to corridor lines.
Allow me to express my thanks for the support and cooperation to all external partners - suppliers, contractors, banking institutions, the Ministry of Transport, Construction and Regional Development of the Slovak Republic for highly effective cooperation, support and assistance in promoting conceptual steps. But first and foremost my sincere thanks belongs to all fellow colleagues - railwaymen for their devotion, dutiful engagement, commitment and solidarity, for taking advantage of experience in difficult situations, and for years of demanding job inherently associated with working for the railways.

I wish you all the best

Dipl. Ing. Vladimír Ľupták
Director General, ŽSR

COMPANY STRATEGY

Mission

Create conditions for fulfilment of the statutory provisions on ensuring the railways operation by following our activity and customer oriented approach.

Manage and develop the railway infrastructure in accordance with customer demands and create competitive environment within national and international transport system.

Provide infrastructure for reliable and safe rail passenger and rail freight transport following the strategic objectives of ŽSR.

Increase the competitiveness of the railway infrastructure of ŽSR towards other railway infrastructure managers as well as towards other modes of transport (primarily road transport).

Apply positive influence over the state transport policy within the Slovak Republic and the European Union in favour of highlighting the rail transport as important, safe and environmentally friendly sector.

Vision

Provision of modern, interoperable, safe, efficient, accessible and environmentally friendly railway infrastructure aimed at increasing the use of the infrastructure by rail passenger and rail freight services.

Strategic goals

- Balanced business results
- Modern infrastructure
- Effective traffic management
- Effective maintenance management
- Effective railway infrastructure administration and enhancement of internal processes

Bases objectives of ŽSR´s Strategy have been updated upon changing external and internal environment in present times. ŽSR´s Strategy is built around applicable national and European Union legislation, demands of the Ministry of Transport, Construction and Regional Development of the Slovak Republic, customer demands and own vision.

Activities of Infrastructure Manager

Activities of Infrastructure Manager in 2011 were focused to:

- Achieve parameters of modernization projects under Operational Programme – Transport and efficient use of external sources (EU funds);
  - Retain company´s economic and financial stability;
  - Enhance quality and reliability of railway infrastructure;
  - Meet the customer demands;
- Eliminate costs increase; achieve cost savings and perform measures of Revitalization programme for the railway companies;
- Ensure that strategic goals and Strategy of ŽSR are being reached and met.

STATUTORY BODIES

The statutory bodies of ŽSR, in terms of the provisions of Articles 4 and 5 of the Act no. 258/1993 Coll. on ŽSR as amended by the Act of the National Council of the Slovak Republic no. 152/1997 Coll. and the Act of the National Council of the Slovak Republic no. 259/2001 Coll., shall be the Governing Board and the Director General. The Governing board is the supreme body of ŽSR. From 1 January 2011 until 30 November 2011 the Governing board comprised nine members, while since 1 December 2011 it comprises five members.

Governing Board

Composition by 30 November 2011

Ing. Jozef BELIŠ	**Chairman of the Governing Board**
Ing. Peter KLINKA	Vice-Chairman of the Governing Board
Ing. Miroslav BARCAJ	Member of the Governing Board
Ing. Peter GUTTMAN	Member of the Governing Board
JUDr. Andrea VITKÓOVÁ, PhD.	Member of the Governing Board
Ing. Darina FABUĽOVÁ	Member of the Governing Board
Mgr. František ZAPARANIK	Member of the Governing Board
Mgr. František PETROCI	Member of the Governing Board
JUDr. Ľuboš DOJČAN	Member of the Governing Board

Composition as of 31 December 2011

Ing. Jozef BELIŠ	**Chairman of the Governing Board**
Ing. Peter KLINKA	Vice-Chairman of the Governing Board
Ing. Peter GUTTMAN	Member of the Governing Board
JUDr. Andrea VITKÓOVÁ, PhD.	Member of the Governing Board
Ing. Darina FABUĽOVÁ	Member of the Governing Board

Board of Directors

Composition as of 31 December 2011

Ing. Vladimír ĽUPTÁK	**Director General**
Ing. Jozef LAMPRECHT	Deputy Director-General for Development and IT
Ing. Silvia NÉMETHOVÁ	Deputy Director-General for Economy
Ing. Ján ZACHAR	Deputy Director-General for Operation
Ing. Ján ŽAČKO	Deputy Director-General for Human Resources
Ing. Peter MOLDA	Director of the Section of Director-General
Ing. Anton KUKUČKA	Director of the Office of Director-General

ORGANIZATIONAL STRUCTURE AND COMPANY PROFILE

Organizational structure of Železnice Slovenskej republiky as of 31 December 2011

- GOVERNING BOARD OF ŽSR
  - DIRECTORATE GENERAL *
    - Special-purpose centres of ŽSR *
    - Internal Organizational Units
      - Bridge Section, Košice *
      - Bridge Section, Bratislva *
      - Regional Directorate, Žilina *
      - Regional Directorate, Zvolen *
      - Regional Directorate, Košice *
      - Regional Directorate, Trnava *
      - Railway Geodetics Centre, Bratislava *
      - Railway Power Engineering Centre, Bratislava *
      - Central Institute for Education and Psychology, Bratislava
      - Railway Healthcare Services, Bratislava
      - Railway Fire Protection Centre Bratislava
      - Logistics and procurement Centre, Bratislava
      - Railway Services Centre, Bratislava
      - Property Management Centre, Bratislava
      - Railway Research and Development Institute, Žilina
      - Railway Telecommunications, Bratislava

*internal organizational units of ŽSR not incorporated in the Commercial Code.

Železnice Slovenskej republiky had no independent organizational unit abroad in 2011.

Company Profile

ŽSR was established by the Act no. 258/1993 Coll. on Železnice Slovenskej republiky, assigning the activities of railway infrastructure manager and transport operator to the company.

Pursuant to the adopted project of transformation and restructuring, Železnice Slovenskej republiky was further transformed as of 1 January 2002 by the Act no. 259/2001 Coll. on Železničná spoločnosť, a.s., and on amendments and supplements to the Act of NRSR no. 258/1993 Coll.

In terms of the foresaid legislation, Act no. 513/2009 Coll. on Railroads as amended by later regulations, Act no. 433/2010 Coll., Act no. 393/2011 Coll. and Act no. 547/2011 Coll., which amend and supplement the Act no. 513/2009 Coll., Železnice Slovenskej republiky carries out especially the activities related to operation of rail infrastructure, traffic management and operability of railway network.

ŽSR is incorporated in the Commercial Code of District Court Bratislava I, Section Po, Insert no. 312/B.

Selected activities:

1. 1.Management of railway lines and cable ways under a specific regulation.
2. 2.Activities related to management of railway and cable ways:
   - 2.1. Establishment and operation of railway telecommunication and radio networks,
   - 2.2. Construction, modification and maintenance of railway lines and funicular lines including environmental facilities,
   - 2.3. Maintenance and repairs of transport vehicles, production, maintenance and repairs of special machinery, equipment and materials including inspections and diagnostics,
   - 2.4. Provision of services in catering, accommodation and cultural facilities,
   - 2.5. Property leasing,
   - 2.6. Automated data processing and transmission,
   - 2.7. Metrological services and defectoscopy, diagnostics and measuring of physical quantities, geodetic and cartographic activities,
   - 2.8. Tasks of the chief expert standardisation centre for railway transport,
   - 2.9. Manufacturing, assembling, repairs and reconstruction of electric and electronic equipment including inspections and diagnostics,
   - 2.10. Transhipment of goods, re-tying of rolling stock and change of transport modifications of transported goods during change of rail gauge,
   - 2.11. Provision of special health-care services for selected professions,
   - 2.12. Performing rolling stock tests for railways, special railways and tram tracks,
   - 2.13. Performing assessment of compliance with approved type of rolling stock,
3. Operation of railway transport for the purposes of:
   - 3.1. Construction, modification and maintenance of railway and funicular lines,
   - 3.2. Provision of manipulation services, attendance transport services for railway undertakings.

Other activities set out in the Commercial Code.

CORE BUSINESS OF ŽSR IN 2011

Infrastructure

Železnice Slovenskej republiky manages and operates nationwide and regional railway lines and installations as follows:

Parameter/Year	2009	2010	2011
RAILWAY LINES AND STRUCTURES			
Construction length of operated lines (km)*	**3,592**	**3,592**	**3,593**
Construction length of managed lines (km)**	**3,623**	**3,622**	**3,624**
of which: - Single track lines	2,608	2,607	2,607
- Double and multiple track lines	1,015	1,015	1,017
of which: - Broad-gauge lines	99	99	99
- Standard-gauge lines	3,474	3,473	3,475
- Narrow-gauge lines	50	50	50
of which: - Non-electrified	2,046	2,045	2,046
- Electrified	1,577	1,577	1,578
of which - Electrified AC 25000 V/50 Hz	760	760	759
- Electrified DC 3000 V (others)	817	817	819
Total construction length of lines (km)	**6,875**	**6,876**	**6,878**
of which: - Main lines	4,638	4,637	4,643
- Other station lines	2,237	2,239	2,235
Number of switches ***	**8,539**	**8,529**	**8,503**
Number of Switch Units	9,488	9,476	9,417
Number of bridges	**2,303**	**2,321**	**2,317**
- Steel	455	455	450
- Solid	1,848	1,866	1,867
Total length of bridges (m)	**52,154**	**52,154**	**52,401**
Number of tunnels	**75**	**75**	**75**
- Single track	68	68	68
- Double track	7	7	7
Total length of tunnels (m)	**43,229**	**43,229**	**43,229**
Number of level crossings	**2,220**	**2,219**	**2,205**

Parameter/Year	2009	2010	2011
SAFETY INSTALLATIONS			
Track safety installations			
Automatic block (km)	**670**	**670**	**670**
- Unidirectional	129	129	129
- Bidirectional	541	541	541
Automatic block system (km)	**512**	**512**	**512**
Semi-automatic block (km)	**762**	**762**	**762**
- Relay	624	624	624
- Block	138	138	138
Lines with telephone communication system	**1,620**	**1,620**	**1,620**
Station safety installations			
Operating posts with mechanic interlocking	159	159	159
Operating posts with electro-mechanic interlocking	77	76	76
Operating posts with relay interlocking	151	151	151
Operating posts with other interlocking	75	75	75
Operating posts with electronic interlocking	19	20	21
Remote-controlled interlocking, operated by dispatcher (km)	252	339	339
Train safety installations			
Tracks with info. transmission to train installation (km)	670	762	762
Level-crossing safety installations			
Unprotected level crossings (no.)	1,144	1,138	1,126
Protected level crossings (no.)	1,076	1,081	1,079
- Mechanical gates****	100	98	94
- Safety installations with light signalling	976	983	985
Hump safety installations			
Mechanised humps (no.)	7	7	7
Semi-automated humps (no.)	1	1	1
Automated humps (no.)	1	1	2
Rail brakes (no.)	88	88	214
Compressor station (no.)	8	8	7

* Construction length of operated lines does not include lines with suspended service in a total length of 31.045 km: Komárno – Kolárovo 25.908 km; Žabokrecká spojka 1.278 km; Turňa nad Bodvou – MÁV 3.139 km; Michaľany – Lastovce 0.719 km.

** Construction length on managed lines does not include cancelled lines in a total length of 36.097 km: Rimavská Sobota – Poltár in the total length of 29.522 km; Devínske Jazero – Stupava in the total length of 6.575 km.

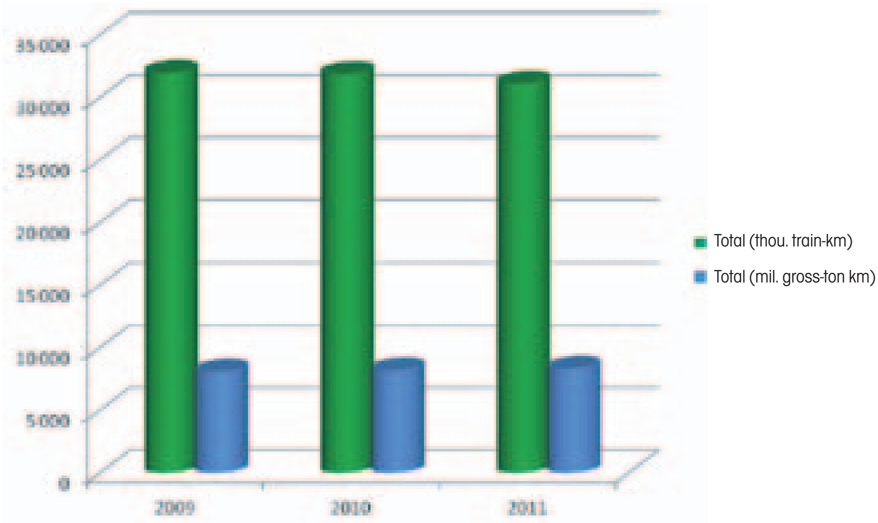
*** Number of switches has been decreased due to its cancellation within modernization projects.

**** Including 21 permanently locked.

RAILWAY UNDERTAKINGS‘ PERFORMANCE – PASSENGER TRANSPORT

Railway undertakings‘ performance – Passenger transport

Performance/ Period	2009	2010	2011
Total (thou. train -km)	31,995	31,886	31,138
Total (mil. gross-ton km)	8,101	8,215	8,333



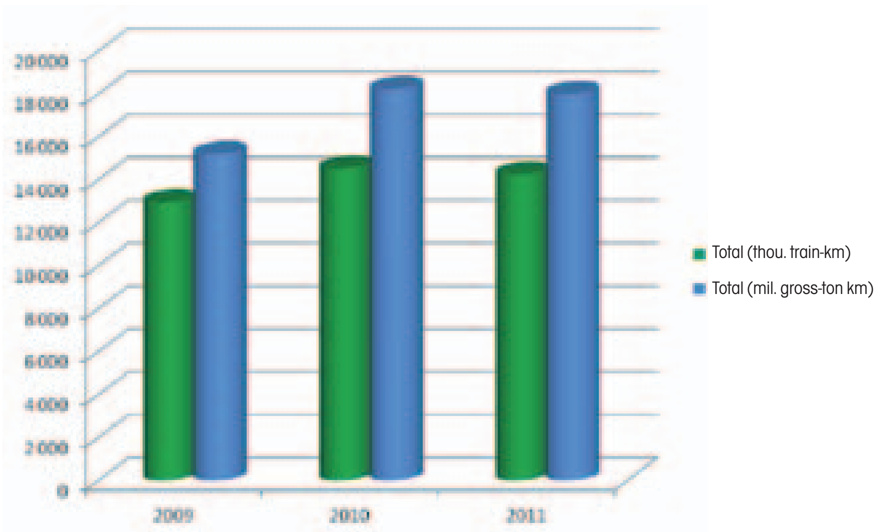
Passenger transport in 2011 according to train type

Train type	(identification)	gross-ton km	train-km
Slow train	(Os)	3,373,961,037	20,227,674
Fast train	(R)	3,013,969,166	6,175,140
Eurocity , Intercity, Euronight	(EC, IC, EN)	1,168,055,657	2,362,133
Express train	(Ex)	403,870,595	893,768
Local express train	(Zr)	194,101,005	681,941
Train-sets	(Sv)	72,833,175	234,406
Regional expres	(REX)	55,836,295	215,671
Light engine train	(RvOD)	21,353,530	264,130
Supercity	(SC)	20,068,512	48,811
Special train – Fast train	(OsR)	3,592,288	8,402
Train-sets – Lockout train	(SvVyl)	2,119,467	9,026
Special train – Train-sets	(OsSv)	2,092,643	9,088
Light Engine train – Testing train	(RvSkOD)	435,141	4,257
Special train – Slow train	(OsOs)	293,592	1,778
Light engine – Lockout train	(RvVyl)	80,619	1,175
Special train – EuroCity train	(OsEC)	62,525	149
Special train – Light engine train	(OsRvOD)	30,146	478
Total		**8,332,755,393**	**31,138,028**

RAILWAY UNDERTAKINGS' PERFORMANCE – FREIGHT TRANSPORT

Railway undertakings' performance – Freight transport

Performance/ Period	2009	2010	2011
Total (thou. train-km)	12,962	14,523	14,251
Total (mil. gross-ton km)	15,204	18,230	18,015



Freight transport in 2011 according to train type

Train type	(identification)	gross-ton km	train-km
Inter marshalling yard	(Pn)	15,947,509,954	10,084,501
Freight combined transport express	(NexKD)	652,349,725	619,704
Freight express	(Nex)	627,271,285	603,328
Freight handling	(Mn)	508,041,368	1,103,567
Engine train	(RvND)	246,348,258	1,778,069
Intermediate freight combined transport	(PnKD)	24,285,678	25,186
Siding train	(Vlec)	5,439,332	17,233
Special intermediate freight train	(OsPn)	1,843,204	2,527
Engine train – testing freight ride	(RvSkND)	1,544,803	16,680
Engine train to/from a lockout	(RvVyl)	477	6
Total		**18,014,634,083**	**14,250,800**

CHARGE FOR THE ACCESS TO RAILWAY INFRASTRUCTURE

Decree of the Railway Regulatory Authority (ÚRŽD) no. 3/2010 on the regulatory framework for laying down charges for the access to railway infrastructure entered into force on 1 January 2011.

In 2011, ŽSR reported revenues from the charge for the access to railway infrastructure in the amount of 95,561 thou., which makes share of 46.9 % on total revenues for own performances and goods a 23.2 % on total revenues. Decrease in revenues from undertakings in comparison to 2010 has been mainly due to change in product price and only in minimum extent due to lower performance levels of undertakings especially in freight transport.

Charge / Period	2009	2010	2011
Total of which:	**180,333**	**188,508**	**95,561**
- Železničná spoločnosť Slovensko, a.s.	58,495	58,247	46,035
- Železničná spoločnosť Cargo Slovakia, a.s.	116,602	123,206	45,694
- Other railway undertakings	5,236	7,055	3,832
of which: - Passenger transport	0	3	4
- Freight transport	5,236	7,052	3,828

PASSENGER TRAIN TRAFFIC DIAGRAM COMPLIANCE

Evaluation of performance of train traffic diagram reflects to what extent the parameters of train timetable were complied.

Train type	Actual figures (%)		Index
	2010	2011	2011/2010
International fast trains	83.01	88.50	1.07
National fast trains	89.50	90.04	1.01
Slow trains	95.22	96.33	1.01
Passenger transport (Total)	**94.83**	**95.94**	**1.01**

Compliance with Passenger Train Traffic Diagram in 201i was ensured in accordance with Railway Operating Contract. The contract has stipulated minimum compliance with train traffic diagram at the level of 94 % respecting exceptionalities and closures. Reported year-on-year increase in compliance by 1.01 % was despite ongoing modernization of rail corridors and exceptionalities (accidents, breakdowns), but also due to more favourable climate conditions as in 2010, where massive floods had led to lockouts of track sections and railway stations.

RAILWAY OPERATING CONTRACT

In 2011, operation of the railway infrastructure has been performed in compliance with the Railway Operating Contract for 2011 – 2013 concluded on 20 December 2010 between ŽSR and MDVRR SR. The Contract comprises new charging scheme for the access to railway infrastructure. In this regard fixed costs of IM shall be covered by the state and RUs shall pay charges in the amount of variable costs expended on provided services.

Railroad Operations and Services , Total (thou. €)	2010	2011 **
Costs	393,261	268,303
Revenues	189,704	385
Support for operation of Railroads*	8,298	0
Settlement of fixed part of EON (subsidy for operation of RI)	119,498	199,498
+ Profit/ - Loss	**-75,761**	**- 68,420**

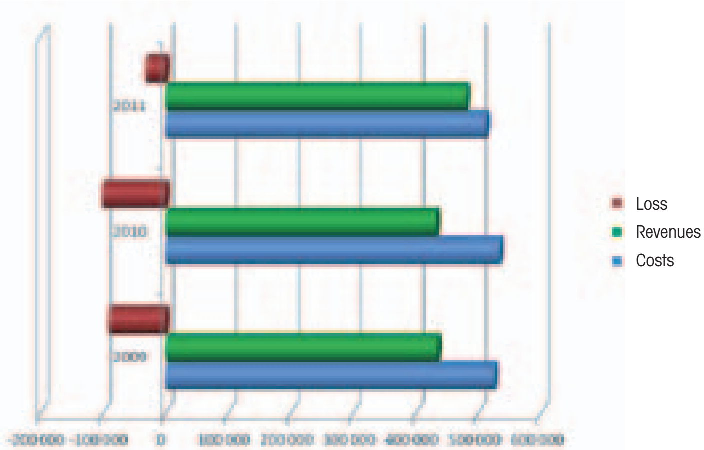
* Support for Operation of Railroads represented a form of subsidy amounted up to track access charge for railway undertakings aimed at increasing the volume of transport operations carried out.

** Data for 2011 reflects a change in financing scheme of railway infrastructure operation. Following an intermediate payment of fixed part of EON of railway infrastructure operation in amount of 199,498 thou. €, ŽSR is entitled for additional payment of fixed EON in the amount of 68,420 thou. €. ŽSR applied for MDVRR SR for acknowledgement of 5,334 thou. € as to cover separately eligible costs in terms of the Annexe no. 5 of Railway Operating Contract.

BUSINESS RESULTS OF ŽSR

Costs, Revenues and Business Results

(thou. €)	2009	2010	2011
Costs	525,755	533,977	512,569
Revenues	434,844	432,512	480,785
Loss	-90,911	-101,465	-31,784



Structure of Costs and Revenues

Structure of costs as of 31 December	2010 (%)	2011 (%)	Index
Labour costs	29.17	28.44	0.975
Amortization of long-term tangible and intangible assets	25.30	26.33	1.041
Energy costs	14.62	16.85	1.152
Other costs	13.28	13.15	0.990
Other services	6.43	5.24	0.815
Use of material	5.04	4.38	0.870
Repairs and maintenance	4.03	3.57	0.886
Financial costs	1.64	1.51	0.921
Taxes and charges	0.49	0.53	1.090
Total	**100.00**	**100.00**	

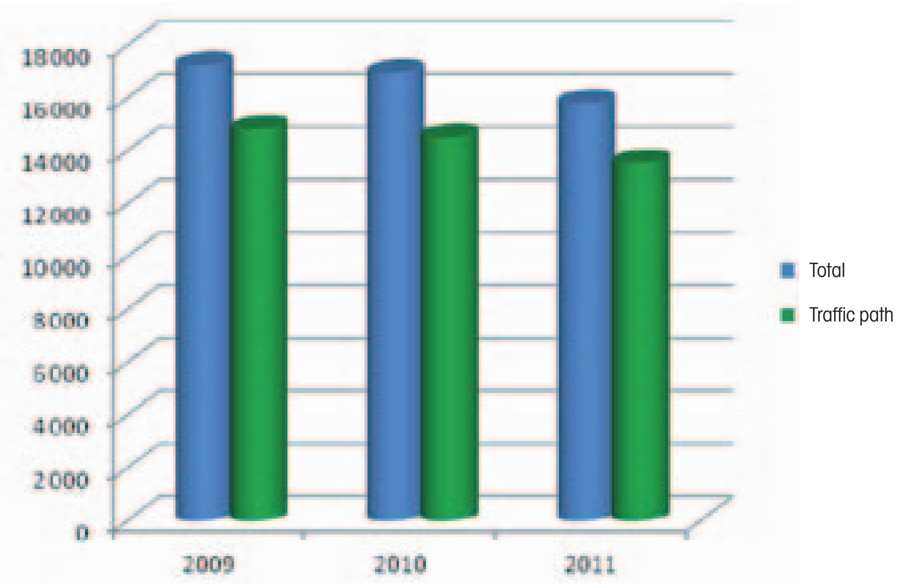
Structure of revenues as of 31 December	2010 (%)	2011 (%)	Index
Infrastructure charges	29.55	55.72	1.886
Subsidy for operation of RI	43.59	19.88	0.456
Traction electric energy	14.08	12.58	0.893
Other revenues	12.78	11.82	0.925
Total	**100.00**	**100.00**	

HUMAN RESOURCES

Employment rate

Development of employment	2010	2011
Registered headcount as of 31 December	16,989	14,998
Average converted number of staff	16,955	15,820
of which: - RI (Traffic path)	14,530	13,550
- Other Internal organizational units	2,425	2,270
Average monthly salary according to Coll. Agreement (€)	757.72	765.65
Average monthly salary at ŽSR (€)	764.84	770.55

In compliance with the Collective Agreement of ŽSR an average salary in 2011 amounted to 765.65 €. Under the Adaptation programme for graduates of selected schools, ŽSR enrolled the total number of 31 graduates. Staff leaves were mainly due to organizational reasons in 2011. Retirements and early retirements represent 15 % out of overall personnel leaves.



HUMAN RESOURCES

Age structure

Age structure of employees as of 31 December	2010	2011
up to 20 years	16	3
20 - 29 years	1,333	1,053
30 - 39 years	3,706	3,148
40 - 49 years	5,677	5,252
50 - 59 years	5,600	5,254
over 60 years	657	288
ŽSR (Total)	**16,989**	**14,998**

Change in age structure of ŽSR´s employees was present within all age groups. All of them reported decrease. The most significantly seen within the over 50 age group, where number of employees decreased by 1,140. In the age group 30 – 39 the number of employees decreased by 558.

Education level

Education structure of employees as of 31 December	2010	2011
Elementary education	974	704
Secondary education	5,447	4,626
Complete secondary education	8,340	7,530
University education	2,228	2,138
ŽSR (Total)	**16,989**	**14,998**

With growing requirements on traffic management and maintenance, the share of university educated employees report year-on-year increase of 1.3 %.

INVESTMENT ACTIVITY

Procurement of tangible and intangible investments

(thou. €)	2009	2010	2011
A. Total resources	**175,510**	**273,409**	**289,165**
State subsidies	46,336	24,482	50,841
Own resources	30,215	25,354	61,799
Loans, Issues	28,419	23	855
ISPA	54	0	0
State co-financing to ISPA	11	0	0
State co-financing to ERDF	0	1	0
Cohesion Fund	53,457	184,303	148,139
State co-financing to CF	8,109	32,531	26,141
Technical EU assistance	127	0	0
Co-financing of technical assistance	42	0	0
TEN-T	2,901	2,581	687
State co-financing to TEN-T	5,681	4,106	431
Other	158	28	272
B. Total use	**175,510**	**273,409**	**289,165**
B.1 Long-term Tangible Assets	**175,503**	**273,237**	**288,532**
Track electrification and pre-electrification modifications	900	1,019	5,654
Telecommunications and Track radiofication	969	0	120
Deployment of Dispatcher Centres for Tracks, Safety Installations, Universal Automatic Block	13,527	765	891
Exchange stations	0	0	0
Track modernization and reconstruction	134,197	250,575	266,368
Buildings – residential, non-residential	14,351	945	7,725
Machines, Equipment, Devices	651	840	4,506
Others (Project documentation and Property rights settlement)	10,908	19,093	3,268
B.2 Long-term Intangible Assets	**7**	**172**	**633**

Through the investment projects the company has succeeded in meeting its objectives aimed at enhancing the operational and safety level of railway infrastructure.

INVESTMENT PLAN 2011 BY PURPOSE

Purpose	Implementation (thou. €)
Modernization, reconstruction and construction of RI	231,641
Operation safety	52,937
Service quality enhancement	4,587
TOTAL	**289,165**

In 2011, investments were allocated primarily to modernization of railway infrastructure.

> Completed constructions:

> ŽSR, modernization of track section: Žilina – Krásno nad Kysucou,

> ŽSR, Žilina - Teplička marshalling yard, 2nd phase, 2nd construction,

> Continued preparation and implementation of constructions:

> Project documentation for sections: Liptovský Mikuláš – Košice, Liptovský Mikuláš – Poprad,

> Modernization of track section: Nové Mesto nad Váhom – Púchov,

> Modernization of track section: Púchov – Žilina (TEN-T project),

> Modernization of track section: Krásno nad Kysucou – Čadca, part ETCS (TEN-T project),

> Modernization of track section: Krásno nad Kysucou – Čadca (TEN-T project),

> Bratislava Predmestie – Bratislava Filiálka – Bratislava Petržalka (linking corridors) I. time-phase (TEN-T project),

> Dealing with disrepairs:

> Čadca - state border SR/ČR, 2nd track rail, reinstatement of subgrade in km 286.380-286.420,

> Fiľakovo - Vrútky, km 184.530-185.085, reinstatement of supporting wall defects,

> Railway station Kamenica nad Hronom - state border MÁV, tracks no. 1 and 2, km 198.800-198.950,

> Dunajská N.V. - Štúrovo, km 145.912, reinstatement of arch bridge under the third rail,

> Košice- Žilina, reinstatement of subgrade in km 125.000-125.200 (M. Lodina – Ružín-passing loop),

> Railway stop Richnava, landslide in km 141.400- 141.700.

RESEARCH AND DEVELOPMENT

Costs of Research and Development Assignments

Operational processes / Drawing (thou. €)	2009	2010	2011
- Research costs	86	123	136
- Development costs	285	183	64
Total	**371**	**306**	**200**

The most significant assignments accomplished in 2011:

> Analysis of deformation performance issues and its impact on electric substations technologies,

> Verification of digital protection functioning under various failure events in the traction system of ŽSR,

> Noise levels on upgraded railway tracks of ŽSR,

> Equipment for diagnostics of electric powered vehicles pantographs,

> Impact of rolling stocks on operation of cable at a rail base.

Other assignments comprised addressing issues in the fields of power engineering, testing, diagnostics and implementation of both the EU and Slovak legislation to practices of ŽSR.

SAFETY OF OPERATION AND WORK

Occupational Safety

In accordance with applicable legislation (Act of NR SR No. 124/2006 Coll. on BOZP and on amendment of certain legislation as amended by later regulations) ŽSR has undertaken preventive control activities focused on technical condition of operational workplaces, comprehensive checks of status of BOZP, controls on the consumption of alcoholic beverages, and other obligations arising from internal rules, regulations and legislation.

REPORT ON OCCUPATIONAL INJURIES

Category/ Number of employees	Year		Index
	2010	2011	2011/2010
Fatal occupational injuries	2	0	0.000
Major injuries	0	0	0.000
Incapacity for work for 42 and more days	9	14	1.556
Other occupational injuries	42	30	0.714
Total occupational Injuries	**53**	**44**	**0,830**
Number of missed calendar work days	2,474	3,003	1.214
Number of injuries per 1,000 employees	3.126	2.781	0.890

Railway transport safety

ACCIDENTS ON ŽSR NETWORK

Type/Number of accidents	Year		Index
	2010	2011	2011/2010
ŽSR network	**231**	**235**	**1.017**
of which:			
Train collision	13	11	0.846
Train derailment	2	7	3.500
Collision with level crossings users	50	50	1.000
Rolling stock fires	9	9	1.000
Injuries by rolling stocks	116	102	0.879
Other accidents (at shunting)	41	56	1.366
Accidents on the account of ŽSR	34.5	34.95	1.013
Number of fatalities	103	89	0.864
Accident caused by third parties	166	157.5	0.949
Incurred damage (thou. €)	2,699	1,488	0.551
ACCIDENTS ON THE ACCOUNT OF RUS			
of which: - ZSSK Cargo	18.1	27.15	1.500
- ZSSK Slovensko	11.4	11.4	1.000
- Other RUs	1	4	4.000

Note: Act No. 513/2009 effective as of 1 January 2011 has brought a crucial change in categorization of accidents and also in the content of individual categories. Categorization is processed in accordance with § 92, sec. 2, letter b) of aforesaid law. Subject of evaluation are neither incidents, nor operational failures. Numbers of accidents in the chart have been evaluated by the degree of culpability.

ENVIRONMENT PROTECTION

Overview of ecological accidents

Accident at the level crossing in Miloslavov on the track section Dunajská Streda – Bratislava saw a motor oil leak of approximately 100-200 litres to track subsoil. Slovak Environmental Inspection in accordance with the Paragraph 41, Section 4 of the Act no. 364/2004 on Water Sources has determined Slovak rail passenger operator - Železničná spoločnosť Slovensko a.s., Bratislava as the responsible for extraordinary water quality deterioration.

Air pollution

In accordance with legal obligation for 2011, the calculated fee for air pollution by medium sources in the competence of ŽSR amounted to 8,376 €. After comparison with the relevant state administration decisions the fee was settled by installments, always due by 15th day after the end of each quarter based on the bank order.

Environmental burden

In relation to the newly adopted Act no. 409/2011 Coll. on Certain Measures in the Area of Environmental Burden as amended by later regulations, it shall be necessary to deal with other registered potential burdens.

Noise

In accordance with the Act no. 2/2005 Coll. on the Measure and Control of Noise in External Environment, the operator of railway network shall ensure preparation of strategic noise maps for the sections of railway tracks with more than 30,000 train rides per year.

Measures

Measures for reduction of negative impact of ŽSR´s activities on the environment:

- Continuing area-wide system for collection of hazardous waste, including waste comprising asbestos, in compliance with applicable legislation on waste management;
- Reinstating of bedrock subsoil and underground water in Čierna nad Tisou, operation of hydraulic protection of water source Boťany, including ordered water monitoring;
- Reinstating of groundwater in the area of railway station Brezno - oil substances in soil and oil substances on the groundwater table).

STRUCTURE OF ASSETS AND RESOURCES

In compliance with the International Accounting Standards, the total ŽSR´s assets amounted to 3,183,922 thou. € as of 31 December 2011, which is a figure higher by 11.6 % as compared to 2010.

- **Long-term Assets** constitutes 94.3 % out of the total amount of assets and reported increase of 298,511 thou. €, as compared with 2009, primarily due to increase in long-term tangible assets with regard to reconstruction and modernization of railway infrastructure.
- **Short-term Assets** constitutes 5.7 % out of the total amount of assets, and reported increase of 31,525 thou. € as compared to 2010, due to posting receivables towards the state and increase in monetary resources.
- **Equity** was reported at the amount of 1,547,855 thou. € as of 31 December 2011, and constitutes 48.6 % out of total amount of liabilities.
- **Capital Funds** reported increase of 4,696 thou. € as compared to 31 December 2010, which is associated with land settlement along the rail infrastructure.
- **Long-term Liabilities** reported increase of 26,554 thou. € in comparison with the previous year, resulting mainly from drawing a state subsidy and EU funds for railway infrastructure modernization.

Structure of assets as of 31 December	2010 (%)	2011 (%)
Long-term assets	**94.76**	**94.32**
of which: - Long-term tangible assets	92.97	88.30
Short-term assets	**5.24**	**5.68**
of which: - Short-term receivables from commercial activity	2.74	0.90
- Inventories	0.56	0.48
- Cash and Cash Equivalents	1.26	1.88
Total Assets	**100.00**	**100.00**

Structure of liabilities as of 31 December	2010 (%)	2011 (%)
Equity	**48.98**	**48.61**
of which: - Registered capital	26.64	23.88
- Capital funds	16.43	14.87
Long-term liabilities	**44.48**	**40.71**
of which: - Loans, State and EU subsidies	41.40	37.88
Short-term liabilities	**6.55**	**10.68**
of which: - Short-term liabilities from commercial activity	4.28	4.33
Total Liabilities	**100.00**	**100.00**

Structure of equity interests as of 31 December 2011

Company	Share (%)
STABILITA, d.d.s., a.s. , Košice	55.26
ŽPSV, a.s. Čaňa	41.06
Breitspur Planungs GmbH Wien	25.00
BETAMAT, a.s. Zvolen	10.00
HIT RAIL, b.v. Amsterdam (Netherland)	4.00

Financial indicators

As of 31 December	Unit	2010	2011
LIQUIDITY INDICATORS			
Current liquidity – average		1.61	0.58
Total liquidity - average		1.78	0.68
EXPENDITURE INDICATORS			
Expenditures	%	123.46	106.61
Wage expenditures	%	36.01	30.32
INDEBTEDNESS INDICATORS			
Self-financing index	%	81.35	84.67
Total indebtedness	%	51.02	51.39
Debt-to-Equity Ratio	%	22.92	18.10
LABOUR PRODUCTIVITY INDICATORS			
From revenues	€/emp.	25,509	30,391,
From performance	trkm/emp..	2,737	2,869
ACTIVITY – TURNOVER INTERVAL INDICATOR			
Inventories	day	200.46	226.84
Short-term receivables from commercial activity	day	96.15	49.09

IMPORTANT EVENTS IN 2011

Railroad Act and relating legislation

Application of Act No. 513/2009 Coll. on Railroads and on amendments of some acts as amended by later regulations and new charging scheme that newly determines charges for the access to railway infrastructure.

Approval of Revitalization programme for railway companies

Revitalization programme for railway companies has been approved by the Resolution of the Government of the Slovak Republic no. 188/2011 of 16 March 2011. It comprises basic package of measures leading to stabilization and recovery of the railway sector in Slovakia, and also of Železnice Slovenskej republiky.

The programme is aimed at securing the stability of the Slovak railway sector in operational, technical and financial field by performance of measures under the approved programme for the railway companies – ŽSR, ZSSK and ZSSK CARGO as well as performance of measures by the state defined in the revitalization programme.

Approval of updated Strategy of ŽSR

In June 2011 updated Strategy of ŽSR has been approved, which takes into account changes in external environment in relation to the approved Revitalization programme for railway companies. Updated Strategy of ŽSR has also defined performance indicators and indicators of performance of implementation strategic goals of ŽSR.

Railway infrastructure modernization

Continued implementation of Operational Programme Transport for 2007-2013. Detailed specification of constructions is available in the part „Investments".

Personnel changes

As of 1 December 2011, the Minister of Transport, Construction and Regional Development of the Slovak Republic has appointed new Governing Board of ŽSR. Number of Governing board members has been reduced from original nine to five members.

Change in organizational structure

As of 30 June 2011 original Internal organizational unit of Regional Directorate for Railway Infrastructure Maintenance in Žilina and Zvolen, Regional Directorates in Trnava and Košice have been cancelled and as of 1 July 2011 new four Regional Directorates has been established – Žilina, Zvolen, Košice, Trnava, responsible for serviceability of railway infrastructure within its newly set regions. This change has brought creation of new executive workplaces (Local administration and maintenance centres by branches) and to redistribution of existing executive workplaces (railway stations) among newly established Regional Directorates.

International events

The key event has been the appointment of Director General of ŽSR to the position of Vice-Chairman of the CER Management Committee. During 2011, numerous meetings at the international level were held, while the most important negotiations were: Meeting of Central and Eastern European railway companies´ CEOs with European Commission Vice-President in Brussels, CEOs meeting of The Visegrád Group railway companies in Bratislava, and Directors General meeting of the regional G4 Group in Vienna.

Rating

Over 2011 ŽSR was reassigned issuer rating A1 and a long-term national rating Aaa.sk by Moody's Central Europe Agency. ŽSR has defended the rating at A1/Aaa.sk level.

Collective Agreement

On 17 March 2011, the validity of the Collective Agreement of ŽSR for 2011 was prolonged by subscription of Annex no. 3 to the Collective Agreement.

IMPORTANT EVENTS BEYOND 2011

Rating

On 16 February 2012, the long-term rating of ŽSR was lowered from A1 to A2 level. The downgrade reflects the lowered rating on the Slovak Republic. Basic credibility assessment (BCA), which is a separate financial strength of ŽSR, remained unchanged at 10 (on a scale from 1 to 21, where 1 represents the lowest risk and the corresponding value of 10 rating at Baa3).

Settlement of business result

Železnice Slovenskej republiky for the accounting period of 2011 reported the business result – loss of 31,784,496.90 €. ŽSR has settled the loss in the amount of 31,784,496.90 € from an undistributed profit of previous years.

REPORT ON COMPLIANCE OF THE ANNUAL REPORT WITH ANNUAL FINANCIAL STATEMENTS

BDR
auditorská firma

Report on compliance of the Annual Report with annual financial statements

in accordance with the Act No. 540/2007 Z.z. § 23, article 5

To the Board of Directors of the company

I. We have audited the annual financial statements of the company Železnice Slovenskej republiky, with the registered office in Bratislava, IČO (company registration number): 31 364 501, as of December 31, 2011 enclosed in the accompanying annual report, to which we have on March 19, 2012 expressed the following auditor's opinion:

Opinion

In our opinion, the Financial Statements present true and fair view of the Železnice Slovenskej republiky company's financial position as of December 31, 2011, business results and cash flows for the year ending as of the above mentioned date and in accordance with International Financial Reporting Standards as adopted by the European Union.

Emphasis of specific matters

Without qualifying our opinion we draw attention to the following matters:

1. As described in Note1 to the accompanying Financial Statements, the Company's ability to continue as a going concern and to fulfill its investment program and other operating and financial commitments remains dependent upon continual support from State in the form of capital and operating subsidies.
2. As described in Note 3 to the accompanying Financial Statements, the Company prepared expert estimate corresponding to future costs necessary for ecological burden remediation, primarily soil and ground water contamination mainly in the most important locations from the point of view of ecological burden, such as Čierna nad Tisou and Bratislava-Východné. Although these estimates are made by the Company's management on the basis of its best knowledge of real events, actual results may differ from these estimates at the end. Timing of these cash flows reflects at the same time current assessment of priorities by the management, securing of technological aspects and urgency of achieving these tasks.
3. As described in Note 5 to the accompanying Financial Statements, the Company is exposed to significant credit risk of an individual contractual party, as 91% of receivables as at 31 December 2011 (as at 31 December 2010: 91%) is due to from two of the most important customers: Železničná spoločnosť Cargo Slovakia, a.s. Bratislava and Železničná spoločnosť Slovensko, a.s. Bratislava, which are related parties as well as described in Note 33 to the accompanying Financial Statements.
4. As described in Note 5 to the accompanying Financial Statements, the Company recorded significant receivables to the Ministry of Finance of Slovak republic and Ministry of transport, construction and regional development due to accumulated loss for the year 2009 in the amount of 28 983 thousand EUR, for the year 2010 in the amount of 75 988 thousand EUR and for the year 2011 in the amount of 68 420 thousand EUR according to Operating Railway Infrastructure Contract.

BDR, spol. s r. o., M. M. Hodžu 3, 974 00 Banská Bystrica; IČO: 00614556, IČ DPH: SK 2020459199
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Bankové spojenie: Tatra banka a.s., Banská Bystrica, č. účtu: 2625778903/1100
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BDR
auditorská firma

II. We have audited the compliance of the Annual Report with above mentioned financial statements. The accuracy of the Annual Report is in responsibility of the management. Our responsibility is to express an opinion on compliance of the Annual Report with the financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing.

These Standards require that the auditor plans and performs the audit in such a way to obtain reasonable assurance whether the information and facts presented in Annual Report which are presented in financial statements are in all material respects in compliance with financial statements. We have considered the information in Annual Report with the information presented in financial statements as of December 31, 2011. We have audited solely the information obtained from financial statements and accounting books. We believe that the conducted audit provide a reasonable basis for our opinion.

In our opinion the financial information contained in the Annual Report are in all material respects in compliance with above mentioned financial statements.

Banská Bystrica, March 19, 2011

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Ing. Ľudmila Svätojánska Kiňová, MBA
Responsible auditor
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ŽELEZNICE SLOVENSKEJ REPUBLIKY

SEPARATE FINANCIAL STATEMENTS

prepared in accordance with International Financial Reporting Standards for the year ended 31 December 2011

INDEPENDENT AUDITOR'S REPORT

BDR
auditorská firma
Audit company

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of the company Železnice Slovenskej republiky Bratislava

We have audited enclosed Financial Statements of the company Železnice Slovenskej republiky, with the registered office in Bratislava, IČO (company registration number): 31 364 501 that consists of the statement of financial position as of December 31, 2011, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year ending as of the above mentioned date as well as the survey of significant accounting principles and accounting methods and other explanatory notes.

The responsibility of company management for the Financial Statements

The company management is responsible for the preparation and the fair presentation of Financial Statements in accordance with International Financial Reporting Standards as adopted by the European Union. This responsibility includes the designing, implementing and maintaining internal control relevant to the preparation and the fair presentation of Financial Statements that are free from material misstatement, whether due to fraud or misstatement; furthermore, it also includes the selecting and applying appropriate accounting principles and accounting methods as well as the execution of the accounting estimates that are reasonable in the given circumstances.

The responsibility of auditor

Our responsibility is to express an opinion on these Financial Statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. These standards require that we comply with ethical requirements; we plan and perform our audit in such a way to obtain reasonable assurance whether the Financial Statements are free from any material misstatement.

Performing of procedures to obtain audit evidence about the amounts and data shown in the Financial Statements is a component part of the audit. The procedures selected depend on the auditor's judgment, including the assessment of the risk of material misstatement of the Financial Statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the Financial Statements, in order to design audit procedures that are appropriate in the given circumstances, but not for the purpose of expressing an opinion of the effectiveness of the entity's internal control. Furthermore, the audit includes evaluating the appropriateness of the accounting estimates used by the management as well as the overall presentation of the Financial Statements.
We believe that the audit evidence that we obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the Financial Statements present true and fair view of the Železnice Slovenskej republiky company's financial position as of December 31, 2011, business results and cash flow for the year ending as of the above mentioned date and in accordance with International Financial Reporting Standards as adopted by the European Union.

Emphasis of specific matters:

Without qualifying our opinion we draw attention to the following matters:

1. As described in Note1 to the accompanying Financial Statements, the Company's ability to continue as a going concern and to fulfill its investment program and other operating and financial commitments remains dependent upon continual support from State in the form of capital and operating subsidies.

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Banská Bystrica, March 19, 2012

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Responsible auditor
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CONTENTS

STATEMENT OF FINANCIAL POSITION

	Note	31 December 2011	31 December 2010
ASSETS			
NON-CURRENT ASSETS			
Property Plant and Equipment	6	2,811,402	2,653,256
Real Estate Investment	7	43,385	44,888
Intangible Assets	8	1,704	1,391
Financial Investment	9	3,404	3,410
Non-Current receivables	10	143,051	1,490
Total Non-Current Assets		**3,002,946**	**2,704,435**
CURRENT ASSETS			
Inventories	11	15,275	16,055
Trade receivables	12	28,596	78,116
Other receivables and assets	13	77,375	19,311
Cash and Cash Equivalents	5, 14	59,730	35,969
Total Current assets		**180,976**	**149,451**
TOTAL ASSETS		**3,183,922**	**2,853,886**
EQUITY AND LIABILITIES			
EQUITY			
Registered capital	15	760,337	760,337
Capital funds		473,508	468,812
Legal reserve fund		21,121	21,121
Earnings from previous periods		324,673	248,887
Loss for accounting period		**-31,784**	**-101,465**
Accumulated earnings		292,889	147,422
Total Equity		**1,547,855**	**1,397,692**
NON-CURRENT LIABILITIES			
Loans	5, 16	58,121	257,544
State and EU subsidies	17	1,148,072	923,969
Provisions	18, 19	69,207	71,503
Other non-current liabilities	20	20,547	16,377
Total Non-Current Liabilities		**1,295,947**	**1,269,393**
CURRENT LIABILITIES			
Short-term loans and current portion of long-term loans	5, 16	153,518	18,825
Trade liabilities	21	137,843	122,153
Payables to the public institutions	22	7,957	8,741
Other liabilities	23	36,624	33,028
Provisions	18, 19	4,178	4,054
Total Current liabilities		**340,120**	**186,801**
TOTAL EQUITY AND LIABILITIES		**3,183,922**	**2,853,886**

Accounting policies and explanatory notes are an integral part of the financial statements.

STATEMENT OF COMPREHENSIVE INCOME

	Note	31 December 2011	31 December 2010
REVENUES			
Fees for access to railway infrastructure	24	95,561	188,508
Sales of additional services of railway infrastructure	24	15,169	0
Subsidies for railway infrastructure operation	24	267,918	127,797
Sales of track energy		60,460	60,913
Sales of non-track energy		5,188	5,226
Sales of IT services		3,476	3,733
Sales of telecommunication services		3,516	3,765
Revenues from real estate investments		8,631	9,049
Sales of other services	25	11,653	12,434
Own work capitalized		5,769	8,496
Other revenues	26	3,444	12,592
Total revenues		**480,785**	**432,513**
OPERATING COSTS			
Materials and consumables		-22,470	-26,917
Track energy costs		-66,784	-58,257
Non-track energy costs		-12,823	-12,396
Other energy costs		-6,753	-7,409
Repair and maintenance		-18,310	-21,503
Services	27	-26,851	-34,321
Payroll costs	28	-217,177	-233,649
Depreciation and amortization		-134,976	-135,125
Release of subsidy for non-current assets		41,191	36,727
Other operating costs, net	29	-39,875	-32,619
Total operating costs		**-504,828**	**-525,469**
LOSS FROM OPERATIONS		**-24,043**	**-92,956**
FINANCIAL COSTS / INCOME			
Interest from loans		-7,162	-8,114
Other financial costs		-506	-395
Total financial costs		**-7,668**	**-8,509**
LOSS before tax		**-31,711**	**-101,465**
Income tax	30	-73	0
NET LOSS		**-31,784**	**-101,465**

Accounting policies and explanatory notes are an integral part of the financial statements.

STATEMENT OF CHANGES IN EQUITY

	Registered capital	Capital funds	Legal reserve fund	Accumulated – losses / +earnings	Total
As at 1 January 2010	**760,337**	**450,480**	**21,121**	**213,623**	**1,445,561**
Total comprehensive income	0	0	0	-101,465	-101,465
Non-cash increase in capital	0	18,332	0	0	18,332
Settlement of loss by founder	0	0	0	36,513	36,513
Prior period costs and income	0	0	0	-1 249	-1,249
As at 31 December 2010	**760,337**	**468,812**	**21,121**	**147,422**	**1,397,692**
As at 1 January 2011	**760,337**	**468,812**	**21,121**	**147,422**	**1,397,692**
Total comprehensive income	0	0	0	-31,784	-31,784
Non-cash increase in capital	0	4,696	0	0	4,696
Settlement of loss by founder	0	0	0	177,251	177,251
As at 31 December 2011	**760,337**	**473,508**	**21,121**	**292,889**	**1,547,855**

Accounting policies and explanatory notes are an integral part of the financial statements.

STATEMENT OF CASH FLOWS

	Note	31 December 2011	31 December 2010
Profit / Loss before tax		**-31,711**	**-101,465**
Adjustments by non-cash transactions		**62,680**	**-17,764**
Depreciation and amortization		134,976	135,125
Dividends and other profit sharing recorded against revenues		-1,058	-5
Interest recorded against expenses		7,162	8,763
Interest recorded against revenues		-337	-492
Gain from the sale of property, plant and equipment		-2,302	-2,942
Change in provisions		-2,865	-20,021
Amortization of state subsidies		-41,191	-36,727
Other non-monetary items		6	0
Effect on changes in working capital		**-24,247**	**55,859**
Changes in receivables and other assets		-42,802	-50,691
Changes in liabilities		17,775	102,415
Changes in inventories		780	4,135
Cash flow from operating activities		**38,433**	**38,095**
Expenditure on income tax		-73	0
Interest received		378	485
Interest paid		-146	-3,948
Net cash flows from operating activities		**38,592**	**34,632**
Acquisition of property, plant and equipment and non-current intangible assets		-287,907	-285,319
Subsidies for acquisition of non-current assets		265,294	199,224
Cash receipts from the sale of property, plant and equipment and non-current intangible assets		2,973	4,782
Net cash flows from investment activities		**-19,640**	**-81,313**
Cash receipts from dividends and other profit sharing		1,058	5
Cash receipts from loans borrowing		4,942	3,370
Repayment of liabilities related to financial leasing		-1,192	-1,961
Net cash flows from financial activities		**4,808**	**1,414**
Net increase / decrease in cash and cash equivalents		**23,760**	**-45,267**
Cash and cash equivalents at the beginning of the year	14	**35,969**	**81,236**
Cash and cash equivalents at the end of the year	14	**59,729**	**35,969**

Accounting policies and explanatory notes are an integral part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1 COMPANY´S GENERAL INFORMATION

Železnice Slovenskej republiky („ŽSR" or „the Company") was formed on 10 November 1993, pursuant to Act No. 258/1993 Coll. on ŽSR of the National Council of the Slovak Republic dated 30 September 1993 (later amended by Act No. 152/1997 Coll. dated 14 May 1997 and Act No. 259/2001 Coll. dated 14 June 2001) and registered under number Po 312/B in the Commercial Register of the District Court in Bratislava.

Business name:	**Železnice Slovenskej republiky, Bratislava, in short form „ŽSR"**
Registered office:	**Klemensova 8, 813 61 Bratislava**
Registration number (IČO):	**31 364 501**
VAT Registration number (DIČ):	**20 20 480 121**
Legal form:	**Other legal entity established in accordance with Act No. 258/1993 Coll. on Railways of the Slovak Republic.**

The Company is a legal successor of Železnice Slovenskej republiky, š. p., which was established on 1 January 1993, at the time of the separation of the former Czechoslovakia into the Czech and Slovak Republics.

The Company is controlled by the Slovak Republic through the Ministry of Transport, Construction and Regional Development ("Ministry of Transport") that although not directly involved in the Company´s day-to day operations, does oversee certain aspects of the business through representation on the Governing Board of ŽSR. Although shown in its statement of financial situation, the Company´s assets belong to the State, which entrusts them to the Company.

The Company cannot enter into credit relations of third parties as a guarantor; neither establishes a lien in favor of third parties to property belonging to the State. The Company is not an unlimited liability in any company.

The managing bodies of ŽSR consist of the Administrative Board and General Director.

Administrative Board is the top managerial body of ŽSR. It is composed of five members – four of them are experts from transport sector, expert on finances and law; and one member is elected representatives of the employees of the railways.

General Director, Ing. Vladimír Ľupták, manages the overall activities of ŽSR and is held responsible for its performance and results to the Administrative Board. Besides, General Director is statutory body of ŽSR – he represents the company externally and undertakes actions on its behalf in all matters if these are not subject to exclusive responsibility of the Administrative Board or Ministry of Transport, Construction and Regional Development. Minister of Transport appoints and withdraws General Director on the proposal from Administrative Board.

The members of Administrative Board of ŽSR:

Ing. Jozef BELIŠ	**chairman**
Ing. Peter KLINKA	**deputy chairman**
Ing. Peter GUTTMAN	**member**
JUDr. Andrea VITKÓOVÁ , PhD.	**member**
Ing. Darina FABUĽOVÁ	**member**

The Company is responsible for administrating railway infrastructure and is specifically empowered to undertake engineering and construction activities (including the repair and maintenance of railway infrastructure), to establish and operate railway telecommunication and radio networks to supply and distribute electricity and to provide other services. The Company receives fees from transport companies, primarily from Železničná spoločnosť Cargo Slovakia, a. s. and Železničná spoločnosť Slovensko, a. s. for access to railway infrastructure and other services.

The Company is organized and managed as a single business segment and is viewed as a single operating segment by the Administrative Board of ŽSR for the purposes of resource allocation and assessing performance.

Figures disclosed in ŽSR´s separate financial statements for the year ended 31 December 2011 are presented in thousands of euro („€" or „EUR"), unless otherwise stated. Based on the economic nature of fundamental events and circumstances, the currency euro was defined as a presentation currency of the Company.

Financial situation

Historically, ŽSR has been financially supported in its operations by the State, the support taking two forms: financial transfers and the provisions of guarantees in respect of the Company´s financial indebtedness. ŽSR is obliged by the State to maintain the railway infrastructure and is financially supported in these activities by the State as the costs incurred in the provision of railway infrastructure exceed fees for railway infrastructure payable by Železničná spoločnosť Cargo Slovakia, a. s., Železničná spoločnosť Slovensko, a. s. and other customers.

For the year ended 31 December 2011 the Company reported a net loss of € -31,784 thousands (for the year ended 31 December 2010: € -101,465 thousand).

The Company´s ability to continue as a going concern and to fulfil its investment program and other operating and financial commitments remains dependent upon continual support from State in the form of capital and operating subsidies.

2 SIGNIFICANT ACCOUNTING POLICIES

Representation on conformity with regulations

ŽSR´s Separate financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union ("EU"). IFRS comprise standards and interpretations approved by EU committee.

The Company prepares separate financial statements in accordance with IFRS as adopted by the EU from 1 January 2008 in accordance with Act No. 431/2002 Coll. § 17a, section 1.

The Company is part of the financial statement of public accounts, compiled by Ministry of Finance of Slovak republic in accordance with Act No. 431/2002 Coll. §22a, section 3 as amended.

The Company, although as a parent company, does not prepare consolidated financial statements in accordance with Act No. 431/2002 Coll. § 22, section 12 as amended.

Basis of preparation

Separate financial statements ("financial statements") have been prepared on a going concern basis, which contemplates the realization of assets and the discharge of liabilities and commitments in the normal course of business, and do not give effect to any adjustments that may be necessary should the Company be unable to continue as a going concern.

Financial statements for the previous period ended 31 December 2010 were approved by Administrative Board of ŽSR on 31 March 2011 in Bratislava.

Financial statements have been prepared on a historical cost basis. Further below basic accounting principles are described.

Preparation of financial statements in accordance with IFRS requires use of estimates and assumptions which influence reported values of assets and liabilities in the financial statements and notes to the financial statements. Although these estimates are made by the Company´s management on the basis of its best knowledge of real events, actual results may differ from these estimates at the end.

The accounting period is one calendar year.

Foreign currency transactions

Transactions in foreign currencies are reported according to IAS 21 and are converted at the exchange rate as at the day before transaction day and as at the day of preparation of financial statements according to rates announced by the European Central Bank ("ECB"). For the accounting transactions for the period after 1 January 2009, the rate of National Bank of Slovakia is used for those foreign currencies for which exchange rate is not announced by ECB. If the day before transaction day falls on day when the rate is not announced by ECB, the nearest previous day, when the rate is announced by ECB, is used for conversion. All differences are reported in the Statement of comprehensive income. Non-monetary items in foreign currencies are not converted as at end of the reporting period and are reported in original value.

Property, plant and equipment and intangible assets

Property, plant and equipment and intangible assets are stated at cost less accumulated depreciation/amortization, except land and assets under construction which are carried either at cost or an administrative value assigned by the State (which is not necessarily intended to represent market value).

Original cost of non-current tangible assets includes purchase price including import duty and non-reversible taxes and all directly attributable costs related to putting the asset into working condition and to place it where it will be used.

Assets under constructions represent non-current tangible assets and are reported at acquisition cost. This includes costs of this asset and other direct expenses. The value of assets under constructions is reduced by the difference resulting from recalculation of non-current payables (retained sum) to present value. Assets under constructions are not depreciated until the relevant asset is ready for use.

Each item of non-current intangible and tangible assets is depreciated using the straight-line method over its expected economic useful life. Useful life for various types on non-current intangible and tangible assets are as follows:

buildings	40 years
structures	from 15 to 40 years
equipment and machinery	from 5 to 20 years
other non-current assets	from 4 to 20 years
intangibles	from 3 to 25 years

Land and works of art are not depreciated.

Economic useful life and depreciation method are reviewed annually, at a minimum, with the aim to ensure consistency of the depreciation method and period with the expected inflow of economic benefits from non-current assets.

The carrying values of property, plant and equipment and intangible assets are reviewed for impairment annually when events or changes in circumstances indicate the carrying value may not be recoverable.

If the event of such indications the estimate of recoverable amount of that asset is made to determine possible impairment loss. If the recoverable amount of an individual asset cannot be determined, the Company defines recoverable amount of cash-generating unit, which the asset belongs. The recoverable amount is the greater of fair value less costs to sell or value in use. The estimate of future cash flows is discounted to their present value using a pre-tax discount rate in assessing value in use that reflects current market assessment of the time value of money and risks specific to the assets.

Loss on impairment of assets is reported in the Statement of comprehensive income in the amount by which the carrying value of an asset exceeds its realizable value, which is the greater of net selling price of property or value in use.

If the Company decides to cease an investment project or departs significantly from its planned completion, it assesses the potential decrease in value and records impairment if necessary.

Expenditures incurred on non-current assets items after their being put into use increase their book value only if the Company can expect future economic benefits exceeding their original performance. All other expenditures are recorded as repairs and maintenance costs in the period to which they relate pertinently and timely.

Leased assets

Assets acquired as a finance lease, where practically all advantages and risks are characteristic for ownership of leased assets, are capitalized at the beginning of the lease period in their fair value or in the present value of minimum lease payments, if lower. Each lease payment is divided to finance part and repayment of the principal in order to obtain the constant interest rate applied to the unpaid part of the lease liability. Finance part is recorded as costs. Capitalized lease is being depreciated over estimated economic useful life of the asset. Initial direct costs related to finance lease contract closing are added to book value of leased asset and disclosed during the lease period.

Leases where a significant part of risk and benefits related to ownership rests with the lessor is classified as operating lease. Operating lease payments are reported as costs in the Statement of comprehensive income equally over the lease period.

Real Estate Investments

Real Estate Investments mean assets determined for obtaining rental fees or capital appreciation. They are originally valued at acquisition cost including transaction costs. After first time disclosure they are valued at acquisition costs less accumulated depreciation and impairment losses.

Real Estate Investments – buildings – are depreciated using the straight-line method over the expected economic useful life, which is 40 years. Real Estate Investments – lands – are not depreciated.

Financial investments

Shares in subsidiaries and associated companies are presented at their acquisition costs in financial statements. Acquisition costs consist of related to acquisition and represent fair value of paid price and directly attributable transaction costs.

Inventories

Inventories are valued at the lower of cost or net realizable value after impairment for slow moving and unnecessary items. Cost is determined on a weighted average basis.

Classification and clearing of financial instruments

Financial assets and liabilities disclosed in the Statement of financial position include cash and cash equivalents, trade receivables and liabilities and other receivables and liabilities, non-current receivables, loans and borrowings. Accounting procedures applicable for presentation and valuation of these items are described under relevant headings in these notes. Financial instruments are classified as assets, liabilities or equity in accordance with the content of the contractual agreement. Financial instruments are offset if the Company has a legally enforceable right to offset them and also intends to realize an asset or settle a liability or mutually offset them.

Clearing of the financial instrument is executed if the Company does not control contractual rights comprising financial instrument anymore, which is what usually happens if a particular instrument is sold or if all cash flows attributable to that instrument are transferred to an independent third party.

Trade and other receivables

Trade receivables are recognized at nominal value after considering bad debts allowance. If time value of money is significant, receivables are valued at amortized costs using the effective interest rate method.

Bad debt allowance is recorded in the Statement of comprehensive income if there is an objective assumption (e. g. probability of insolvency, major financial problems of customers and others) that the Company is not able to collect all due amounts in accordance with original invoice conditions. Impaired outstanding amounts are written off if considered uncollectable.

Cash and cash equivalents

Cash and cash equivalents are formed by financial funds in bank or in hand and short-term deposits with a maturity of less than three months from date of acquisition with only low risk of change in value.

Cash flows are recognized in accordance with IAS 7. Indirect method was used for recognition of operating activities.

Registered capital

Registered capital represents the investment of the State in the Company, in the form of cash and asset contributions.

Capital funds

Capital funds comprise capital contributions that are not accounted through registered capital. The State is engaged in an ongoing investigation of title and values assigned to land administered by the Company, as a result of which it periodically makes additional asset contributions and revises administrative values assigned.

Legal reserve fund

Legal Reserve Fund is created according to § 15 of the Act No. 258/1993 on Railways of the Slovak Republic as amended and is topped off to a minimum 5 % from profit, up to 5 % of the value of assets that ŽSR has the right to operate, except for the value of rail track. This 5% limit has been met.

Loans and borrowings

All loans and borrowings are initially recognized at cost, being the fair value of the consideration received net of issue costs associated with the borrowing.

After initial recognition, all loans and borrowings are subsequently measured at their amortized cost, using the effective interest rate method.

Trade and other payables

Payables are initially recognized at nominal value and upon transfer at acquisition cost. If time value of money is significant, payables are valued at amortized costs using the effective interest rate method.

State and EU subsidies

State subsidies are recognized at their fair value where there is reasonable assurance that the subsidy will be received and all attached conditions will be met. Subsidies related to expense items are recognized as income over the periods necessary to match them on a systematic basis to the costs that they are intended to compensate. If a subsidy is related to the acquisition of a non-current asset, the fair value of the subsidy is credited to a deferred income account and released to the Statements of comprehensive income the expected useful life of the relevant asset by equal annual installments.

Provisions

Provisions are recognized when the Company has a present obligation (legal, contractual or non-contractual) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as interest expense.

Provision for Employee benefits

The Company has a long-term employee benefit plan consisting of a one-off contribution upon retirement, bonus upon disabled retirement, compensating contribution and bonus upon life and work jubilees. Benefit value is paid based on reached age and length of service. These benefits are unfunded. The estimate of cost for providing these benefits is determined using a projected actuarial valuation method, so-called Projected Unit Credit Method. Under this method, all benefits costs are recorded in the Statement of comprehensive income that way in order to spread regularly repeated costs over the employment period. Liabilities from granting the benefits are valued at present value of foreseen future cash flows. All actuarial profits and losses are recorded in the Statement of comprehensive income.

Environmental Burden provision

Environmental Burden Provision is created if there is probable origin of costs to clean up the environment and can be measured reliably. The amount of the provision is the best estimate of necessary expenditures in future periods.

Provision for legal claims

Provision for legal claims is created if the Company is sued by another entity in legal, administrative or other proceedings regarding paying a certain specific amount, where termination of the proceedings not in favor of the Company is more than probable.

Revenue recognition

Revenues are measured in fair value received or collectible counter-value. Forecasted discounts and other bonuses are deducted. Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognized:

Fees for access to railway infrastructure

Revenue from fees for access to railway infrastructure is recognized at the time when the railway infrastructure is used by the Company's customers. Revenue from passenger transport and freight transport are presented independently.

Rendering of services

Revenue from the rendering of services is recognized comparatively to the level of completion of the transaction as at the end of the reporting period.

Revenue from rental

Revenues from rental are recognized equally during the rental period.

Borrowing costs

Borrowing costs are recognized to costs in the period in which they are incurred. From 1 January 2009, borrowing costs, that are directly attributable to the acquisition, construction or production of qualifying assets form, are capitalised so they are part of the cost of that asset until the time, when substantially all the activities necessary to prepare that part for its intended use or sale are complete.

Material adjustment of prior period costs and income

Upon recording prior period costs and income adjustment it is necessary to consider if the adjustment is material or not. Material adjustment is determined at a value of € 5,000 thousand recorded in current period. If balance of costs and income adjustments, recorded in current period, exceed the determined value of € 5,000 thousand, these adjustments do not affect profit/loss of current year and are recognized in the Statement of financial position in equity.

Income tax

Income tax includes current income tax and deferred income tax.

Current income tax is calculated from accounting profit in accordance with Slovak regulations in the amount of 19 % after adjusting of some items for tax purposes.

Deferred income tax is provided, using the balance sheet method, on all temporary differences as at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognized for all taxable temporary differences. Deferred income tax assets are recognized for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, carry-forward of unused tax assets and unused tax losses can be utilized.

The carrying amount of deferred income tax assets is reviewed as at each end of reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted as at the end of the reporting period.


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3 SIGNIFICANT ACCOUNTING CONSIDERATIONS AND ESTIMATES

Important considerations upon applying accounting principles

Upon applying accounting principles described above, the management of the Company made certain conclusions with significant impact on amounts shown in the financial statements (except for those subject to estimates described below). A more detailed description of these considerations is included in the relevant notes but the most important ones include:

Environmental burden provision

Legislation applicable to environmental protection does not specify the scope of necessary decontamination works or the type of technology to be used. Upon recording Environmental burden provision, Management of the Company relies on past experience and interpretations of the relevant legislation. The Company prepared experts estimate corresponding to future costs necessary for ecological burden remediation, primarily soil contamination and ground water mainly in the most important locations from the point of view of ecological burden, such as Čierna nad Tisou and Bratislava-Východné (Note 18).

Provision for legal claim

The Company is involved in a number of legal actions relating to breach of contract in respect of the acquisition on non-current assets. Management relies on own professional assessment upon assessing the forecasted results (Note 18).

Sources of uncertainty upon estimates

Preparation of financial statements in accordance with IFRS requires use of estimates and assumptions which influence reported values of assets and liabilities in the financial statements and notes to the financial statements. Although these estimates are made by the Company's management on the bases of its best knowledge of real events, actual results may differ from these estimates at the end. A more detailed description of estimates is included in relevant notes but the most important ones include:

Calculation and timing of Environmental burden

The Company's management performs estimates of future cash flows related to environmental burdens using price comparisons, analogies with similar activities in the past and other estimates. Timing of these cash flows mirrors at the same time current assessment of priorities by the management, securing of technology and urgency of achieving these tasks.

Actuarial estimates upon employee benefit provision calculation

The estimate of cost for providing these benefits is determined using projected actuarial valuation calculations. These calculations contain estimates of discount rates, future salary increases, mortality or fluctuations. Due to the long-term nature of these programs, they are subject to a great of uncertainty (Note 19).

4 NEW ACCOUNTING STANDARDS AND INTERPRETATIONS

In 2011 the Company has applied all new and revised standards effective on the date of the financial statements.

The Company has not applied any standards issued after 31 December 2011 in preparing the financial statements:

- IFRS 9 Financial Instruments, effective from 1 January 2015
- IFRS 10 Consolidated Financial Statements, effective from 1 January 2013
- IFRS 11 Joint Arrangements, effective from 1 January 2013
- IFRS 12 Disclosure of Interests in Other Entities, effective from 1 January 2013
- IFRS 13 Fair Value Measurement, effective from 1 January 2013
- amendment to IAS 1 Presentation of Financial Statements, effective from 1 July 2012
- amendment to IAS 12 Income Taxes, effective from 1 January 2012
- amendment to IAS 19 Employee Benefits, effective from 1 January 2013
- amendment to IAS 27 Consolidated Financial Statements, effective from 1 January 2013
- amendment to IAS 28 Investments in Associates, effective from 1 January 2013
- amendment to IAS 32 Financial Instruments: Presentation, effective from 1 January 2014

These standard and their amendments will be applied after approval by the European Commission and from effective date.

5 FINANCIAL RISK MANAGEMENT

Financial risk factors

The Company is exposed to the following financial risks during performance of its activities:

- **credit risk**
- **liquidity risk**
- **market risk**, including:
  - **interest rate risk**

Credit risk

Credit risk arises in relation to cash and cash equivalents in banks and financial institutions and especially in respect to trade relations with customers. Credit risk associated with liquid assets in financial institutions is limited because contracting parties are mainly banks with high credit rating assigned to them or to their mother companies by international rating agencies.

Credit risk of the Company mainly results from trade receivables. Maximum risk of not paying represents the book value of each financial asset shown in the Statement of financial situation, less allowance for impairment. The Company manages this risk and seeks to eliminate and control the risk by the Directive for work with ŽSR's receivables which is continuously updated and improves its quality.

The Company is exposed to significant credit risk of an individual contractual party, as 91.16 % of receivables as at 31 December 2011 (as at 31 December 2010: 90.86 %) is due to from two of the most important customers: Železničná spoločnosť Cargo Slovakia, a. s. Bratislava and Železničná spoločnosť Slovensko, a. s. Bratislava and Ministry of Transport, Construction and Regional Development of Slovak republic.

The following table shows Company's receivables by maturity period:

	31 December 2011	31 December 2010
Receivables within maturity	**345,576**	**48,631**
Up to 1 month [1]	39,960	25,210
From 1 to 3 months	11,179	6,780
From 3 to 12 months [2]	94,191	15,033
From 1 to 5 years [3]	199,394	489
Over 5 years	852	1,119
Receivables overdue [4]	**12,724**	**122,175**
Total receivables	**358,300**	**170,806**

Increase of receivables as at 31 December 2011 compared to 31 December 2010 was mainly due to:

1. record claim for investment subsidy from EU and State (accrued subsidies to cover investment invoices in 2012) in the amount of € 21,555 thousand.
2. record receivables from Ministry of Finance under Set-Off Agreement due to accumulated loss of Operating of Railway Infrastructure Contract for the year 2009 in the amount of € 28,983 thousand.
3. record non-current receivable due to accumulated loss of Operating of Railway Infrastructure Contract for the year 2010 in the amount of € 75,988 thousand and record non-current receivable due to accumulated loss of Operating of Railway Infrastructure Contract for the year 2011 in the amount of € 68,420 thousand.
4. receivables from the company Železničná spoločnosť Cargo Slovakia, a. s. as at 31 December 2011 under Payables Settlement Agreement dated 22 June 2011 recognized within maturity in the amount of € 104,466 thousand.

The selection in the first three maturity categories is also affected by state receivable from excess VAT, which is higher by € 11,449 thousand.

Liquidity risk

The Company to control liquidity risk calculates cash flows, which are revised and simulated to manage liquidity with operative instruments when risk events and externalities occur. The Company then evaluates progress of real cash flows. In the case of liquidity decrease or shortage of financial funds the Company has at its disposal short-term operating loans and overdrafts.

The Company has its disposal € 48,000 thousand as at 31 December 2011 in form of undrawn overdrafts.

The following table shows loans and Company's payables by maturity period:

	Loans and borrowings		Liabilities	
	31 December 2011	31 December 2010	31 December 2011	31 December 2010
Payables within maturity	**211,639**	**276,369**	**224,096**	**223,520**
On demand	0	0	0	0
Up to 1 month	163	7	76,765	47,157
From 1 to 3 months	88	18,376	49,536	37,740
From 3 to 12 months *	153,267	442	8,969	52,124
From 1 to 5 years *	58,121	257,544	88,826	86,499
Over 5 years	0	0	0	0
Payables overdue	**0**	**0**	**1,188**	**20,824**
Total payables	**211,639**	**276,369**	**225,284**	**244,344**

* difference is caused by reclassify current portion of long-term loans to short-term loans

Market risk

Interest rate risk

The Company is exposed to interest rate risk as a result of long-term loans and borrowings. Floating interest rate loans expose the Company to the certain risk of cash flow variability.

All of the Company's bank loans had a floating interest rate, whereas finance lease liabilities have a fixed interest rate. The Company does not use derivative financial instruments for securing interest rate risks. Some banks try to revaluate interest margin of current written loan with contractual partners in consequence of financial crisis, the Company has not been directly affected by this approach in 2011.

As the Company does not have significant interest bearing assets, profits and cash flows from operating activities, and has not been affected by changes in market interest rates in 2011, the Company has no formal policy to control this risk.

Sensitivity analysis to interest rate risk

Presumption of sensitivity to interest rate risk upon 6 month EURIBOR for existing investment loan, whereby all other parameters are constant:

Increase (decrease) of interest rate in %	Impact on profit before tax for 1 year period in € '000
+/-1	2,086/-2,086

Managing capital risk

The aim of the Company upon capital risk management is to ensure ability of the Company to continue as a going concern and keep reasonable capital structure while decreasing costs. Managing capital risk is directly ensured by top management.

Indebtedness ration at year-end:

	31 December 2011	31 December 2010
Debt	211,639	276,369
Cash and cash equivalents	59,730	35,969
Net debt	**151,909**	**240,400**
Equity	1,547,855	1,397,692
Ratio Net debt to Equity	**9.81 %**	**17,20 %**

Ratio Net debt to total capital decreased by 7.39 %. This decrease was due to the reduction of debt by offsetting repayable financial assistance to recognized receivables from accumulated losses for the years 2004 – 2009 and simultaneously due to increase of equity by settlement of losses for the years 2004 – 2010 by the founder.

6 PROPERTY, PLANT AND EQUIPMENT

	Land and Buildings	Machinery, Equipment and other assets	Assets acquisition	Total
COST				
As at 1 January 2010	**3,398,544**	**724,709**	**408,330**	**4,531,583**
Additions	34,128	18,151	311,559	363,838
Disposals	-23,603	-29,577	-40,363	-93,543
Transfers	105,609	35,947	-141,556	0
Transfer to investments in real estate (Note 7)	-7,802	0	0	-7,802
Transfer from investments in real estate (Note 7)	2	0	0	2
As at 31 December 2010	**3,506,878**	**749,230**	**537,970**	**4,794,078**
ACCUMULATED DEPRECIATION / IMPAIRMENT				
As at 1 January 2010	**1,523,076**	**464,902**	**54,881**	**2,042,859**
Additions	78,864	51,604	6,901	137,369
Disposals	-11,942	-26,688	-8,886	-47,516
Transfers	2,745	5,365	0	8,110
As at 31 December 2010	**1,592,743**	**495,183**	**52,896**	**2,140,822**
NET BOOK VALUE				
As at 1 January 2010	**1,875,468**	**259,807**	**353,449**	**2,488,724**
As at 31 December 2010	**1,914,135**	**254,047**	**485,074**	**2,653,256**
COST				
As at 1 January 2011	**3,506,878**	**749,230**	**537,970**	**4,794,078**
Additions	8,049	17,522	321,491	347,062
Disposals	-36,983	-11,591	-35,968	-84,542
Transfers	125,679	6,248	-131,927	0
Transfer to investments in real estate (Note 7)	-1,629	0	0	-1,629
Transfer from investments in real estate (Note 7)	163	0	0	163
As at 31 December 2011	**3,602,157**	**761,409**	**691,566**	**5,055,132**
ACCUMULATED DEPRECIATION / IMPAIRMENT				
As at 1 January 2011	**1,592,743**	**495,183**	**52,896**	**2,140,822**
Additions	78,993	51,188	7,139	137,320
Disposals	-16,176	-11,861	-10,590	-38,627
Transfers	2,658	1,557	0	4,215
As at 31 December 2011	**1,658,218**	**536,067**	**49,445**	**2,243,730**
NET BOOK VALUE				
As at 1 January 2011	**1,914,135**	**254,047**	**485,074**	**2,653,256**
As at 31 December 2011	**1,943,939**	**225,342**	**642,121**	**2,811,402**

The Company administers land that is still subject to the resolution of title claims and which had an administrative value assigned to it by the State of € 69,417 thousand (as at 31 December 2010: € 80,383 thousand) and which is not reflected in the Company's statement of financial position. The Company is actively engaged in resolving these claims and during 2011 title to land with an administrative value of € 1,558 thousand was transferred to the Company and capitalized in its statement of financial position (as at 31 December 2010: € 5,873 thousand). In addition, administrative values assigned to land already reflected in the Company's statement of financial position were revised upward by an amount of € 3,132 thousand (as at 31 December 2010: € 12,458 thousand). These adjustments are recorded directly to Capital funds in Equity.

Finance lease liabilities (Note 16) of the Company are protected by lessor ownership rights to the leased assets with a book value of € 4,568 thousand (as at 31 December 2010: € 5,112 thousand).

Gross carrying amount of all fully written off property, plant and equipment that are utilized by the Company is in the amount of € 1,085,269 thousand (as at 31 December 2010: € 1,028,045 thousand). Temporary unused assets in original cost are in the amount of € 28,182 thousand (as at 31 December 2010: € 26,712 thousand) and in carrying value in the amount of € 16,533 thousand (as at 31 December 2010: € 14,819 thousand).

The Company considered reality of valuation of assets and liabilities as at 31 December 2011. Following determined facts about reality of assets valuation that indicated assets impairment, recoverable amount has been determined. Recoverable amount (higher value of its fair value less costs to sell and value in use) was defined by the expert´s opinion or assessment at individual assets. Recoverable amount was lower than carrying value after the evaluation. According to IAS 36 – Impairment, as at 31 December 2011 the Company recorded allowance for property, plant and equipment in the amount of € 2,233 thousand (as at 31 December 2010: € 2,105 thousand) and allowance for assets under construction in the amount of € 49,445 thousand (as at 31 December 2010: € 52,897 thousand).

Reversal of impairment loss in connection with the re-evaluation creation of allowances for the year 2011 is in the amount of € 5,171 thousand (as at 31 December 2010: € 857 thousand)

ŽSR has insured its assets (real estate, tangibles) with various types of insurance and up to various insurance amounts (maximum annual insurance claim is in the amount of € 33,200 thousand for natural hazards with the exception of floods).

7 REAL ESTATE INVESTMENTS

Value of assets determined for rental (real estate investments) as at 31 December 2011 represents a depreciable amount of € 63,501 thousand (as at 31 December 2010: € 62,879 thousand) and net book value of € 43,385 thousand (as at 31 December 2010: € 44,888 thousand).

	Year 2011	Year 2010
COST		
As at 1 January	**62,879**	**56,303**
Additions	0	0
Disposals	-844	-1,224
Transfer from Property, Plant and Equipment (Note 6)	1,629	7,802
Transfer to Property, Plant and Equipment (Note 6)	-163	-2
As at 31 December	**63,501**	**62,879**
ACCUMULATED DEPRECIATION / IMPAIRMENT		
As at 1 January	**17,991**	**15,689**
Additions	1,659	2,952
Disposals	-162	-650
Transfers	628	0
As at 31 December	**20,116**	**17,991**
NET BOOK VALUE		
As at 1 January	**44,888**	**40,614**
As at 31 December	**43,385**	**44,888**

The fair value of real estate investment as at 31 December 2011 is in the amount of € 62,000 thousand (as at 31 December 2010: € 77,429 thousand). The fair value of real estate investments for individual assets has been evaluated by simplified computing procedure using income method and terms for calculation of "external rent", using information about reached gross annual income from real and valid rental contracts and by determination of interest rate using "fischer formulas" on the strength of actual basic interest rate of ECB (which take into account level of actual basic/discount rate, level of annual interests of commercial banks, level of inflation and risk of locality and assets type, held for sale).

Based on the indicated facts, the Company recognized real estate investment impairment pursuant to expert's opinion. The difference between book value and fair value is in two assets; due to this the Company recorded allowance for real estate investment as at 31 December 2011 in the amount of € 899 thousand. Costs related with real estate investments represent the amount of € 1,199 thousand (as at 31 December 2010: € 1,145 thousand) and revenues related with real estate investments represent the amount of € 2,764 thousand (as at 31 December 2010: € 2,706 thousand).

8 INTANGIBLE ASSETS

	Capitalized Development Cost	Software	Acquisition of Assets	Total
COST				
As at 1 January 2010	**96**	**14,742**	**52**	**14,890**
Additions	0	698	172	870
Disposals	0	-192	0	-192
Transfers	2	0	-2	0
As at 31 December 2010	**98**	**15,248**	**222**	**15,568**
ACCUMULATED DEPRECIATION / IMPAIRMENT				
As at 1 January 2010	**94**	**13,364**	**22**	**13,480**
Additions	0	698	172	870
Disposals	0	-192	0	-192
Transfers	2	0	-2	0
As at 31 December 2010	**95**	**14,060**	**22**	**14,177**
NET BOOK VALUE				
As at 1 January 2010	**2**	**1,378**	**30**	**1,410**
As at 31 December 2010	**3**	**1,188**	**200**	**1,391**
COSTS				
As at 1 January 2011	**98**	**15,248**	**222**	**15,568**
Additions	0	698	172	870
Disposals	0	-192	0	-192
Transfers	2	0	-2	0
As at 31 December 2011	**98**	**15,637**	**525**	**16,260**
ACCUMULATED DEPRECIATION / IMPAIRMENT				
As at 1 January 2011	**95**	**14,060**	**22**	**14,177**
Additions	0	698	172	870
Disposals	0	-192	0	-192
Transfers	2	0	-2	0
As at 31 December 2011	**95**	**14,432**	**29**	**14,556**
NET BOOK VALUE				
As at 1 January 2011	**3**	**1,188**	**200**	**1,391**
As at 31 December 2011	**3**	**1,205**	**496**	**1,704**

Non-current intangible asset has definite useful life except licence agreement on use of collected work "The History of ŽSR". Useful life on Property, Plant and Equipment is definite; it is specified according to real useful life and for various types of Property, Plant and Equipment in the range from 3 to 25 years.

9 FINANCIAL INVESTMENTS

	Subsidiaries	Associated companies	Other investments	Total 2011	Total 2010
Opening balance as at 1 January	**1,009**	**2,246**	**155**	**3,410**	**3,410**
Additions	0	0	0	0	0
Disposals	0	6	0	6	0
Closing balance as at 31 December	**1,009**	**2,240**	**155**	**3,404**	**3,410**

Structure of capital participation in subsidiaries and associated companies as at 31 December 2011 is as follows:

Name	Amount of Equity	Profit / Loss	Country of registration	Share of equity in %	Core business
Stabilita, d.d.s., a. s., Košice (Note 33)	4,364	745	Slovakia	55.26	Management of supplementary pension funds
ŽPSV a.s ., Čaňa (Note 33)	6,766	275	Slovakia	41.06	Manufacturing of concrete products, prefabricated components and structures for construction purposes
Breitspur Planungs GmbH, Wien	2,626	-151	Austria	25.00	The planning and continuation of rail infrastructure with gauge 1,520 mm from the borders of Ukraine through Slovakia to and in Austria
Betamat, a.s., Zvolen	175	95	Slovakia	10.00	Installation, maintenance, and repair of telecomm. equipment
HIT RAIL, b.v., Amsterdam, Netherland	*	*	Slovakia	4.00	Implementation of the interconnection of information systems within the UIC, develop. of international data transmission application HERMES VPN

* the company did not supply financial statement by the preparation of Financial Statements

10 NON-CURRENT RECEIVABLES

	31 December 2011	31 December 2010
Non-current trade receivables and advances given	59,992	7,883
Receivables from sale of flats	886	1,133
Other non-current receivables	31	29
State receivables	144,408	0
Allowances for receivables	-62,266	-7,555
Total non-current receivables	**143,051**	**1,490**

Non-current receivables increased due to reclassify portion of receivables from Železničná spoločnosť Cargo Slovakia, a. s. under Payables Settlement Agreement from current receivables (Note 12). Receivables due to accumulated loss of Operating of Railway Infrastructure Contract for the year 2010 in the amount of € 75,988 thousand and for the year 2011 in the amount of € 68,420 thousand are recognized in State receivables.

Non-current receivables are through the allowances measured at amortized cost using the effective interest rate method. The interest rate was derived from interest rate loans.

Progress in allowances for non-current receivables:

Balance as at 31 December 2010	**7,555**
Creation	54,734
reclassify current allowances to non-current allowances	13,011
discount	10,168
Reversal	23
Balance as at 31 December 2011	**62,266**

11 INVENTORIES

	31 December 2011	31 December 2010
Inventories at cost	23,598	25,295
Allowances for Inventory	-8,323	-9,240
Total inventories	**15,275**	**16,055**

The Company recorded allowances for slow moving inventories following comparison of valuation with net realizable value as at 31 December 2011.

Progress in allowances for inventories:

Balance as at 31 December 2010	9,240
Creation	4,512
Disposal of inventories	937
Dissolution of relevance	4,492
Balance as at 31 December 2011	**8,323**

12 CURRENT TRADE RECEIVABLES

	31 December 2011	31 December 2010
Trade receivables	78,059	142,598
Advances given	120	127
Other trade receivables	3,434	6,486
Allowances for receivables	-53,017	-71,095
Total current receivables	**28 596**	**78 116**

Trade receivables without taking into account the allowances for receivables are in the amount of € 81,612 thousand (as at 31 December 2010: € 149,212 thousand).

Current receivables decreased mainly due to reclassify portion of receivables from Železničná spoločnosť Cargo Slovakia, a. s. to non-current receivables under Payables Settlement Agreement (Note 10).

Progress in allowances for bad and doubtful receivables:

	Allowances for bad and doubtful short-term receivables	Of which: Allowances for debtors in bankruptcy
Balance as at 31 December 2010	**71,095**	**1,478**
Creation	609	2,000
Reversal because of receivable write-off	438	323
Reversal because of full or partial collection	18,249	11
of which reclassify from short-term to long term	13,011	0
Balance as at 31 December 2011	**53,017**	**3,144**

13 OTHER RECEIVABLES AND ASSETS

	31 December 2011	31 December 2010
Other receivables	3,150	6,792
State receivables	28,983	0
Other state receivables	45,226	12,234
Allowances for receivables	-1,488	-732
Prepaid expenses	1,504	1,017
Total other receivables	**77 375**	**19 311**

Other receivables and assets without taking into account the allowances for receivables are in the amount of € 78,863 thousand (as at 31 December 2010: € 20,043 thousand)

Other receivables increased due to record the receivable for uncover loss for the year 2009 of the Operating of the Railway Infrastructure Contract (Note 5), due to increase tax asset and due to record claim for investment subsidy.

Progress in allowances for other receivables:

Balance as at 31 December 2010	**732**
Creation	1,145
of which discount	844
Reversal because of receivables write-off	5
Reversal because of full or partial collection	384
Balance as at 31 December 2011	**1,488**

14 CASH AND CASH EQUIVALENTS

	31 December 2011	31 December 2010
Cash on hand	558	631
Cash in bank	1,842	1,112
Short-term deposit	57,330	34,226
Total cash and cash equivalents	**59,730**	**35,969**

For the purposes of the Statement of cash flows, cash and cash equivalents comprise the following:

	31 December 2011	31 December 2010
Cash and cash equivalents	59,730	35,969
Credit cards	-1	0
Total cash and cash equivalents	**59,729**	**35,969**

Interest rates on current accounts range from 0.01 % p. a. up to 0.05 % p. a., those on short-term deposits from 0.1 % p. a. up to 2.28 % p. a..

Temporarily free funds are recovered in banks in the Slovak Republic.

15 REGISTERED CAPITAL

Registered capital is in the amount of € 800,170 thousand (as at 31 December 2010: € 800,170 thousand) and unregistered changes in capital are in the amount of € -39,833 thousand (as at 31 December 2010: € -39,833 thousand).

Based on the Administrative Board Decision dated 31 March 2011 profit from previous accounting period in the amount of € -101,465 thousand was used for cover accumulated loss from previous years in the amount of € 35,264 thousand and to retained earnings from previous years in the amount of € 66,201 thousand.

16 LOANS

	31 December 2011	31 December 2010
SHORT-TERM LOANS AND CURRENT PORTION OF LONG-TERM LOANS		
6ME + margin, maturity 3 October 2012	99,799	0
6ME + margin, maturity 8 June 2012	52,314	0
	152,113	**0**
Provision for interest on loans	658	898
	658	**898**
Repayable financial assistance – current portion	0	17,477
	0	**17,477**
Credit cards	1	0
	1	**0**
Short-term finance lease	746	450
	746	**450**
Total Short-term loans and current portion of long-term loans	**153,518**	**18,825**
LOANS		
Euro		
6ME + margin, maturity 3 October 2012	0	98,154
6ME + margin, maturity 8 June 2012	0	50,537
6ME + margin, maturity 15 August 2013	31,567	30,906
6ME + margin, maturity 20 May 2014	24,962	24,103
	56,529	**203,700**
Provision for interest on loans	86	539
	86	**539**
Repayable financial assistance – long-term portion	0	52,430
	0	**52,430**
Long-term finance lease	1,506	875
	1,506	**875**
Total Long-term loans	**58,121**	**257,544**
Total loans	**211,639**	**276,369**

The Company reports bank loans in the amount of € 208,641 thousand (as at 31 December 2010: € 203,700 thousand). All loans were bearing interest with floating interest rate from 1.451 % up to 3.708 %. The Company´s loans come from reputable banks in the Slovak Republic and abroad.

Finance lease is drawn on vehicles and technological equipment with the average lease period 36 months and 48 months. Finance lease liabilities of the Company are secured by ownership rights of the lessor to leased assets (Note 6).

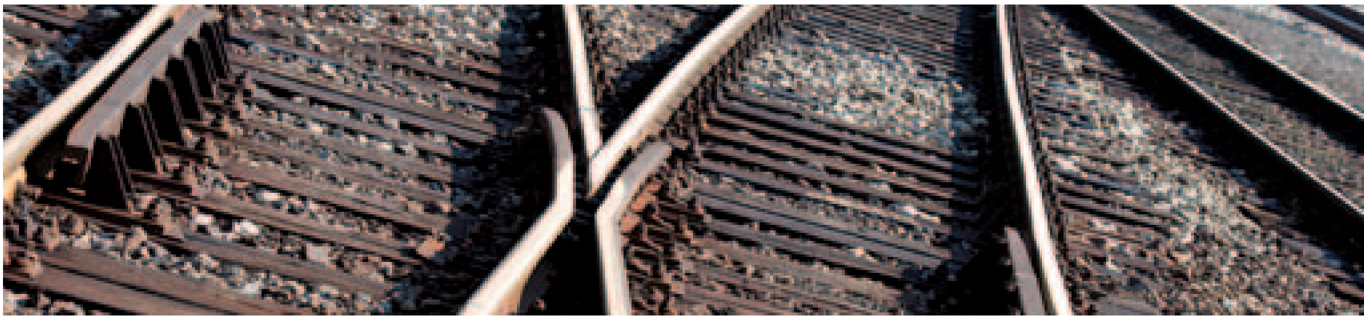
	Minimum lease payments		Present value of minimum lease payments	
	31 December 2011	31 December 2010	31 December 2011	31 December 2010
Up to 1 year	755	878	746	450
From 1 to 5 years	1,868	1,038	1,506	875
5 years and more	0	0	0	0
	2,623	**1,916**	**2,252**	**1,325**
Less future finance costs	-371	-591	0	0
Present value of minimum lease payments	**2,252**	**1,325**	**2,252**	**1,325**
Disclosed in the Statement of financial position:				
Short-term finance lease	0	0	746	450
Long-term finance lease	0	0	1,506	875

Fair value of finance lease liabilities equals their book value.

17 STATE AND EU SUBSIDIES

	31 December 2011	31 December 2010
Investment subsidies from EU – State Budget funds	125,661	100,844
Investment subsidies from EU – EU funds	486,486	351,534
Investment subsidies – ISPA program - State Budget funds	148,588	156,649
Investment subsidies – ISPA program - EU funds	95,369	105,871
Investment subsidies – others	268,888	207,546
Subsidy – share repurchase	1,525	1,525
Investment subsidy - claim	21,555	0
Total state and EU subsidies	**1,148,072**	**923,969**

The Company draws subsidies for funding projects to modernize railway infrastructure.



18 PROVISIONS

	31 December 2011	31 December 2010
Legal claims	1,953	1,069
Environmental burden	46,474	47,250
of which short-term portion	3,035	2,157
Total provisions	**48,427**	**48,319**

Progress in provisions:

	Environmental burden provision	Provision for legal claims	Total provisions
Balance as at 31 December 2010	**47,250**	**1,069**	**48,319**
Creation	1,525	943	2,468
Interest expense	394	0	394
Cancellation as not justified	0	9	9
Reversal due to provision drawing	2,695	50	2,745
Balance as at 31 December 2011	**46,474**	**1,953**	**48,427**

Provision for legal claims

Reported amounts represent provision for certain legal claims raised against the Company by its contracting parties. Management believes, after consultations with lawyers, that no significant liabilities will arise as a result of raising these legal claims, except for those for which the provision has been created. After reviewing of the latest evidence management of the company presumes it is probable as a result of settlement of legal claims that the company will have to incur financial resources in the amount of € 1,953 thousand (as at 31 December 2010: € 1,069 thousand). The increase in provision affects mainly three new legal claims.

Provision for legal claims is not discounted because the time of termination of proceedings is not known.

Environmental burden provision

In accordance with environmental rules the Company performed revision of created provision. In 2011 old ecological burden and remedy of ground water include bioventing in Čierna nad Tisou, as a remedy of ground water and bedrock in Brezno have been eliminating. The Company recorded a provision for estimated costs relating to remedy former environmental damages caused by soil and ground water pollution as a result of polluting track bedrock. The amount of the provision has been determined on the basis of an estimate prepared by the Company's internal environmental team. The estimate of total costs to eliminate the burden in Maťovce increased to € 2,500 thousand due to its extend by the influence of groundwater flow with free phase oil on the surface. The estimate of Company's environmental burden is based on existing technology and actual prices, whereas drawing of the provision is forecasted within a timeline of the next 10 – 15 years. The Company is applying for EU funds to fund these costs. Long-term portion of provision is calculated by a fixed interest rate of 3.0 % as at 31 December 2011 (as at 31 December 2010: 3.0 %).

Environmental burden provision as at 31 December 2011 is in the amount of € 46,474 thousand (as at 31 December 2010: € 47,250 thousand).

Interests from discounting are in the amount of € 394 thousand (as at 31 December 2010: € 797 thousand).

19 EMPLOYEE BENEFITS

	31 December 2011	31 December 2010
Employee benefit	24,959	27,238
of which short-term portion	1,144	1,897
Total employee benefit	**24,959**	**27,238**

Progress in employee benefit:

	2011	2010
Balance as at 1 January	**27,238**	**21,713**
Creation	-382	7,374
of which creation of short-term portion of provision	1,144	1,897
of which decrease/creation of long-term provision	-1,526	5,477
Reversal due to provision drawing	1,897	1,849
Balance as at 31 December	**24,959**	**27,238**

Employee benefit provision

As at 31 December 2011 the Company recorded a provision in the amount of € 24,959 thousand (as at 31 December 2010: € 27,238 thousand) for covering an estimated liability relating to bonus upon retirement or disabled retirement, bonus upon life and work jubilees and compensating contribution due to decrease in health capability of an employee (Note 28).

The Company has programs with pre-set benefits based on which pays out a one-off retirement bonus amounting to € 83 for each year worked. A jubilee bonus upon reaching age of 50 and 60 years is paid out depending on the number of years worked ranging from € 100 (up to 10 years) to € 498 (over 25 years).

None of these programs is financially independent. The amount of the provision has been determined by using projected unit credit method based on financial and actuarial variables and assumptions which are reflections of official statistical data and are in accordance with the Company's business plan assumptions.

The Company does not have prepared any detailed plan to reduce the number of employees as at the day of preparation of financial statements.

Main actuarial assumptions used:

Discount rate	5,0 % p. a.
Future salary increases	5.0 % p. a. and in subsequent years by 1.0 % p. a.
Mortality	Mortality of the Slovak population based on the mortality tables issued by the Statistical office of the Slovak Republic from 2004-2008

Costs of health and social insurance, resulting from the laws amendments 461/2003 and 580/2004 effective from 1 January 2011, are part of the calculated values of liabilities.

20 OTHER NON-CURRENT LIABILITIES

	31 December 2011	31 December 2010
Social fund liabilities	1,284	1,382
Other non-current liabilities	19,263	14,995
Total other non-current liabilities	**20,547**	**16,377**

Other non-current liabilities increased by € 4,268 thousand due to increase of long-term retained sums under contracts of work that will be paid after completion and delivery structures for use.

Structure of social fund:

	2011	2010
Balance of fund as at 1 January	**1,382**	**1,651**
Creation	1,377	1,469
Spending	1,475	1,738
Balance as at 31 December	**1,284**	**1,382**

21 CURRENT TRADE PAYABLES

	31 December 2011	31 December 2010
Trade payables	134,599	119,390
Advances received	1,264	431
Other payables	1,980	2,332
Total current payables	**137,843**	**122,153**

Current payables increased by € 15,690 thousand due to increase of payables from investing activities.

22 PAYABLES TO PUBLIC INSTITUTIONS

	31 December 2011	31 December 2010
Payables to insurance companies	6,705	7,315
Payables to tax authorities	1,252	1,426
Total payables to public institutions	**7,957**	**8,741**

23 OTHER PAYABLES

	31 December 2011	31 December 2010
Employees	13,094	15,294
Other payables	23,530	17,734
Total other payables	**36,624**	**33,028**

Other payables increased by € 3,596 thousand due to current portion of long-term payables.

24 RAILWAY INFRASTRUCTURE OPERATION

	31 December 2011	31 December 2010
Fees for access to railway infrastructure - cargo transport	49,522	130,258
- passenger transport	46,039	58,250
Total fees for access to railway infrastructure	**95,561**	**188,508**

Reduction in revenues is caused by new pricing mechanism for access to railway infrastructure applied from 1 January 2011 in accordance with Act No. 513/2009 Coll. on Railroads as amended.

	31 December 2011	31 December 2010
Sales of additional services of railway infrastr - cargo transport	7,784	0
- passenger transport	7,385	0
Total sales of additional services of railway infrastructure	**15,169**	**0**

In accordance with the Act No. 513/2009 Coll. on Railroads as amended, § 37 and § 54, the Company offers additional services of shift and technical services from 1 January 2011. Additional services were part of fee for use of railway infrastructure in previous years.

	31 December 2011	31 December 2010
Subsidies for railway infrastructure operation	199,498	127,797
Claim for subsidy from State for the year 2011	68,420	0
Total subsidies for railway infrastructure operation	**267,918**	**127,797**

Total claim due to Operating of Railway Infrastructure Contract for the financial year 2011 is in the amount of € 73,754 thousand, of which to cover unpaid fixed portion of economic allowed costs and revenues in the amount of € 68,420 thousand and to cover specifically recognized costs in the amount of € 5,334 thousand (the Company has requested the Ministry of Transport to recognize these costs pursuant to Annex No. 5 of Operating of Railway Infrastructure Contract).

25 SALES OF OTHER SERVICES

	31 December 2011	31 December 2010
Revenue from sales of products	230	256
Sales of lease of movable property	817	930
Sales of trailers turned out and other technical services	2,655	2,841
Sales of fire prevention and repression	1,100	1,182
Sales of works canteens and catering services	820	870
Sales for training, education	1,130	1,358
Other services	4,901	4,997
Total sales of other services	**11,653**	**12,434**

26 OTHER REVENUES

	31 December 2011	31 December 2010
Changes in work in progress	10	-9
Changes in products	-29	47
Other revenues from economic activities	3,463	12,554
Total other revenues	**3,444**	**12,592**

27 SERVICES RECEIVED

	31 December 2011	31 December 2010
Costs of waste disposal	-6,100	-3,658
IT support and consulting costs	-254	-6,290
of which costs of auditing services	-82	-117
Costs of complex services and heat installation	-1,345	-1,200
Clean-up costs	-3,652	-3,747
Costs of diagnostics, metrology, project documentation, experts opinions	-679	-3,329
Costs of Telecommunication services	-1,187	-1,268
Materiology costs	-1,350	-1,530
Others	-12,284	-13,299
Total services received	**-26,851**	**-34,321**

28 PERSONNEL COSTS

	31 December 2011	31 December 2010
Salary costs	-145,752	-155,736
Social security costs	-55,676	-56,827
Other personnel costs	-15,749	-21,086
Total personnel costs	**-217,177**	**-233,649**

Average number of employees during the financial year as at 31 December 2011 was 15,819.646 (as at 31 December 2010: 16,955.031) and the Company employed 14,998 as at 31 December 2011 (as at 31 December 2010: 16,989 employees) of which manager employees: 646 (as at 31 December 2010: 750).

29 OTHER OPERATING COSTS

	31 December 2011	31 December 2010
Creation of allowances for receivables	-37,859	-56,525
Fare	-3,386	-3,579
Taxes and fees	-2,738	-2,615
+ Profit from disposal of non-current assets	2,302	2,942
+ Profit from sale of material	361	395
- Creation / + Settlement of legal claims provision	-893	24,324
Settlement of provision for environmental burden	1,170	2,016
Other costs and revenues	1,168	423
Total other operating costs, net	**-39,875**	**-32,619**

30 CORPORATE INCOME TAX

A reconciliation of income tax expense computed using the statutory income tax rate of 19 % on net loss before taxes to the actual tax expense for the years ended 31 December is as follows:

	31 December 2011	31 December 2010
Loss before tax according to SAS*	-31,237	-101,086
of which theoretical tax at 19%	-5,935	-19,206
TAX EFFECT OF		
Tax unrecognized costs	18,197	20,329
Non-taxable income	-16,618	-18,502
Deferred tax	0	0
Tax expense	**0**	**0**

Deferred tax consists of	31 December 2011	31 December 2010
Property, Plant and Equipment	-60,160	-54,915
Property, Plant and Equipment Impairment	11,419	11,878
Receivables	20,166	13,378
Inventories	1,581	1,756
Provisions	14,294	15,044
Others	-900	-689
Deferred tax net (+ receivables / - liabilities)	**-13,600**	**-13,548**
Tax losses carried forward in the amount of deferred tax	13,600	13,548
Total	**0**	**0**
Tax losses carried forward over the amount of deferred tax	8,805	48,351

In the period of taxation 2011 the Company disclosed tax loss in the amount of € 22,929 thousand. As tax base has not been achieved, obligation for paying income tax of corporate entity did not arise in accordance with Act No. 595/2003 Coll. on Income Tax as amended.

Withholding tax on interest from bank funds in the amount of € 73 thousand was deducted in tax year 2011. From 1 January, deduction of withholding tax on interest from bank funds is considered as settled and the Company cannot require a refund of the tax.

A deferred tax asset recognized for cumulated tax has not been recorded, as uncertainty exists about sufficient taxable profits in future.

*SAS = Slovak accounting standards

31 COMMITMENTS AND CONTINGENCIES

Capital commitments

The Company is engaged in a continuous capital investment program, including projects for environmental improvements, modernization, replacement and expansion, much of which is connected with the accession of the Slovak Republic to the European Union. The Company's capital expenditure budget for each of the years 2012 – 2014 is set out in the table below and there is a big probability to change because of financial crises:

Year	Track and infrastructure	IT and telecom	Total
2012	452,651	1,170	453,821
2013	543,958	1,500	545,458
2014	478,914	2,000	480,914
Total	**1,475,523**	**4,670**	**1,480,193**

32 CONTINGENT LIABILITIES

Liabilities can incur due to settlement of land in connection with settling of issues related to land. ŽSR is registered legal claims for which is not recorded a provision, where termination of the proceedings not in favor of the Company is less than probable.

33 RELATED PARTY TRANSACTIONS

Based on the volume of realized transactions, the most significant related parties in 2011 were Železničná spoločnosť Cargo Slovakia, a. s. and Železničná spoločnosť Slovensko, a. s., with the State as the sole shareholder. Fees for access to railway infrastructure from these two companies represent 48.12 % (as at 31 December 2010: 65.36 %) and 48.24 % (as at 31 December 2010: 30.90 %) of the total revenues for rendered services (Note 24).

Summary of liabilities and receivables is as follows:

	ZSSK Cargo		ZSSK Slovensko	
	31 December 2011	31 December 2010	31 December 2011	31 December 2010
Liabilities	174	424	77	58
Receivables	114,000	127,080	4,774	2,485
Allowances	-89,109	-63,070	0	0

In accordance with the Operating of the Railway Infrastructure Contract, the Company receives subsidy to cover unpaid fixed portion of economic allowed costs (Note 24) and investment subsidies from State (Note 17). Based on the above, the Company recorded state receivable (Note 10 and Note 13).

ŽSR executes pension retirement additional insurance via pension funds managed by the subsidiary Stabilita, d. d. s., a. s., with which the employment contract was closed (Note 9). Based on the Collective Labor Agreement, ŽSR contributes for employee´s additional insurance from 2 % up to 5 % from the base of assessment for the calculation of insurance premium. Costs of additional insurance are recorded monthly in personnel costs – total for year 2011 is in the amount of € 3,132 thousand (as at 31 December 2010: € 3,201 thousand).

As at 31 December 2011, the Company records receivables from associated company Železničná priemyselná stavebná výroba, Čaňa in the amount of € 3 thousand (as at 31 December 2010: € 0 thousand) for technical services and training, revenues for the year 2011 were in the amount of € 23 thousand (as at 31 December 2010: € 35 thousand). As at 31 December 2011 and as at 31 December 2010 the Company records no liabilities to this company (Note 9).

In 2011 the Company paid out employee benefits in the amount of € 257 thousand (in 2010: € 788 thousand) to the key management of the Company, of this Administrative Board in the amount of € 257 thousand (as at 31 December 2010: € 172 thousand). Former members of Administrative Board had no income.

The Company as other legal entity (Note 1) is part of the financial statement of public accounts, compiled by Ministry of Finance of Slovak republic (Note 2). Transactions within the consolidation of public accounts are not material, respectively are included in the financial statements (Note 5, Note 13, Note 22).

34 EVENTS AFTER THE REPORTING PERIOD

Concerning the ongoing crisis and the current situation in Slovakia, rating of the Government of Slovakia has been downgraded, as announced on 13 February 2012. This resulted in a downgrade in the rating of the Company from A1 to A2 (on 16 February 2012) – with respect to the fact that ŽSR has a special legal status and is administering state property to work in the public interest, which indirectly affects the rating of the Company that is considered equivalent to the sovereign.

35 APPROVAL OF FINANCIAL STATEMENTS

Financial statements in notes 1 to 35 were prepared and signed on behalf of the Company on 19 March 2012:

statutory authority of the entity	person responsible for bookkeeping	person responsible for preparation of the financial statements
Ing. Vladimír Ľupták General Director	**Ing. Ľubomír Húska** Director of financing, bookkeeping and tax division	**Milota Šnegoňová** Department manager of statistics and reporting

LIST OF SIGNS AND ABBREVIATIONS

a.s.	Joint stock company
BOZP	Health and Safety Protection at Work
CER	The Community of European Railway and Infrastructure Companies
ČR	Czech Republic
DHM	Long-term tangible assets
DNM	Long-term intangible assets
EON	Economically eligible costs
ERDF	European Regional Development Fund
EU	European Union
GR ŽSR	Directorate General of Železnice Slovenskej republiky
GVD	Train Traffic Diagram
hrtkm	Gross-ton kilometre
ISPA	EU Fund
KZ	Collective Agreement
MDVRR SR	Ministry of Transport, Construction and Regional Development of the Slovak Republic
MF SR	Ministry of Finance of the Slovak Republic
NR SR	National Council of the Slovak Republic
OR	Regional Directorate
PEÚ	pre-electrification modifications
RR ÚŽI	Regional Directorate for Railway Infrastructure Maintenance
v.j.	Switching unit
vlkm	Train-kilometre
VOJ ŽSR	Internal Organizational Unit of Železnice Slovenskej republiky
VVÚŽ	Railway Research and Development Centre Žilina
SR	Slovak Republic
ŠR	State budget
TEN-T	EU Fund – linking airport to railway network
UAB	universal automatic block
UIC	International Union of Railways
ÚRŽD	Railway Regulatory Authority
ŽI	Railway Infrastructure
ŽSR	Železnice Slovenskej republiky
žst.	Railway station

ŽSR - Directorate general

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