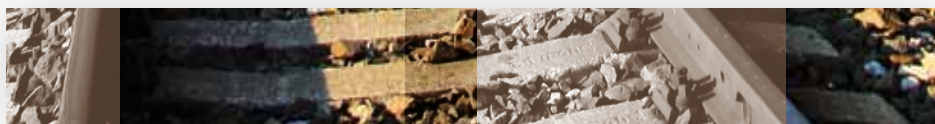
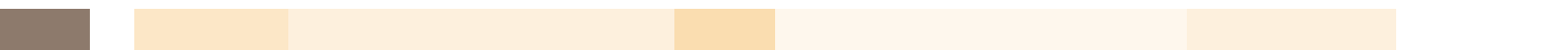




ANNUAL REPORT 2013
ŽELEZNICE SLOVENSKEJ REPUBLIKY







CONTENTS

Foreword by the Director General	4
Company strategy	6
Statutory bodies.....	7
Organizational structure.....	8
Company profile.....	9
Core business of ŽSR in 2013	10
Charge for the access to railway infrastructure.....	12
Usage of railway infrastructure by railway undertakings	12
Passenger train traffic diagram compliance	15
Railway Operating Contract.....	16
Business Result of ŽSR.....	17
Human Resources.....	19
Investment activity.....	20
Research and Development.....	22
Safety of Operation and Work.....	23
Environment protection.....	24
Structure of Assets and Resources.....	25
Important events in 2013	27
Important events beyond 2013	28
Settlement of the business result	28
Rating ŽSR	29
Compliance of the Annual Report with Annual financial statement	30
Separate Financial Statements.....	33
List of signs and abbreviations	76
Contact information	78



FOREWORD BY THE DIRECTOR GENERAL

Dear Ladies and Gentlemen.

I present you with the annual report for the previous period and I would like to share with you our common accomplishments. The 2013, the year of 165th anniversary of railways in Slovakia and 20th anniversary of the ŽSR, was successful for us in terms of economic indicators, as well as procedural solutions. Our company continued to implement its basic strategy of providing reliable quality service supported by external and internal efficiency of business operations, the continued modernization of the railway infrastructure, keeping jobs and maintaining financial stability of the company.

In the 2013 ŽSR marked the number of changes, difficult tasks, challenges and successes. We have continued in processing and refining medium term planning in terms of investment, public procurement and business plan to achieve the objectives, setting priorities, means and forms to achieve them. Great impact on the functioning of the procurement processes has the new Public Procurement Act, which required major changes in internal procurement procedures of ŽSR.

The year 2013 was successful in numerical terms because ŽSR achieved positive result. We have signed management austerity measures inside the company, lower costs usage, and had a significant impact fulfilling the Government resolution no. 390/2013 regarding „Proposal of measures to consolidate the rail freight transport in the Slovak Republic“. We can state profit of 45,194 thousand euros for the year 2013.

At the same time we have been awarded by renowned rating agency the A2 issuer rating and long-term national rating Aa1.sk, outlook of ŽSR was changed from negative to stable.

During the year we focused on active communication, professional and personal development of employees, who are a key resource for achieving the objectives and achievements. In 2013, we employed 14,350 people.

There is a very strong continuous trend of relations with other railway undertakings where there exists space to commonly achieve increase in public interest in rail transport, even in direct competition with road transport. Project of increasing the security at selected level crossings also contribute to this, phasing standards for railway lines, stations and modernization of railway infrastructure. Further I welcome the developments in accidents where we recorded a decrease in the number of accidents compared to 2012 by 37.7%. Also in 2013, ŽSR implemented preventive and safety campaign in relation to level crossings - ILCAD 2013.

ŽSR also managed to meet the planned projects of the Operational Transport Programme, we have contracted two more sections and upgrading lines with maximum use of European funding sources remains one of our priorities.

However, there are areas that are problematic. Theft of railway infrastructure components and other property damage is seen not only as a main threat to the rail service continuity and safety but also affects negatively the company economy. In this field, we intensify cooperation with police forces, as well as within the municipalities.



The year 2013 brought satisfaction, stability, rational assessment of our capabilities and goals. ŽSR is the company that has good financial discipline to the partners. In any case, the railway is mainly about people who devote a large part of their daily life to it. For 165 years of operation railway has overcome various periods and economic situations and our ambition is to continue to develop this tradition responsibly, while maintaining stability with gradual changes in areas where history has left us a legacy, whether in asset management, building administration and maintenance, deployment and utilization and technical condition of individual railway lines.

Dear ladies and gentlemen, in conclusion I would like to express my gratitude to each of fellow colleagues for their work done, patience and commitment to perform tasks and deal with specific day to day responsibilities. Thanks also goes for the trading partner relationships, which also contributed to the positive results for the year 2013.

Ing. Štefan Hlinka
Director General



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

- Positive cash flow and lower loan indebtedness
- Modern infrastructure
- Effective traffic management
- Effective maintenance management
- Effective railway infrastructure administration and enhancement of internal processes.

Basic 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 MDVRR SR, customer demands and own vision.

Activities of Infrastructure manager in 2013 were focused on:

- Ensuring compliance and achievement of strategic objectives and strategies of ŽSR;
- Extending the Balanced Scorecard management tool for VOJ ŽSR including setting strategic goals of each VOJ ŽSR;
- Achieving parameters modernization of railway infrastructure projects under the Operational Transport Programme and effective use of external resources - EU funds;
- Implementation of customer requirements;
- Improving the quality and reliability of rail infrastructure;
- Elimination of increase in costs, achieving cost savings and implementation measures of the revitalization of the railway companies followed by melting plans into a unified vision of the railway sector in Slovakia.



STATUTORY BODIES

The statutory bodies of ŽSR in terms of the provisions of §4 and §5 of the Act No. 258/1993 Coll. on Železnice Slovenskej republiky as amended by the Act of the NRSR No. 152/1997 Coll. and the Act of the NRSR No. 259/2001 Coll. shall be the Governing Board and Director General. The Governing Board is the supreme body of ŽSR.

Governing Board

Composition as of 31 December 2013

Ing. Jaroslav MIKLA

Ing. Martin ČATLOŠ

Ing. Vladimír ĽUPTÁK

Ing. Radovan MAJERSKÝ, PhD.

Ing. Darina FABUĽOVÁ

Chairman of the Governing Board

Vice-Chairman of the Governing Board

Member of the Governing Board

Member of the Governing Board

Member of the Governing Board

Board of directors

Composition as of 31 December 2013

Ing. Štefan HLINKA

Ing. Jozef VESELKA

Ing. Dušan ŠEFČÍK

Ing. Ján JURIGA

Ing. Ján ŽAČKO

Ing. Anton KUKUČKA

Director General

Deputy Director-General for Development and IT

Deputy Director-General for Economy

Deputy Director-General for Operation

Deputy Director-General for Human Resources

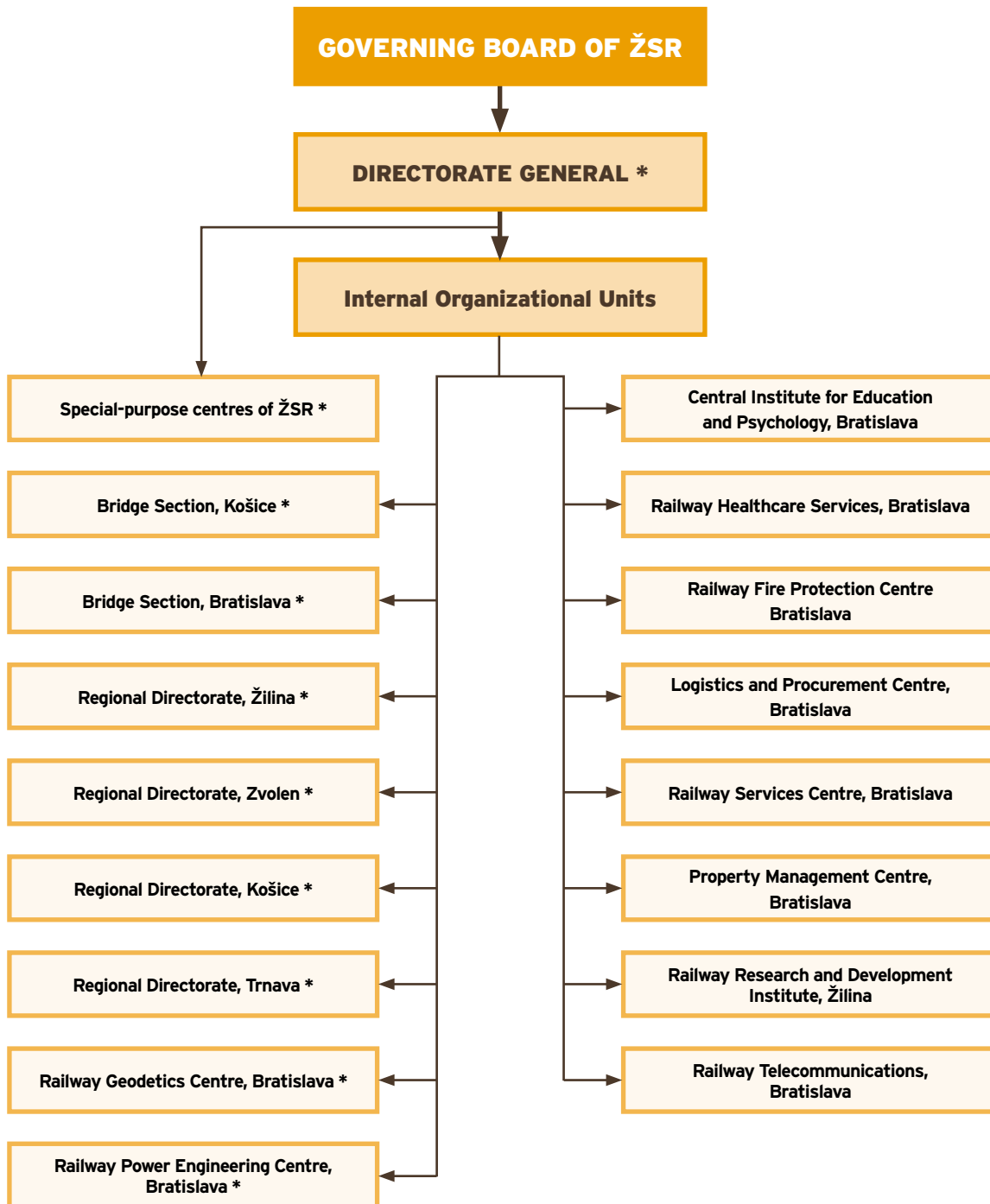
Director of the Office of Director-General





ORGANIZATIONAL STRUCTURE

Organizational structure of Železnice Slovenskej republiky as of 31 December 2013



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

Železnice Slovenskej republiky had no independent organizational unit abroad in 2013.



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.

The Company is incorporated in the Commercial Code of District Court Bratislava I, Section Po, Entry no. 312/B for performance of the selected activities.

1. Management of railway lines and cable ways under a specific regulation

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. Transshipment 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.

4. Other activities set out in the commercial code.



CORE BUSINESS OF ŽSR IN 2013

Infrastructure

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

Parameter/Year	2013	2012
RAILWAY TRUCKS AND STRUCTURES		
Construction length of operated lines (km)	3,595	3,600
Construction length of managed lines (km)*	3,631	3,631
thereof: single track lines	2,615	2,614
double and multiple track lines	1,017	1,017
thereof: broad-gauge lines	99	99
standard-gauge lines	3,482	3,482
narrow-gauge lines	50	50
thereof: non-electrified	2,045	2,045
electrified	1,586	1,586
Total construction length of lines (km)	6,888	6,895
thereof: - main lines	4,650	4,650
- other station lines	2,238	2,245
Number of switches	8,484	8,477
Number of Switch Units (v. j.)	9,398	9,407
Number of bridges	2,314	2,324
- steel	445	454
- solid	1,869	1,870
Total length of bridges (m)	51,316	50,644
Number of tunnels	76	76
- single track	68	68
- double track	8	8
Total length of tunnels (m)	45,004	45,004
SIGNALLING SYSTEMS		
Track signalling systems		
Automatic block (km)	670	670
- unidirectional	129	129
- bidirectional	541	541
Automatic block system (km)	512	512
Semi-automatic block (km)	762	762
- reley	624	624
- block	138	138
Lines with telephone communication system	1,556	1,556

Note: * The building length of the managed trails are credited by route with the suspension of operations: Komarno - Kolárovo km 25.908; Žabokrečká spojka km 1.279; Turna nad Bodvou - MÁV km 3.139; Michaľanská spojka 0.719 km; Plavecký Mikuláš – Plavecké podhradie, including transport Plavecký Mikuláš km 5.395 of total length of 36.44 km.



Parameter/Year	2013	2012
Station signalling systems		
Station signalling systems		
Operating posts with mechanic interlocking	148	148
Operating posts with electro-mechanic interlocking	68	68
Operating posts with relay interlocking	151	151
Operating posts with other interlocking	84	84
Operating posts with electronic interlocking	24	24
Remote-controlled interlocking, operated by dispatcher (km)	323	323
Train signalling systems		
Tracks with info. transmission to train installation (km)	851	851
Level-crossings	2,149	2,160
Unprotected level crossings (no.)	1,061	1,072
Protected level crossings (no.)	1,088	1,088
- Mechanical gates	60	62
- Safety installations with light signalling	977	978
- permanently locked	42	40
- PMZ 0*	9	8
Hump signalling systems		
Mechanised humps (no.)	5	5
Semi-automated humps (no.)	2	2
Automated humps (no.)	2	0
Rail brakes (no.)	214	214
Compressor station (no.)	17	17
ELECTRICAL EQUIPMENT		
Electrified tracks	1,589	1,578
Electrified AC 25000 V/50Hz (15 000V/16,7 Hz) (km)	762	761
Electrified DC 3000 V (1500 V, 600 V) (km)	827	817
Extended length of catenary (km)	5,008	4,969
Single-phase traction lines (km)	2,279	2,279
One - way traction lines (km)	2,729	2,690
Power and switching stations (pcs)	92	92
Single-phase power stations (pcs)	12	12
Single-phase traction power stations (pcs)	36	36
Support measures (pcs)	3	3
Single-phase switching stations (pcs)	18	18
One way switching stations (pcs)	20	20
One way traction lines (km)	3	3

*mechanical level-crossing signalling system



CHARGE FOR THE ACCESS TO RAILWAY INFRASTRUCTURE

Charging scheme for the access to infrastructure is applied in accordance with the Decree of Railway Regulatory Authority No. 3/2010 on the regulatory framework for laying down charges for the access to railway infrastructure and the Decree of Railway Regulatory Authority No. 7/2012, which amends Part III of the Decree No. 3/2010.

In 2013 ŽSR achieved revenues of charge for access to the railway infrastructure the amount of 92,414 thousand €, which represents the share of 44.9% of total revenues from own services and products, and 19.21% of total revenues. Sales growth by majority carriers compared to 2012 was due to higher performance in the freight and passenger transport. There was increase in sales, from other carriers as well.

Charge / Period (thou. €)	2013	2012
Total thereof:	92,414	89,033
Železničná spoločnosť Slovensko, a.s.	44,321	43,415
Železničná spoločnosť Cargo Slovakia, a.s.	40,058	38,893
other railway undertakings	8,035	6,725
thereof: - passenger transport	1,441	1,205
- freight transport	6,594	5,520

USAGE OF RAILWAY INFRASTRUCTURE BY RAILWAY UNDERTAKINGS

In 2013 the railway infrastructure was operated under Railways Act in non-discriminatory manner for all railway undertakings. In 2013, the services were provided to 41 railways undertaking as follows:

- 4 passenger transport railway undertakings
- 37 freight transport railway undertakings

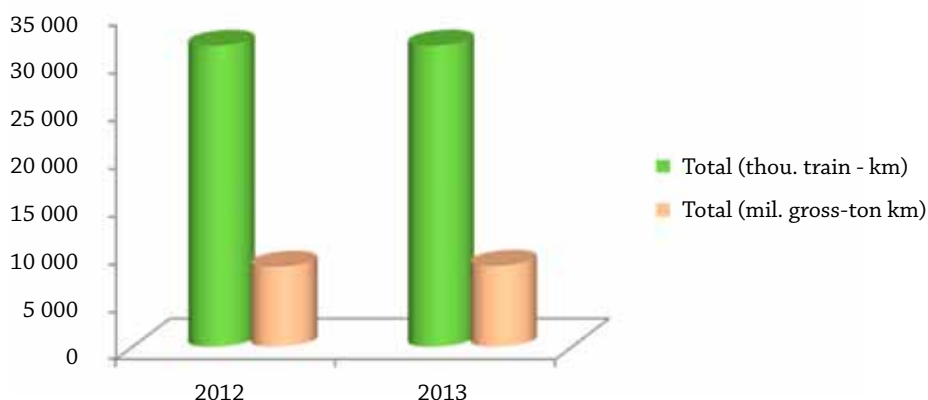




PASSENGER TRANSPORT - RAILWAY UNDERTAKINGS' PERFORMANCES

Railway undertaking performances in passenger transport report constantly stable level.

Performance/ Period	2013	2012
Total (thou. train - km)	31,570	31,558
Total (mil. gross-ton km)	8,508	8,396



Passenger transport in 2013 according to train type

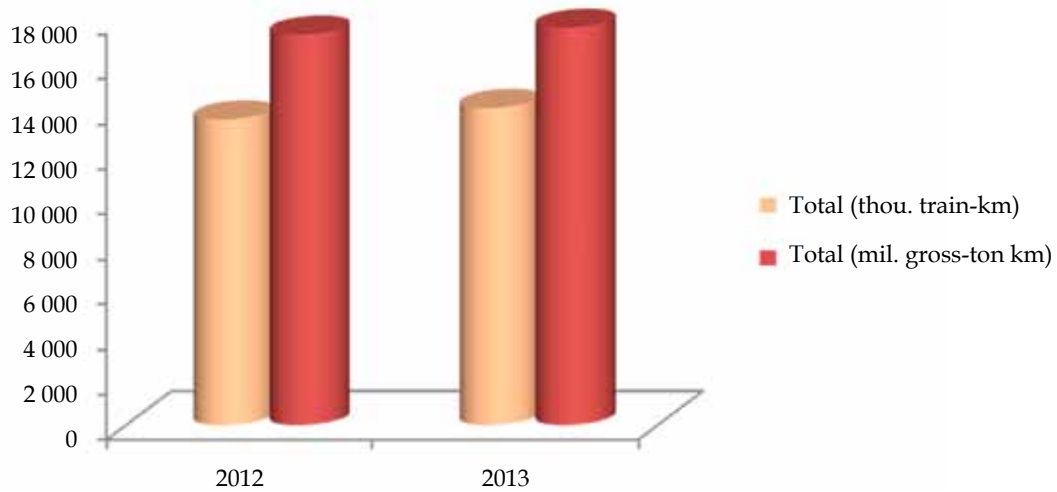
Train type		train-km	gross-ton km
Slow train	(Os)	19,345,572	3,221,594
Fast train	(R)	6,232,175	3,059,429
Eurocity , Intercity, Euronight	(EC, IC, EN)	2,796,177	1,284,615
Express train	(Ex)	788,086	334,222
Local express train	(Zr)	539,503	149,619
Train-sets	(Sv)	336,436	63,446
Regional Expres	(REX)	1,378,947	367,377
Light engine train	(RvOD)	89,572	8,815
Special train - euronight train	(OsEN)	11,345	5,187
Special train - euroregio train	(OsER)	5,417	2,543
Special train - express train	(OsR)	6,497	3,228
Special train - regional expres train	(OsREX)	878	362
Train-sets - Lockout train	(SvVyl)	20,649	4,519
Special train - Train-sets	(OsSv)	2,471	695
Light Engine train - Testing train	(RvSkOD)	11,215	970
Special train - Slow train	(OsOs)	1,781	216
Light engine - Lockout train	(RvVyl)	1,370	115
Special train - EuroCity train	(OsEC)	1,297	496
Special train - Light engine train	(OsRvOD)	912	86
Total		31,570,300	8,507,534



FREIGHT TRANSPORT - RAILWAY UNDERTAKINGS' PERFORMANCES

Performance of freight transport in 2013 increased, which is associated with a higher amount of goods transported.

Performance/ Period	2013	2012
Total (thou. train-km)	14,075	13,559
Total (mil. gross-ton km)	17,632	17,322



Freight transport in 2013 according to train type

Train type		train-km	gros-ton km
Through freight train	(Pn)	9,475,311	15,158,806
Combined freight express train	(NexKD)	920,861	1,070,967
Freight express	(Nex)	580,715	608,918
Freight handling	(Mn)	909,951	464,902
Engine train	(RvND)	2,137,014	294,042
Continuous combined freight train	(PnKD)	23,905	24,312
Siding train	(Vlec)	15,753	7,571
Special continuous freight train	(OsPn)	1,656	1,103
Engine train - test ride freight transport	(RvSkND)	10,158	1,098
Total		14,075,324	17,631,719



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 (in %)		Index
	2013	2012	2013/2012
International fast trains	82.83	81.56	1.02
National fast trains	86.80	86.27	1.01
Express and slow trains	94.38	94.85	1.00
Passenger transport (Total)	93.54	94.19	0.99

Compliance with Passenger Train Traffic Diagram in 2013 was ensured in accordance with Railway Operating Contract. The contract stipulated minimum compliance with train traffic diagram at the level of 93 % respecting exceptionalities and closures. Reported increase in compliance by 0.54 % as compared to the plan was achieved despite tough conditions relating to ongoing modernization of rail corridors and exceptionalities (accidents, breakdowns, climate conditions). Increased traffic closures due to modernization works affected year-on-year compliance.





RAILWAY OPERATING CONTRACT

In 2013 operation of the railway infrastructure has been performed in compliance with the Railway Operating Contract for 2011 – 2013 concluded on 20.12.2010 between ŽSR and MDVRR SR and updated with the Amendment No. 4 to the contract signed on 20 December 2012.

The fixed economically eligible costs of infrastructure manager shall be covered by the State and railway undertakings shall pay charges in the amount of variable costs expended on provided services in compliance with regulatory framework. Provisions of the contract for 2013 were fulfilled.

While variable economically eligible costs are covered by railway undertakings for repayment of access to railway infrastructure in accordance with the applicable regulatory framework.

The fixed economically eligible costs:

Railroad Operations and Services (thou. €)	2013	2012
Fixed Costs (EON)	258,823	269,296
Other Revenues (EOV)	112	181
Settlement of fixed part of EON	260,000	270,000
+ Profit/ - Loss	1,289	885





BUSINESS RESULT OF ŽSR

ŽSR achieved in 2013 a positive financial result, which can be evaluated positively. The result is significantly influenced by accounting operations carried out under Government Resolution Nr. 390/2013 regarding the application of measures to consolidate rail freight of SR and Treaty on compensation and financial implications for rail freight carriers for 2010.

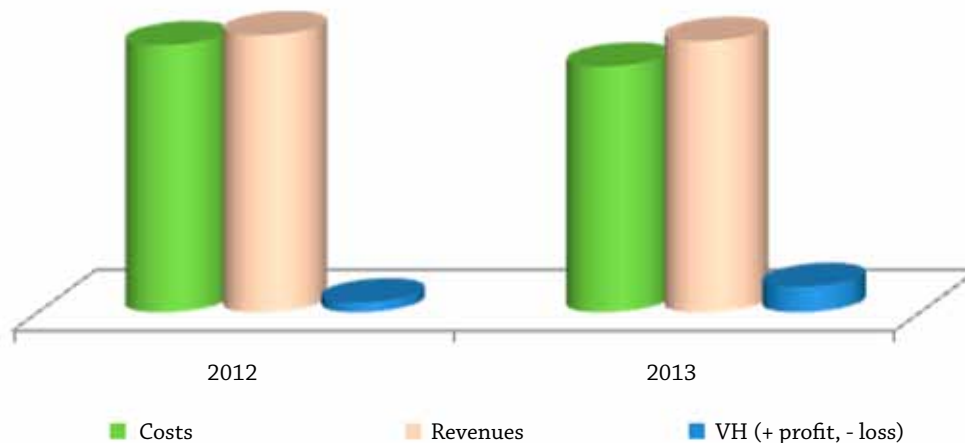
Lower cost usage has also impacts on the business result.

Due to amendments to IAS 19 - Employee Benefits, which changed the accounting methodology in 2013, a comparable period in respect of the application of IAS 8 - Accounting Policies, Changes in Accounting Estimates and Errors was adjusted. This has an impact on the change in the amount of the business result after tax in 2012 by 1,992 thousand €.

Costs, Revenues and Business Result

(thou. €)	2013	2012 modified
Costs	435,798	473,548
Revenues	480,992	491,183
VH (+ profit/ - Loss)	45,194	17,635
Other parts of complex business result	-1,429	-1,992
Other complex business result (+ profit,- loss)	43,765	15,643

Graphical representation of the business result





Structure of costs and Revenues

Structure of costs in %	2013	2012	Index 2013/2012
Labour costs (account 521)	33.03	29.71	1.11
Energy costs	20.77	18.72	1.11
Depreciation and amortization*	19.70	16.96	1.16
Other costs	10.56	16.93	0.62
Material consumption	6.39	6.51	0.98
Delivered services	4.72	4.95	0.95
Repairs and maintenance	3.73	4.39	0.85
Financial costs	0.45	1.24	0.36
Taxes and charges	0.65	0.59	1.10

* net depreciation of assets of own resources

Note: The structure of cost items does not include revaluation of employee benefits.

The cost structure is yearly affected in items:

- Labour cost - increased average salary
- Energy costs increased due to higher energy prices, this included the energies that are traded
- depreciation increased due to higher investment from own resources
- reduced cost of repairs, maintenance and services received reflects the lower cover of fixed economically eligible costs,
- the trend of financial expenses is due to lower interest expense in accordance with the accepted credit policy of ŽSR
- other costs are lower mainly due to the development and settlement of impairment losses under Government Resolution Nr. 390/2013 on the „Proposal of measures to consolidate the rail freight transport in the Slovak Republic“ and the compensation of the financial implications for rail freight carriers for 2010.

Structure of revenues in %	2013	2012	Index 2013/2012
Subsidy for infrastructure operation	54.05	56.05	0.96
Charges for the access to rail infrastructure	19.21	18.13	1.06
Sale of traction energy	14.89	14.26	1.04
Other revenues	11.84	11.56	1.02

The revenues structure is yearly affected in items:

- Subsidy to operate ŽI is lower:
 - o payment of the fixed part EON based on ZPŽI and for 2013 was a total decrease of 10 million € compared to 2012,
 - o payment of costs under the protocol evaluation of ZPŽI Annex no. 5 for 2011 in the form of subsidies for specifically approved costs for 2011 amounting to 5.33 million € paid in 2012,
- Fee for access to ŽI - Revenues in 2012 were affected by discounts provided to railway carriers. Beyond these discounts it can be assessed as stable development.
- Revenue share for traction electricity has increased due to rising prices of active power, which, however, has an impact on costs.

HUMAN RESOURCES

Registered headcount as at 31 December 2013 was lower by 120 employees as compared to the state at 31 December 2012, while average converted number of staff was decreased by 123.857 employees.

Development of employment	2013	2012
Registered headcount as of 31.12.	14,301	14,421
Average converted number of staff	14,350	14,474
thereof: - Railway infrastructure (transport route)	12,158	12,295
- Other Internal organizational units	2,192	2,179
Average monthly salary (€)	835.22	812.42

Within continuation in „Adaptation programme for graduates of selected schools“ ŽSR enrolled 60 graduates in 2013. Recruitment to fill scarce professions was targeted at graduates of electrical engineering, mechanical engineering and civil engineering

Development of employment in 2013 had slightly decreasing character. Staff leaves were mainly due to organizational reasons and retirements.

Age structure

Age structure of employees as of 31 December	2013	2012
Up to 20 years	19	19
20 - 29 years	1,066	994
30 - 39 years	2,530	2,779
40 - 49 years	4,925	5,036
50 - 59 years	5,188	5,126
over 60 years	573	467
ŽSR total	14,301	14,421

Average age of ŽSR employees is 46 years. Increase in staff in the age range 20-29 years affected the adoption of graduates.

Education level

Education structure of employees as of 31 December	2013	2012
Elementary education	526	591
Secondary education	4,050	4,218
Complete secondary education	7,413	7,414
University education	2,312	2,198
ŽSR total	14,301	14,421

Development of employment increased its share of employees with university education and complete secondary education (+1 %). It is affected by recruitment of graduates but also by employees to increase their qualification by distance studying.



INVESTMENT ACTIVITY

Procurement of tangible and intangible investments

(thou. €)	2013	2012
A. Total resources	325,356	215,781
State subsidies	39,431	28,518
Own resources	115,464	83,828
Loans, Issues	-507	0
Cohesion Fund (KF)	137,848	87,607
State co-financing to KF	24,326	15,460
Structural fond (ERDF)	-125	0
State co-financing to ERDF	-42	0
TEN-T	0	106
State co-financing to TEN-T	119	262
Other	8,841	0
B. Total use	325,356	215,781
B.1 Long-term Tangible Assets	323,464	215,454
Track electrification and PEÚ	1,468	5,014
Telecommunications and Track radiofication	2,025	1,997
Deployment of Dispatcher Centres for Tracks, Safety Installations, UAB	4,343	3,206
Track modernization and reconstruction	256,131	185,631
Buildings - residential, non-residential	27,478	13,630
Machines, Equipment, Devices	7,171	5,607
Others (Project documentation and Property rights settlement)	16,007	369
Others	8,841	-
B.2 Long-term intangible assets	1,892	327

Particular items were affected by:

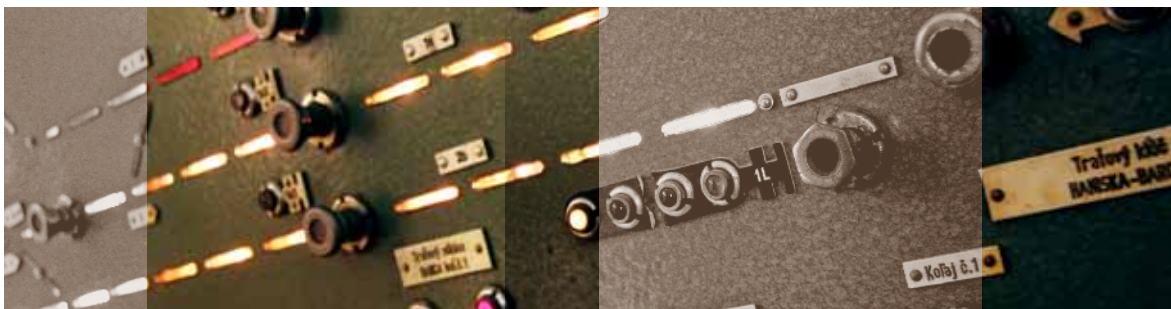
Loans, emissions – charged of construction material A02151-MOTIS 2 (-507 thou. €),

Structural Fund (ERDF) - charged to the level of state subsidy – SSD projects (-125 thou. €),

State co-financing to ERDF - charged to the level of state subsidy – SSD projects (-42 thou. €),

State co-financing to TEN-T - charged to the amount from 2007 (+119 thou. €),

Other – gifts, findings, ZC DHM and DNM (+8,841 thou. €).





Investment plan according to the purpose

Purpose / Year	Implementation (thou. €)	
	2013	2012
RI modernization, renewal and construction	291,140	135,752
Operational safety	14,872	72,952
Service quality enhancement	10,503	7,077
Other (gifts, findings and ZC DHM and DNM)	8,841	-
TOTAL	325,356	215,781

In 2013 investments were allocated primarily to the railway infrastructure modernization projects.

▪ Completed project preparation for constructions funded by public sources:

- ŽSR, Modernization of railway track Nové Mesto nad Váhom – Púchov, km 100.500-159.100 for track speed of 160 km/hrs. – I. phase and II. phase (section N.M nad Váhom – Zlatovce).

▪ Continued preparation and implementation of constructions funded by public funds:

- ŽSR, Modernization of railway track Nové Mesto nad Váhom – Púchov, km 100.500 – 159.100 for track speed of 160 km/hrs. – III. phase (section Zlatovce – Trenčianská Teplá),
- ŽSR, Modernization of railway track N. M. nad Váhom – Púchov, km 100.500 – 159.100 for track speed of 160 km/hrs. – IV. phase and V. phase (section Tr. Teplá – Ilava – Beluša),
- ŽSR, Modernization of railway track Nové Mesto nad Váhom – Púchov, km 100.500 – 159.100 for track speed of 160 km/hrs. – VI. phase (section Beluša - Púchov),
- ŽSR, Intermodal Transport Terminal Žilina, 1. phase of construction,
- ŽSR, Modernization of railway track Púchov – Žilina, for track speed of 160 km/hrs., II. phase – (section Považská Teplá /outside/ – Žilina /outside/),
- Project with aim to ensure the access for persons with reduced mobility to passenger railway services
- Modernization of railway track Žilina – Košice, track section Liptovský Mikuláš – Poprad Tatry (outside), PD,
- ETCS Implementation in Corridor VI: Žilina - Čadca – state border SK/CZ, PD,
- ŽSR, Track Electrification Haniska – Veľká Ida – Moldava nad Bodvou mesto - project documentation,
- ŽSR, Track Electrification Bánovce nad Ondavou – Humenné, project documentation (ŠR, EIA, DSZ, DÚR),
- ŽSR, Modernization of state border corridor ČR/SR - Čadca - Krásno nad Kysucou (outside), railways track – project preparation DSP, DRS, DVZ,
- ŽSR, completion of establishment station Žilina Teplička and consequent railway infrastructure in the rail hub Žilina - project documentation,
- ŽSR, Integrated transport system of passenger rail transport Košice, construction IKD - 1. phase, project documentation
- ŽSR, Terminal of integrated passenger rail transport Moldava n/Bodvou town – project documentation,
- ŽSR, Electrification and track optimisation of Leopoldov - Nitra - Šurany, preparation and project documentation (TEŠ,EIA),
- ŽSR, Park-and-Ride facilities for IDS BSK transit points: Zohor, Nové Košariská, Ivanka pri Dunaji, Pezinok – project documentation.



RESEARCH AND DEVELOPMENT

Expenditure on Research and Development Assignments

Operational processes / Drawing (thou. €)	2013	2012
- research expenditure	81	87
- development expenditure	107	107
Total	188	194

The most significant assignments accomplished in 2013:

- Programme for electric lines permeability simulation,
- Distortion of sinusoidal voltage to the low voltage network when supplying from distribution of 6 kV,
- Tensometric sensing of lateral forces of rail vehicles at selected track sections,
- Acoustic methodology assessment,
- Increase of warning light safety on operated safety devices level crossings,
- Measurement of damping properties of damping elements Stered on the rail UIC 60,
- ŽSR network electrification plan and ERTMS implementation, economical evaluation, impacts on railway undertakings,
- Updated methodologies for testing and measuring the interaction of rail vehicles with the infrastructure,
- Implementation of STN EN ISO/IEC 17025:2005 standards requirements in quality management system of Calibration Laboratory no. 1 and 2,
- Measurement of time and track parameters of turnouts switching.

Other assignments comprised addressing issues in the fields of power engineering, testing, diagnostics and implementation of both the EU and national 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.

Occupational injuries Report

		2013	2012	Difference
Total occupational injuries:		44	45	-1
thereof	Fatal (S)	1	0	1
Major occupational injuries	Major injuries (Ť)	3	0	3
	Incapacity for work 42 days and more	-	-	-
Number of missed calendar work days:		4,215	2,996	1,219
Average number of employees:		14,349.97	14,473.8	-123.83
Number of injuries per 1,000 employees:		3.066	3.109	-0.043

RAILWAY TRANSPORT SAFETY

Accidents on ŽSR network

Type of accident	2013 Total / ŽSR	2012 Total / ŽSR	Difference Total / ŽSR
Train collision	10/7	10/4	0/3
Train derailment	4/3	4/1	0/2
Collision with level crossings users	46/0	50/0	-4/0
Rolling stock fires	10/0	6/0	4/0
Injuries by rolling stocks	126/2.9	106/1	20/1.9
Shunting accidents	39/17.5	40/23.3	-1/-5.8
Consequences of accidents			
Level crossings users fatalities	10*	21	-11
Unauthorized persons fatalities	99	83	16
Staff fatalities	1	1	0
Passenger fatalities	0	1	-1

* One employee of ZSSK railway undertaking



ENVIRONMENT PROTECTION

▪ OVERVIEW OF ECOLOGICAL ACCIDENTS

In 2013 the scope of the ŽSR recorded extraordinary deterioration of water (MZV) - environmental disasters with an adverse impact on the environment as follows:

- at the railway station Košice, where as a result of the derailment of ZSSK motive power unit, a fuel tank was damaged and there were spilled about 2,800 litres of diesel into track subsoil. Derailment is closed at ŽSR.
- at the track section Revúca – Muráň, PZZ in km 39.530, there was a collision with a truck resulting into leakage of about 200 litres of diesel.
- at the track section Hrhov – Rožňava im km 47.800-66.500, Rožňava – Brzotín rail 1 in km 44.100-40.200 and at the railway station Plešivec rail no. 10 in km 31.300-31.000, where during the ride of Pn 61310 were about 300 litres of oil spilled. Cause of leak is under investigation.
- at the railway station Kúty, rail no. 12 was detected leakage of benzene from the wagon no.33847932349-9. The cause is under investigation.

▪ AIR POLLUTION

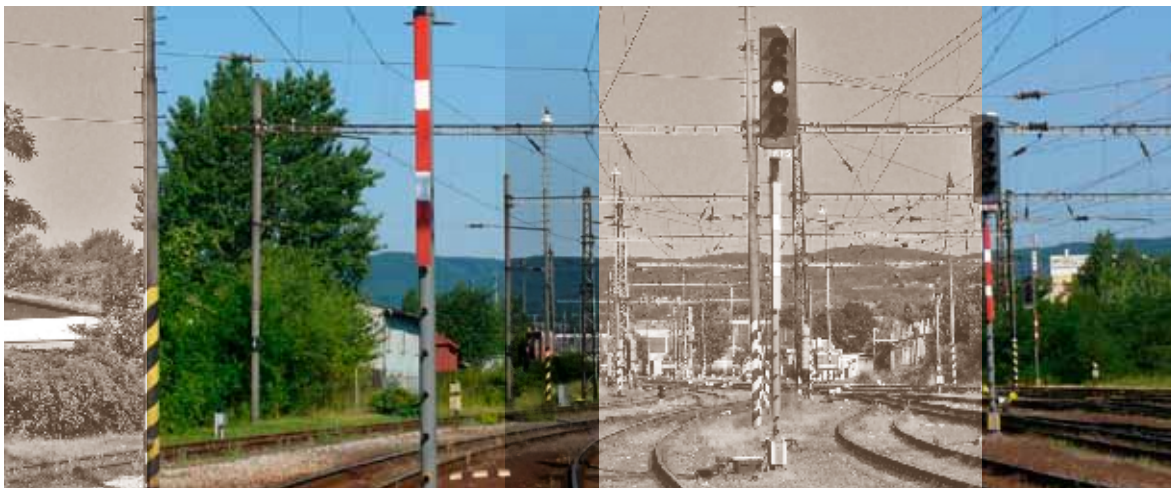
In 2013 in accordance with legal obligation, the calculated fee for air pollution by medium sources in the competence of ŽSR amounted to 4,068 €.

▪ 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. Strategic noise maps and currently being processed and Action plans are being prepared.

▪ MEASURES FOR REDUCTION OF NEGATIVE IMPACT OF ŽSR'S ACTIVITIES ON THE ENVIRONMENT:

- continued 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 overall ŽSR assets amounted to 3,439,457 thou. € as of 31 December 2013, which is a figure higher by 5.7 % as compared to 2012.

- **Long-term Assets** constitutes 91.9 % out of total amount of assets and reported increase of 138,266 thou. €, as compared with previous year due to increase in long-term tangible assets.
- **Short-term Assets** constitutes 8.1 % out of the total amount of assets and reported increase of 56,779 thou. € as compared to previous year due to implementation of EU fund to investment liabilities.
- **Equity** was reported at the amount of 1,618,998 thou. € as of 31 December 2013 and constitutes 47.1 % out of total amount of liabilities.
- **Capital funds** reported increase compared to 31 December 2012 by 5,549 thou. €, which is associated with land settlement along rail infrastructure.
- **Long-term liabilities** reported decrease of 13,292 thou. € in comparison with the previous year which was due to premature payment of loan liabilities.
- **Short-term liabilities** reported increase of 160,586 thou. € in comparison with the previous year due to accounting for liabilities to freight railway undertakings as compensation financial implications for 2010 and the increase in capital commitments.

Assets as of 31 December	2013	2012 modified
Long-term assets	3,159,350	3,021,084
thereof: Long-term tangible assets	3,041,301	2,889,749
Short-term assets	280,107	223,328
thereof: Short-term receivables from commercial activity	74,443	12,852
Inventories	10,166	12,011
Cash and Cash Equivalents	104,673	158,184
Total Assets	3,439,457	3,244,412

Liabilities as of 31 December	2013	2012 modified
Equity	1,618,998	1,571,247
thereof: Registered capital	760,337	760,337
Capital funds	484,814	479,265
Long-term liabilities	1,424,483	1,437,775
thereof: Loans, State and EU subsidies	1,318,316	1,349,766
Short-term liabilities	395,976	235,390
thereof: Short-term liabilities from commercial activity	149,696	110,540
Total Liabilities	3,439,457	3,244,412



Structure of equity interests as of 31 December 2013

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

- Stabilita: company administrates supplementary pension insurance,
- ŽPSV : company mainly provides construction and mounting works,
- Breitspur Planungs: company participates in preparation of broad-gauge railway connection project,
- Betamat Zvolen: business in the field of spare parts and mounting safety installations.

Financial indicators

As of 31 December	unit	2013	2012
LIQUIDITY INDICATORS			
Current liquidity		1.08	1.25
Total liquidity - average		1.12	1.32
EXPENDITURE INDICATORS			
Expenditures	%	90.60	96.41
Wage expenditures	%	29.90	28.73
INDEBTEDNESS INDICATORS			
Self-financing index	%	79.28	78.76
Total indebtedness	%	20.72	21.24
Debt-to-Equity Ratio	%	26.13	26.97
LABOUR PRODUCTIVITY INDICATOR			
From revenues	€/emp.	33,519	33,936
From performance	trkm/emp.	3,181	3,117





IMPORTANT EVENTS IN 2013

Loan policy of ŽSR

Significant changes occurred at the end of 2013 in the area of financial liabilities as ŽSR has repaid part of the loan principal in amount of 129,791 thou. €. By implementation of this step, loan commitments as at 31 December 2013 were reduced down to 66,812 thou. € which represent a decline of 66 % as compared to the period as at 31 December 2012.

All loan commitments as at 31 December 2013 are filed as short-term liabilities with maturity in the course of 2014. ŽSR plans to refinance the principal balance of the loan.

ŽSR expects favourable terms of debt financing on the grounds of current stable outlook rating.

Government Resolution no.390/2013

On the basis of the Government Resolution No. 390/2013, bilateral agreement was concluded between MDVRR SR and ŽSR at the end of 2013 on compensation and financial implications for 2010 for freight railway undertakings arising from the introduction of new regulatory rules on charges for the access to railway infrastructure.

Under the Contract, ŽSR is committed to provide compensation in 2014 to a maximum of 74 000 thou. € to freight railway undertakings on basis of meeting given strict conditions. MDVRR took commitment to pay such amount to ŽSR by 31 December 2020 at the latest.

Rating

ŽSR has been awarded the A2 issuer rating by renowned rating agency and the long-term national rating Aa1. Sk., outlook of ŽSR was changed from negative to stable.

Railway Infrastructure modernisation

In 2013, implementation of Operational Programme Transport for 2007-2013 continued. Detailed specification of constructions is available in the section „Investments“.

The most important activities include:

- Contracting track modernisation construction for the section: Púchov - Žilina, II. phase (Považská Teplá - Žilina),
- Project preparation for track modernisation: Liptovský Mikuláš - Poprad Tatry,
- Completion of construction in the section: Nové Mesto n. Váhom - Púchov, I. phase and II. phase (section Nové Mesto nad Váhom - Zlatovce) and putting into permanent operation.

Based on the commissioned feasibility study in terms of JASPERS requirements, project preparations for constructions within Operational Transport Programme for years 2007 - 2013 were suspended: Railway infrastructure modernisation Žilina - Košice, sections Poprad Tatry - Krompachy - Kysak - Košice.

Due to non-confirmation of State grant notification, project preparations for construction within the Operational Transport Programme 2007-2013 were extraordinarily terminated: Intermodal transport terminal Bratislava, 1st stage of construction; Intermodal transport terminal Leopoldov, 1st stage of construction and Intermodal transport terminal Košice, 1st stage of construction.

International events

To comply with requirements of EU legislation in the field of rail freight corridors (RFC) respective steering and working bodies for Corridor 7 and 9 running through the territory of Slovakia were established, with subsequent calculation of expenses for the work of these bodies. For Corridor 5, creation of such bodies is in preparation stage.

In early 2013, ŽSR received authorization from the MDVRR SR for the representation of Slovak railway companies at OSŽD and thus ŽSR took over the lead role from ZSSK Cargo, a.s.



Integral part of the development of railways is the creation of common leaflets/regulations at UIC and OSŽD level and their updating based on the incurred requirements.

In 2013, Technical Specifications for Interoperability for Energy, Infrastructure and Rolling Stock subsystems were completed for now, while work on the application guidance within ERA working groups and CER support groups was launched.

In order to provide successful cooperation with neighbouring railway undertakings multiple bilateral and multilateral negotiations were held to discuss about possibilities of enhancing mutual cooperation, as well as operational activities and development plans for respective border crossings aimed at growth in international railway traffic.

Collective Agreement

New Collective Agreement for 2013 was adopted by ŽSR, which is valid from 1 May to 31 March 2014. The agreement includes yearly increase in average wage by 3 % as compared to average wage in 2012.

165th anniversary of railways and 20th anniversary of ŽSR

In 2013, Slovak railways celebrated their 165th anniversary. On this occasion, along with the intention of improving railway safety and awareness about rail transport, several activities of promotional and educational nature were carried out, such as RENDEZ, ILCAD, Grand-Prix of Steam Locomotives in Zvolen, train “Lustig”, nostalgic historic train rides on the territory of the Slovak Republic and others.

Armoured train “Štefánik” returned on 6 September 2013 from an exhibition in the Netherlands to the Transport Museum in Bratislava.

Improving the travel quality

Specific assignments have been set within “Project of railway stations standards” aimed to improve the situation in railway stations and quality of train travel.

From January 2013 in order to enhance the quality of travel and improve the movement of people with disabilities railways have gradually rolled out mobile lifting platforms in selected railway stations – in 1st phase 21 platforms for 17 stations, total of 45 platforms will be deployed.

The first national motorail train service between Bratislava and eastern Slovakia (Humenné) commenced on 15 December 2013.

IMPORTANT EVENTS BEYOND 2013

ŽSR has adopted new Collective Agreement for 2014, valid from 1 January 2014 with yearly increase in average wage by 3 % as compared to an average wage in 2013.

SETTLEMENT OF THE BUSINESS RESULT

Železnice Slovenskej republiky for the accounting period of 2013 reported the business result – profit of 45,194,254.41 € used to undistributed profit of previous years.



RATING ŽSR

Nº 0204/1

Moody's Investors Service

ASSIGNS THE COMPANY

Železnice Slovenskej republiky

MOODY'S RATING:

A2 / Aa1.sk

Issued at Prague, 09th October 2013

Lead Analyst
MOODY'S INVESTORS SERVICE LIMITED

Branch Manager
MOODY'S INVESTORS SERVICE LIMITED

MOODY'S
INVESTORS SERVICE

*The Rating above is valid on the day it is assigned.
This rating may, however, be amended or terminated
on the basis of various events.*



COMPLIANCE OF THE ANNUAL REPORT WITH ANNUAL FINANCIAL STATEMENT



Amendment to the auditor's report on compliance of the Annual Report with annual financial statements

in accordance with the Act No. 540/2007 Coll. § 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, 2013 enclosed in the accompanying annual report, to which we have on February 28, 2014 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, 2013, 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 Note 1 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 51.12% of receivables as of December 31, 2013 (as of December 31, 2012: 43.86%) is due to from two of the most important customers: Železničná spoločnosť Slovensko, a.s. Bratislava and Železničná spoločnosť Cargo Slovakia, a.s. Bratislava, which are related parties as well as described in Note 34 to the accompanying Financial Statements.
- 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.

BDR, spol. s r. o., M. M. Hodžu 3, 974 00 Banská Bystrica; IČO: 00614556, IČ DPH: SK 2020459199
Nezávislý člen spoločnosti *Moore Stephens International Limited*,

Spoločnosť zapísaná v Obchodnom registri Okresného súdu Banská Bystrica, Oddiel: Sro, Vložka číslo: 98/S

Banská Bystrica: telefón: 048/41 53 116, 41 53 114, fax: 048/41 53 117

Bratislava: telefón: 02/68204111, fax: 02/68204110

Bankové spojenie: Tatra banka a.s., Banská Bystrica, č. účtu: 2625778903/1100

<http://www.bdrbb.sk>



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, 2013. 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, February 28, 2014

BDR, spol. s r.o. Banská Bystrica
M.M.Hodžu 3, 974 01 Banská Bystrica
Licence SKAu No. 6
Commercial Register of District Court, Banská Bystrica
Section: Sro, File No.: 98/S, IČO (company registration number): 00614556
An Independent member firm of Moore Stephens International Limited

Ing. Ľudmila Svätová, MBA
Responsible auditor
Licence SKAu No. 936



BDR, spol. s r. o., M. M. Hodžu 3, 974 00 Banská Bystrica; IČO: 00614556, IČ DPH: SK 2020459199
Nezávislý člen spoločnosti *Moore Stephens International Limited*,
Spoločnosť zapísaná v Obchodnom registri Okresného súdu Banská Bystrica, Oddiel: Sro, Vložka číslo: 98/S
Banská Bystrica: telefón: 048/41 53 116, 41 53 114, fax: 048/41 53 117
Bratislava : telefón: 02/68204111, fax: 02/68204110
Bankové spojenie: Tatra banka a.s., Banská Bystrica, č. účtu: 2625778903/1100
<http://www.bdrbb.sk>





SEPARATE FINANCIAL STATEMENTS

**PREPARED IN ACCORDANCE
WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS**

for the year ended 31 December 2013

INDEPENDENT AUDITOR'S REPORT



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, 2013, 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, 2013, 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 Note 1 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 51.12% of receivables as of December 31, 2013 (as of December 31, 2012: 43.86%) is due to from two of the most important customers: Železničná spoločnosť Slovensko, a.s. Bratislava and Železničná spoločnosť Cargo Slovakia, a.s. Bratislava, which are related parties as well as described in Note 34 to the accompanying Financial Statements.

Banská Bystrica, February 28, 2014

BDR, spol. s r.o. Banská Bystrica
M.M.Hodžu 3, 974 01 Banská Bystrica
Licence SKAu No. 6
Commercial Register of District Court, Banská Bystrica
Section: Sro, File No.: 98/S, IČO (company registration number): 00614556
An Independent member firm of Moore Stephens International Limited

Ing. Ludmila Svätovánska Kiňová, MBA
Responsible auditor
Licence SKAu No.936







CONTENTS

Statement of financial position.....	38
Statement of comprehensive income.....	39
Statement of changes in equity	40
Statement of cash flows.....	41
Notes to the Financial Statements	42

STATEMENT OF FINANCIAL POSITION

	Note	31 December 2013	31 December 2012 restated	1 January 2012 restated
ASSETS				
NON-CURRENT ASSETS				
Property, Plant and Equipment	6	3,041,301	2,889,749	2,811,402
Real Estate Investment	7	39,711	40,430	43,385
Intangible Assets	8	2,770	1,454	1,704
Financial Investment	9	3,404	3,404	3,404
Non-Current receivables	10	72,164	86,047	143,051
Total Non-Current Assets		3,159,350	3,021,084	3,002,946
CURRENT ASSETS				
Inventories	11	10,166	12,011	15,275
Trade receivables	12	74,443	12,852	28,596
Other receivables and assets	13	90,825	40,281	77,375
Cash and Cash Equivalents	14	104,673	158,184	59,730
Total Current assets		280,107	223,328	180,976
TOTAL ASSETS		3,439,457	3,244,412	3,183,922
EQUITY AND LIABILITIES				
EQUITY				
Registered capital		760,337	760,337	760,337
Capital funds		484,814	479,265	475,568
Legal reserve fund		21,904	21,121	21,121
Earnings from previous periods		306,749	292,889	324,673
Profit for accounting period		45,194	17,635	-33,844
Accumulated earnings		351,943	310,524	290,829
Total Equity	15	1,618,998	1,571,247	1,547,855
NON-CURRENT LIABILITIES				
Loans		334	166,602	58,121
State and EU subsidies	17	1,317,982	1,183,164	1,111,355
Provisions	19, 20	76,477	74,348	69,207
Deferred tax liability	31	20,877	695	0
Other non-current liabilities	21	8,813	12,966	20,547
Total Non-Current Liabilities		1,424,483	1,437,775	1,259,230
CURRENT LIABILITIES				
Short-term loans and curr. portion of long-term loans		67,423	33,721	153,518
Short-term state and EU subsidies	17	61,924	56,650	36,717
Trade liabilities	22	149,696	110,540	151,288
Payables to the public institutions	23	8,324	8,360	7,957
Other liabilities	24	87,722	13,645	23,179
Provisions and accruals	18, 19, 20	20,887	12,474	4,178
Total Current liabilities		395,976	235,390	376,837
TOTAL EQUITY AND LIABILITIES		3,439,457	3,244,412	3,183,922

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



STATEMENT OF COMPREHENSIVE INCOME

	Pozn.	31 December 2013	31 December 2012 restated
REVENUES			
Fees for access to railway infrastructure	25	92,414	89,033
Sales of additional services of railway infrastructure	25	10,268	10,642
Subsidies for railway infrastructure operation	25	260,000	275,333
Sales of track energy		71,615	70,027
Sales of non-track energy		5,102	5,288
Sales of IT services		3,135	3,554
Sales of telecommunication services		3,028	3,453
Revenues from real estate investments		8,211	8,432
Sales of other services	26	11,976	10,536
Own work capitalized		8,875	9,006
Other revenues	27	6,368	5,879
Total revenues		480,992	491,183
OPERATING COSTS			
Materials and consumables		-27,844	-30,939
Track energy costs		-73,890	-71,573
Non-track energy costs		-9,728	-8,909
Other energy costs		-6,901	-8,561
Repair and maintenance		-16,251	-20,858
Services	28	-20,551	-23,532
Payroll costs	29	-211,811	-207,852
Depreciation and amortization		-158,102	-150,514
Release of subsidy for non-current assets		72,248	69,857
Other operating costs, net	30	39,786	-13,400
Total operating costs		-413,044	-466,281
PROFIT FROM OPERATIONS		67,948	24,902
FINANCIAL COSTS / INCOME			
Interest from loans		-4,326	-5,068
Other financial costs / income		2,360	-829
Total financial costs		-1,966	-5,897
PROFIT before tax		65,982	19,005
Income tax	31	-203	-80
Deferred income tax	31	-20,585	-1,290
NET PROFIT after tax		45,194	17,635
OTHER COMPREHENSIVE INCOME:			
Items that will not be reclassified to profit or loss:			
Remeasurements of post-employment benefit obligations		-1,832	-2,587
Deferred tax related to remeasurements		403	595
COMPREHENSIVE PROFIT FOR PERIOD		43,765	15,643

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 2012 (restated)	760,337	475,568	21,121	290,829	1,547,855
Profit for the period	0	0	0	17,635	17,635
Non-cash increase in capital	0	7,749	0	0	7,749
Other comprehensive income	0	-4,052	0	2,060	-1,992
As at 31 December 2012 (restated)	760,337	479,265	21,121	310,524	1,571,247
As at 1 January 2013	760,337	479,265	21,121	310,524	1,571,247
Profit for the period	0	0	0	45,194	45,194
Non-cash increase in capital	0	4,986	0	0	4,986
Creation of Legal reserve fund	0	0	783	-783	0
Allocation to Social fund	0	0	0	-1,000	-1,000
Other comprehensive income	0	563	0	-1,992	-1,429
As at 31 December 2013	760,337	484,814	21,904	351,943	1,618,998

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





STATEMENT OF CASH FLOWS

	Note	31 December 2013	31 December 2012
Profit before tax		65,982	16,418
Adjustments by non-cash transactions		156,232	102,299
Depreciation and amortization		158,102	150,514
Dividends and other profit sharing recorded against revenues		-1,110	-742
Interest recorded against expenses		4,326	5,068
Interest recorded against revenues		-1,745	-390
Gain from the sale of property, plant and equipment		330	-2,598
Change in provisions		2,595	3,886
Amortization of state subsidies		-72,248	-69,857
Effect on changes in working capital		14,536	61,194
Changes in receivables and other assets		-97,528	109,825
Changes in liabilities		110,219	-51,895
Changes in inventories		1,845	3,264
Cash flow from operating activities		170,768	163,493
Expenditure on income tax		-203	-80
Interest received		1,021	407
Interest paid		-6,392	-247
Net cash flows from operating activities		165,194	163,573
Acquisition of property, plant and equipment and non-current intangible assets		-307,427	-219,224
Subsidies for acquisition of non-current assets		212,340	161,599
Cash receipts from the sale of property, plant and equipment and non-current intangible assets		2,395	3,915
Net cash flows from investment activities		-92,692	-53,710
Cash receipts from dividends and other profit sharing		1,110	742
Cash receipts from loans borrowing		32,919	4,731
Expenditure on loans borrowing		-159,334	-15,538
Repayment of liabilities related to financial leasing		-709	-1,344
Net cash flows from financial activities		-126,014	-11,409
Net increase / decrease in cash and cash equivalents		-53,512	98,454
Cash and cash equivalents at the beginning of the year	14	158,183	59,729
Cash and cash equivalents at the end of the year	14	104,671	158,183

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



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. Štefan Hlinka, 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. Jaroslav MIKLA	chairman
Ing. Martin ČATLOŠ	deputy chairman
Ing. Vladimír ĽUPTÁK	member
Ing. Radovan MAJERSKÝ, 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 Slovensko, a. s. and Železničná spoločnosť Cargo Slovakia, 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 2013 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

ŽSR is supported in its operations by the State in the form of financial transfers to cover operating costs and capital expenditures. 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 Slovensko, a. s., Železničná spoločnosť Cargo Slovakia, a. s. and other customers.

For the year ended 31 December 2013 the Company reported a net profit of € 45,194 thousand (for the year ended 31 December 2012: profit of € 15,643 thousand, restated profit of € 17,635 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 Accountancy Act No. 431/2002 Coll. § 17a, section 1 as amended.

The Company is part of the financial statement of public accounts, compiled by Ministry of Finance of Slovak republic in accordance with Accountancy 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 Accountancy 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 2012 were approved by Administrative Board of ŽSR on 27 March 2013 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. Because of the amendment to IAS 19 - Employee Benefits, the Company restated comparative period due to the application of IAS 8 - Accounting Policies, Changes in Accounting Estimates and Errors. The Company recognized remeasurements (actuarial gains / losses) of post-employment benefits by 2012 in profit or loss, as the value of remeasurement was within the corridor (defined as 10% higher than the defined benefit obligation or the fair value of program asset). With effect from 1 January 2013 the Company recognizes remeasurements in Other comprehensive income in items, that will not be reclassified to profit or loss.

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 and intangible 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. Acquisition cost also includes induced investments and interest costs related to the acquisition.

Assets under constructions represent non-current tangible assets and intangible assets and are reported at acquisition cost. This includes the costs directly related to acquisition of assets. 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. Depreciation and amortization commences on the first day of the month following the date the asset was put into use. 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.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately. The value originally assigned to the item of property, plant and equipment is divided relative to its significant parts and each part is depreciated separately.

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.

An asset is removed from the statement of financial position on disposal or when it is withdrawn from use. The gain or loss on disposal are recognized in profit or loss of operating activities.

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 – land – 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. Revenues related to financial investments, such as dividends, are recognized after the entry into the legal entitlement to dividends in the income statement within the financial income.

Inventories

Inventories are valued at the lower of cost or net realizable value. Cost is determined on a weighted average basis and includes acquisition cost plus costs related to the acquisition. Inventory is written down for any impairment of value equal to the difference between the acquisition cost and net realizable value. Net realizable value is the estimated selling price less the estimated costs necessary to make the sale. The Company writes down slow moving and obsolete inventory based on the age structure of the periodic review and assessment of management.

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. Receivables are recognized in the statement of financial position as non-current or current assets according to maturity.

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. The Company also determines the bad debt allowance on the age structure of receivables. 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. Capital funds also comprise remeasurements of post-employment benefits in accordance with IAS 19 based on the actuarial methods and deferred tax related to remeasurements of post-employment benefits.

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.

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. Actuarial profits and losses from post-employment benefits are recognized in equity, others actuarial profits and losses are recognized 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.

Provision for demolition of buildings

Provision for demolition of buildings is recognized if the Company has obligation to demolish buildings or other operating equipment and has issued authorization for demolition as at the end of the reporting date. Disposal of buildings performs due to security reasons in cases where there is collapse of the object, the object is in a dilapidated condition and is unnecessary for operating activities and cannot be otherwise capitalized (sell or lease).

Revenue recognition

Revenues are recognized in rendering of services and goods net of value added tax and discounts. The Company recognizes revenue from fees for access to railway infrastructure, sales of additional services of railway infrastructure, sales of energy, revenue from real estate investments and other services on an accrual basis. 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.

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 23 % 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. Deferred tax is recognized as income or expense excluding deferred tax recognized in equity.

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.

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 date that the financial statements are authorised for issue. The tax rate applicable from 1 January 2014 is 22 %.

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 19).

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 19).

Provision for demolition of buildings

In accordance with the principles for provisions for demolition of buildings the Company recorded provision for demolition of buildings or other operating equipment. A provision is recognized only to the objects for which a valid decision on the removal of building is issued by a special construction authority for construction of railways.

Accounting for provision is based on expert estimate which corresponds to the future costs necessary for demolition of buildings (Note 19).

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 20).

4 NEW ACCOUNTING STANDARDS AND INTERPRETATIONS

In 2013 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 2013 in preparing the financial statements:

- amendment to IFRS 10 - Consolidated Financial Statements, effective from 1 January 2014
- amendment to IFRS 12 - Disclosure of Interests in Other Entities, effective from 1 January 2014
- amendment to IAS 27 - Separate Financial Statements, effective from 1 January 2014
- amendment to IAS 32 - Financial Instruments: Presentation, effective from 1 January 2014
- amendment to IAS 36 - Impairment of Assets, effective from 1 January 2014
- amendment to IAS 39 - Financial Instruments: Recognition and Measurement, effective from 1 January 2014
- IFRIC 21 - Levies, effective from 1 January 2014
- amendment to IAS 19 - Employee Benefits, effective from 1 July 2014
- amendment to IFRS 7 - Financial Instruments: Disclosures, effective from 1 January 2015
- amendment to IFRS 9 - Financial Instruments, effective from 1 January 2015

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

The Company reviews the potential impacts of the application of certain standards.



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 51.12 % of receivables as at 31 December 2013 (as at 31 December 2012: 43.86 %) is due to from two of the most important customers: Železničná spoločnosť Slovensko, a. s. Bratislava and Železničná spoločnosť Cargo Slovakia, a. s. Bratislava whose only shareholder is the State represented by Ministry of Transport, Construction and Regional Development of Slovak republic.

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

	31 December 2013	31 December 2012
Receivables within maturity	306,792	256,228
Up to 1 month	84,243	33,391
From 1 to 3 months	51,873	13,223
From 3 to 12 months	78,891	5,820
From 1 to 5 years	17,630	203,393
Over 5 years	74,155	401
Receivables overdue	9,699	10,097
Total receivables	316,491	266,325

Change in receivable as at 31 December 2013 compared to 31 December 2012 was due to record of receivable from Ministry of Transport, Construction and regional Development of the Slovak republic based on the Government Resolution No. 390/2013 and Contract on compensation of financial impact for the year 2010 for rail freight carriers resulting from the new pricing mechanism for access to railway infrastructure ("Contract on Compensation") in the amount of € 73,999 thousand; due to record of claim for capital subsidies for capital liabilities of EU funds and capital transfer in the amount of € 72,583 thousand (Note 10, Note 13). In 2013 receivable for loss of Operating of Railway Infrastructure Contract for the year 2011 was settled in the amount of € 73,753 thousand.

Liquidity risk

Liquidity risk is the risk that the Company will be unable to meet its financial obligations at maturity. The Company manages liquidity to ensure that the funds will be always available at maturity, in both normal and abnormal conditions. The Company plans cash flows that are revised at occurrence of risk events and externalities for liquidity risk management with operational resources. The Company afterwards evaluate the progress in real cash flows.

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

(payables do not include accounts of subsidies and accruals):

	Loans and borrowings		Payables	
	31 December 2013	31 December 2012	31 December 2013	31 December 2012
Payables within maturity	67,757	200,322	345,405	222,922
On demand	0	0	0	0
Up to 1 month	129	143	119,695	50,321
From 1 to 3 months	31	68	69,886	23,692
From 3 to 12 months	67,263	33,509	49,657	60,900
From 1 to 5 years	330	166,597	55,373	60,342
Over 5 years	4	5	50,794	27,667
Payables overdue	0	0	9,893	554
Total payables	67,757	200,322	355,298	223,476

Loans decreased mainly due to the early debt repayment as at 31 December 2013 in the amount of € 129,791 thousand (Note 16). Early debt repayment resulted from negotiations with representatives of Ministry of Transport and Ministry of Finance. Increase in payables was mainly affected by higher state of capital liabilities of EU funds (Note 22) and by payables to rail freight carriers due to the compensation of financial impact for the year 2010 under Government Resolution No. 390/2013 in the amount of € 73,999 thousand.





MARKET RISK

Interest rate risk

Operating income and operating cash flows are independent of changes in market interest rates. The Company has no significant interest bearing assets except for cash and cash equivalents.

All of the Company's bank loans had a floating interest rate bound to the 6-month EURIBOR. The Company does not use derivative financial instruments for securing interest rate risks.

Sensitivity analysis to interest rate risk

For loans with floating rate, sensitivity analysis is prepared assuming that the amount of liability outstanding as at the reporting date will be outstanding for the whole year. Change in interest rate by + 100bps / - 30bps, provided that the other variables remain unchanged, the profit of the Company changes as follows:

Increase (decrease) of interest rate in % p. a.	Impact on profit before tax for 1 year period in € '000
+1/-0.30	-660 / +198

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 2013	31 December 2012
Debt (Note 16)	67,757	200,323
Cash and cash equivalents (Note 14)	104,673	158,184
Net debt	-36,916	42,139
Equity	1,618,998	1,571,247
Ratio Net debt to Equity	0 %	2.68 %

A significant change in the ratio Net debt to Equity to 0 % compared to comparable period was mainly due to early debt repayment as at 31 December 2013.

6 PROPERTY, PLANT AND EQUIPMENT

	Land and Buildings	Machinery, Equipment and other assets	Assets acquisition	Total
COST				
As at 1 January 2012	3,602,157	761,409	691,566	5,055,132
Additions	15,558	865	250,941	267,364
Disposals	-11,782	-7,997	-39,025	-58,804
Transfers	296,235	92,096	-388,331	0
Transfer to investments in real estate (Note 7)	-2,365	0	0	-2,365
Transfer from investments in real estate (Note 7)	3,764	0	0	3,764
As at 31 December 2012	3,903,567	846,373	515,151	5,265,091
ACCUMULATED DEPRECIATION / IMPAIRMENT				
As at 1 January 2012	1,658,218	536,067	49,445	2,243,730
Additions	89,319	52,240	2,402	143,961
Disposals	-8,491	-7,723	-16,464	-32,678
Transfers	9,236	11,093	0	20,329
As at 31 December 2012	1,748,282	591,677	35,383	2,375,342
NET BOOK VALUE				
As at 1 January 2012	1,943,939	225,342	642,121	2,811,402
As at 31 December 2012	2,155,285	254,696	479,768	2,889,749
COST				
As at 1 January 2013	3,903,567	846,373	515,151	5,265,091
Additions	14,132	7,308	345,839	367,279
Disposals	-17,951	-19,577	-51,800	-89,328
Transfers	227,005	40,647	-267,652	0
Transfer to investments in real estate (Note 7)	-3,359	0	0	-3,359
Transfer from investments in real estate (Note 7)	2,157	0	0	2,157
As at 31 December 2013	4,125,551	874,751	541,538	5,541,840
ACCUMULATED DEPRECIATION / IMPAIRMENT				
As at 1 January 2013	1,748,282	591,677	35,383	2,375,342
Additions	95,033	59,312	4,564	158,909
Disposals	-15,821	-17,127	-12,200	-45,148
Transfers	6,313	5,123	0	11,436
As at 31 December 2013	1,833,807	638,985	27,747	2,500,539
NET BOOK VALUE				
As at 1 January 2013	2,155,285	254,696	479,768	2,889,749
As at 31 December 2013	2,291,744	235,766	513,791	3,041,301

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 € 63,919 thousand (as at 31 December 2012: € 67,976 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 2013 title to land with an administrative value of € 951 thousand was transferred to the Company and capitalized in its statement of financial position (as at 31 December 2012: € 1,065 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 € 4,036 thousand (as at 31 December 2012: € 6,684 thousand). These adjustments are recorded directly to Capital funds in



Equity by calculating the general book value of land. This is the land acquired under the register of renewed land registration carried out by Land Register where the landowner has always been the Slovak republic, the land manager has always been the Company but the land has not been recorded in the Company's assets. Finance lease liabilities (Note 16) of the Company are protected by lessor ownership rights to the leased assets with a book value of € 2,585 thousand (as at 31 December 2012: € 3,455 thousand).

Acquisition cost of all fully written off property, plant and equipment that are utilized by the Company is in the amount of € 1,237,629 thousand (as at 31 December 2012: € 1,165,490 thousand). Temporary unused assets in original cost are in the amount of € 29,377 thousand (as at 31 December 2012: € 28,979 thousand) and in carrying value in the amount of € 16,649 thousand (as at 31 December 2012: € 16,640 thousand).

The Company considered reality of valuation of assets and liabilities as at 31 December 2013. 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 2013 the Company recorded allowance for property, plant and equipment in the amount of € 3,578 thousand (as at 31 December 2012: € 4,406 thousand) and allowance for assets under construction in the amount of € 27,746 thousand (as at 31 December 2012: € 35,383 thousand).

Reversal of impairment loss in connection with the re-evaluation creation of allowances for the year 2013 is in the amount of € 6,886 thousand (as at 31 December 2012: € 3,862 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). ŽSR have also liability insurance.

7 REAL ESTATE INVESTMENTS

	Year 2013	Year 2012
COST		
As at 1 January	61,935	63,501
Additions	0	457
Disposals	-1,912	-624
Transfer from Property, Plant and Equipment (Note 6)	3,359	2,365
Transfer to Property, Plant and Equipment (Note 6)	-2,157	-3,764
As at 31 December	61,225	61,935
ACCUMULATED DEPRECIATION / IMPAIRMENT		
As at 1 January	21,505	20,116
Additions	315	2,525
Disposals	-1,094	-1,102
Transfers	788	-34
As at 31 December	21,514	21,505
NET BOOK VALUE		
As at 1 January	40,430	43,385
As at 31 December	39,711	40,430

The following table presents assets disclosed at fair value:

Assets	Level 1	Level 2	Level 3
Hospital	0	0	16,716
Land	0	0	12,738
Buildings	0	0	20,592

The different levels have been defined as follows:

Level 1 – prices (unadjusted) in active markets for identical assets and liabilities

Level 2 – inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly

Level 3 – inputs for the asset or liability that are not based on observable market data

Valuation techniques used to derive fair values at the level 3

The fair value of real estate investment at level 3 as at 31 December 2013 is in the amount of € 50,046 thousand (as at 31 December 2012: € 51,244 thousand). The fair value of real estate investments was determined by qualified estimate for the bulk of assets. In case of buildings, estimate has been evaluated for individual assets 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 “fisher 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) and a method of discounting future cash flows. Simplified method of positional differentiation was used in case of land.

For lack of information about market prices, acquisition cost and replacement cost method was used for certain types of assets or certain localities.

Based on the indicated facts, the Company recognized real estate investment impairment. The Company discounted future cash flows to their present value in assessing value in use and due to this the Company recorded allowance for real estate investment as at 31 December 2013 in the amount of € 1,277 thousand (as at 31 December 2012: € 1,748 thousand). Reversal of impairment loss in connection with the re-evaluation creation of allowances for the year 2013 is in the amount of € 471 thousand. Costs related with real estate investments represent the amount of € 1,162 thousand (as at 31 December 2012: € 1,283 thousand) and revenues related with real estate investments represent the amount of € 2,377 thousand (as at 31 December 2012: € 2,862 thousand).





8 INTANGIBLE ASSETS

	Capitalized Development Cost	Software	Acquisition of Assets	Total
COST				
As at 1 January 2012	98	15,637	525	16,260
Additions	0	326	327	653
Disposals	-60	-58	-312	-430
Transfers	0	511	-511	0
As at 31 December 2012	38	16,416	29	16,483
ACCUMULATED DEPRECIATION / IMPAIRMENT				
As at 1 January 2012	95	14,432	29	14,556
Additions	0	590	0	590
Disposals	-59	-58	0	-117
Transfers	0	0	0	0
As at 31 December 2012	36	14,964	29	15,029
NET BOOK VALUE				
As at 1 January 2012	3	1,205	496	1,704
As at 31 December 2012	2	1,452	0	1,454
COST				
As at 1 January 2013	38	16,416	29	16,483
Additions	14	596	1,892	2,502
Disposals	0	-155	-455	-610
Transfers	0	0	0	0
As at 31 December 2013	52	16,857	1,466	18,375
ACCUMULATED DEPRECIATION / IMPAIRMENT				
As at 1 January 2013	36	14,964	29	15,029
Additions	15	716	0	731
Disposals	0	-155	0	-155
Transfers	0	0	0	0
As at 31 December 2013	51	15,525	29	15,605
NET BOOK VALUE				
As at 1 January 2013	2	1,452	0	1,454
As at 31 December 2013	1	1,332	1,437	2,770

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.

The Company considered reality of valuation of assets and liabilities as at 31 December 2013. According to IAS 36 – Impairment, as at 31 December 2013 the Company recorded allowance for assets under construction in the amount of € 29 thousand (as at 31 December 2012: € 29 thousand).

9 FINANCIAL INVESTMENTS

	Subsidiaries	Associated companies	Other investments	Total 2013	Total 2012
Opening balance as at 1 January	1,009	2,240	155	3,404	3,404
Additions	0	0	0	0	0
Disposals	0	0	0	0	0
Closing balance as at 31 December	1,009	2,240	155	3,404	3,404

Structure of capital participation in subsidiaries and associated companies as at 31 December 2013 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 34)	4,820	1,569	Slovensko	55.26	Management of supplementary pension funds
ŽPSV a.s., Čaňa (Note 34)	7,124	397	Slovensko	41.06	Manufacturing of concrete products, prefabricated components and structures for construction purposes
Breitspur Plannugs GmbH, Viedeň	2,187	-267	Rakúsko	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	152	-61	Slovensko	10.00	Installation, maintenance, and repair of telecomm. equipment
HIT RAIL, b.v., Amsterdam, Holandsko	3,200	22	Holandsko	4.00	Implementation of the interconnection of information systems within the UIC, develop. of international data transmission application HERMES VPN





10 NON-CURRENT RECEIVABLES

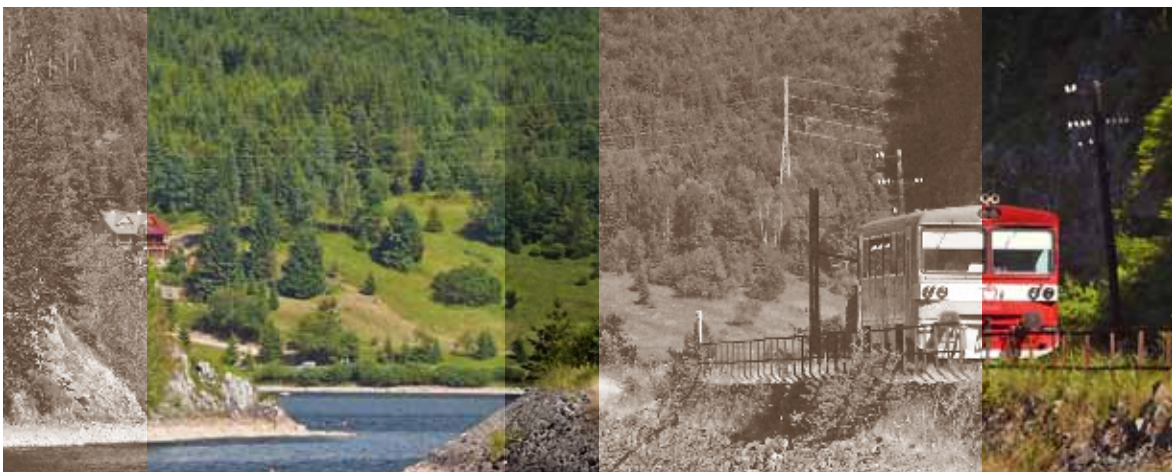
	31 December 2013	31 December 2012
Non-current trade receivables	2,028	108,970
Advances given	7,495	7,607
Receivables from sale of flats	549	683
Other non-current receivables	35	34
State receivables	81,635	86,480
Allowances for receivables	-19,578	-117,727
Total non-current receivables	72,164	86,047

Non-current trade receivables decreased due to reclassify non-current receivables to current receivables from Železničná spoločnosť Cargo Slovakia, a. s. for access to railway infrastructure for the year 2010 based on the Appendix No. 2 to Payables Settlement Agreement (Note 5, Note 12). Change in state receivables is due to the settlement of receivable from Ministry of Transport of Operating of Railway Infrastructure Contract for the year 2011 in the amount of € 73,753 thousand and due to record of receivable from Ministry of Transport based on the Government Resolution No. 390/2013 and Contract on compensation in the amount of € 73,999 thousand; due to record of claim for capital subsidies to the assets acquired from EU funds in the amount long-term retention.

Progress in allowances for non-current receivables:

Balance as at 31 December 2012	117,727
Creation	14,527
Reversal	62,338
Reclassify non-current allowances to current allowances	50,338
Balance as at 31 December 2013	19,578

Allowances to non-current receivables are recorded because of precautionary principle. Allowance to Železničná spoločnosť Cargo Slovakia, a. s. was reclassified to current allowances in the amount of € 50,338 thousand and was reversed due to offsetting realized by 31 January 2014 in the amount of € 57,947 thousand based on the Appendix No. 2 to Payables Settlement Agreement. Non-current receivables are through the allowances measured at amortised cost using the effective interest rate method. The interest rate was derived from interest rate loans.



11 INVENTORIES

	31 December 2013	31 December 2012
Inventories at cost	18,192	20,943
Allowances for Inventory	-8,026	-8,932
Total inventories	10,166	12,011

The Company recorded allowances for slow moving and obsolete inventories following comparison of valuation with net realizable value as at 31 December 2013.

Progress in allowances for inventories::

Balance as at 31 December 2012	8,932
Creation	4,663
Disposal of inventories	144
Dissolution of relevance	5,425
Balance as at 31 December 2013	8,026

12 CURRENT TRADE RECEIVABLES

	31 December 2013	31 December 2012
Trade receivables	122,792	19,506
Advances given	176	151
Other trade receivables	10,462	2,130
Allowances for receivables	-58,987	-8,935
Total current receivables	74,443	12,852

Current trade receivables increased mainly due to reclassify non-current receivable from the company Železničná spoločnosť Cargo Slovakia, a. s. (Note 5, 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 2012	8,935	3,140
Creation	799	322
Reclassify from long-term to short-term	50,338	0
Reversal because of receivable write-off	831	100
Reversal because of full or partial collection	254	4
Balance as at 31 December 2013	58,987	3,358



13 OTHER RECEIVABLES AND ASSETS

	31 December 2013	31 December 2012
Other receivables	2,528	3,293
State receivables	86,472	35,970
Allowances for receivables	-494	-483
Prepaid expenses	2,319	1,501
Total other receivables	90,825	40,281

Other receivables increased mainly due to claim for capital subsidies for capital liabilities (Note 5, Note 10, Note 22).

Progress in allowances for other receivables:

Balance as at 31 December 2012	483
Creation	30
Reversal because of receivables write-off	10
Reversal because of full or partial collection	9
Balance as at 31 December 2013	494

14 CASH AND CASH EQUIVALENTS

	31 December 2013	31 December 2012
Cash on hand	733	311
Cash in bank	2,014	1,029
Short-term deposit	101,926	156,844
Total cash and cash equivalents	104,673	158,184

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

	31 December 2013	31 December 2012
Cash and cash equivalents	104,673	158,184
Credit cards	-2	-1
Total cash and cash equivalents	104,671	158,183

Interest rates on current accounts range from 0.00 % p. a. up to 0.25 % p. a., those on short-term deposits from 0.12 % p. a. up to 1.50 % p. a.. Temporarily free funds are recovered in banks and branches of foreign banks in the Slovak Republic.

15 REGISTERED CAPITAL

Registered capital is in the amount of € 800,170 thousand (as at 31 December 2012: € 800,170 thousand) and unregistered changes in capital are in the amount of € -39,833 thousand (as at 31 December 2012: € -39,833 thousand).

Based on the Administrative Board Decision dated 27 March 2013 profit from previous accounting period in the amount of € 15,643 thousand was used to creation of Legal reserve fund in the amount of € 783 thousand, to allocation to social fund in the amount of € 1,000 thousand and to retained earnings from previous years in the amount of € 13,861 thousand.

16 LOANS

	31 December 2013	31 December 2012
SHORT-TERM LOANS AND CURRENT PORTION OF LONG-TERM LOANS		
6ME + margin, maturity 15 August 2013	0	32,175
6ME + margin, maturity 20 May 2014	26,480	0
6ME + margin, maturity 3 October 2014	10,000	0
6ME + margin, maturity 3 October 2014	29,540	0
	66,020	32,175
Interest on loans	792	835
Credit cards	2	1
Short-term finance lease	609	710
Total Short-term loans and current portion of long-term loans	67,423	33,721
LOANS		
Euro		
6ME + margin, maturity 20 May 2014	0	25,868
6ME + margin, maturity 3 October 2014	0	139,791
	0	165,659
Long-term finance lease	334	943
Total Long-term loans	334	166,602
Total loans	67,757	200,323

The Company reports bank loans as at 31 December 2013 in the amount of € 66,812 thousand (as at 31 December 2012: € 198,669 thousand). All loans were bearing interest with floating interest rate from 0.922 % up to 2.327 %. The Company's loans come from reputable banks and branches of foreign banks in the Slovak Republic.

Finance lease is drawn on vehicles and technological equipment with the average lease period 36 months, 48 months and 10 years. 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 2013	31 December 2012	31 December 2013	31 December 2012
Up to 1 year	737	880	609	710
From 1 to 5 years	591	1,283	334	942
5 years and more	0	1	0	1
	1,328	2,164	943	1,653
Less future finance costs	-385	-511	0	0
Present value of minimum lease payments	943	1,653	943	1,653
DISCLOSED IN THE STATEMENT OF FINANCIAL POSITION:				
Short-term finance lease	0	0	609	710
Long-term finance lease	0	0	334	943

Fair value of finance lease liabilities equals their book value.



17 STATE AND EU SUBSIDIES

	31 December 2013	31 December 2012
Investment subsidies from EU - State Budget funds	160,676	142,284
Investment subsidies from EU - EU funds	659,145	564,899
Investment subsidies - ISPA program - State Budget funds	129,784	138,112
Investment subsidies - ISPA program - EU funds	76,224	84,659
Investment subsidies - others	279,969	276,775
Subsidy - share repurchase	1,525	1,525
Investment subsidy - claim	72,583	31,560
Total state and EU subsidies	1,379,906	1,239,814
of which short-term portion	61,924	56,650

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

18 ACCRUALS

	31 December 2013	31 December 2012
Received free of charge depreciable non-current asset	16,967	9,088
Other accrued income	505	408
Prepaid expenses	26	55
Total accruals	17,498	9,551



19 PROVISIONS

	31 December 2013	31 December 2012
Environmental burden	44,781	45,668
of which short-term portion	834	834
Legal claims	2,614	2,542
Provisions for demolition of buildings	508	575
Total provisions	47,903	48,785

Progress in provisions:

	Environmental burden provision	Provision for legal claims	Provisions for demolition of buildings	Total provisions
Balance as at 31 December 2012	45,668	2,542	575	48,785
Creation	-7	149	355	497
Interest expense	272	0	0	272
Cancellation as not justified	0	6	5	11
Reversal due to provision drawing	1,152	71	417	1,640
Balance as at 31 December 2013	44,781	2,614	508	47,903

Environmental burden provision

In accordance with environmental rules the Company performed revision of created provision. In 2013, 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 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 2013 (as at 31 December 2012: 3.0 %).

Environmental burden provision as at 31 December 2013 is in the amount of € 44,781 thousand (as at 31 December 2012: € 45,668 thousand).

Interests from discounting are in the amount of € 272 thousand (as at 31 December 2012: € 332 thousand).

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 internal 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 € 2,614 thousand (as at 31 December 2012: € 2,542 thousand).

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



Provision for demolition of buildings

In accordance with the principles for provisions, as at 31 December 2013 the Company recorded provision in the amount of future costs for demolition of buildings and operating equipment where there is obligation to perform demolition due to decision to dispose of building. Decisions to dispose of buildings are authorized by Railway Regulatory Authority as a special construction authority for construction of railways.

The amount of provision has been determined on the basis of an expert estimate of costs to perform demolition, including related costs for landscaping. Provision as at 31 December 2013 is in the amount of € 508 thousand (as at 31 December 2012: € 575 thousand).

Provision relates to buildings - objects such as guard houses, railway stations, warehouses, signal boxes, traction lines and others whose poor technical conditions does not enable its operational use, moreover threatens public safety. Its disposal will be carried out by own activity (gradual dismantling, using the mechanism) or by supplier – authorized person providing professional leadership and hazardous waste disposal (e.g. asbestos etc.).

20 EMPLOYEE BENEFITS

	31 December 2013	31 December 2012
Employee benefit	31,963	28,486
of which short-term portion	2,047	1,514
Total employee benefit	31,963	28,486

Progress in employee benefit:

	Year 2013	Year 2012 modified
Balance as at 1 January	28,486	24,959
Creation	3,159	2,084
of which creation of short-term provision	2,047	1,514
of which creation of long-term provision	1,112	570
Reversal due to provision drawing	1,514	1,144
Remeasurement of post-employment benefit	1,832	2,587
Balance as at 31 December	31,963	28,486

Employee benefit provision

As at 31 December 2013 the Company recorded a provision in the amount of € 31,963 thousand (as at 31 December 2012: € 28,486 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 29).

The Company has programs with pre-set benefits based on which pays out a one-off retirement bonus amounting to € 90 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	3.5 % p. a.
Future salary increases	in 2014 by 3.0 % p. a., in 2015 by 2.1 % p. a. and in subsequent years by 2.3 % p. a.
Mortality	Mortality of the Slovak population based on the mortality tables issued by the Statistical office of the Slovak Republic from 2008-2012

Costs of health and social insurance, resulting from the laws amendments 461/2003 Coll. and 580/2004 Coll. effective from 1 January 2013, are part of the calculated values of liabilities.

Description of the risks

The Company has no assets to cover liability and thus avoids the risk of investing funds, on the other hand, there is no valorisation of assets to cover liabilities.

Amount of sensitivity of „employment benefits“ to assumptions

- change in discount by +100bps for all subsequent years, provided that the other assumptions in calculation remain unchanged, results in decrease of liability by 8.59 %
- change in wage by +100bps for all subsequent years, provided that the other assumptions in calculation remain unchanged, results in increase of liability by 1.94 %
- decrease of fluctuation by 10 % for all subsequent years, provided that the other assumptions in calculation remain unchanged, results in increase of liability by 0.85 %
- decrease in mortality assumptions by 10 % for all subsequent years, provided that the other assumptions in calculation remain unchanged, results in increase of liability by 1.04 %

The structure of employee benefit costs

	Employment benefits	Post employment benefits	Total
Balance as at 31 December 2012	5,460	23,026	28,486
Current and past service cost	231	2,351	2,582
current service cost	231	947	1,178
past service cost	0	1,404	1,404
Interest expense	208	874	1,082
Remeasurements	120	1,833	1,953
- changes in demographic assumptions	30	219	249
- changes in financial assumptions	109	1,202	1,311
- resulting from practice	-19	412	393
Payments program (benefits paid)	-552	-1,588	-2,140
Balance as at 31 December 2013	5,467	26,496	31,963

The average maturity of employment benefits is 7.12 years and the average maturity of post-employment benefits is 9.54 years.





21 OTHER NON-CURRENT LIABILITIES

	31 December 2013	31 December 2012
Social fund liabilities	1,398	615
Other non-current liabilities	7,415	12,351
Total other non-current liabilities	8,813	12,966

Other non-current liabilities decreased by € 4,936 thousand due to reclassify long-term retained sums under contracts of work that will be paid after completion and delivery structures for use.

Structure of social fund:

	2013	2012
Balance of fund as at 1 January	615	1,284
Creation	2,350	1,325
Spending	1,567	1,994
Balance as at 31 December	1,398	615

22 CURRENT TRADE PAYABLES

	31 December 2013	31 December 2012
Trade payables	147,379	106,015
Advances received	691	1,275
Other payables	1,626	3,250
Total current payables	149,696	110,540

Current payables increased by € 39,156 thousand due to increase from investing activities.

23 PAYABLES TO PUBLIC INSTITUTIONS

	31 December 2013	31 December 2012
Payables to insurance companies	7,010	7,027
Payables to tax authorities	1,314	1,333
Total payables to public institutions	8,324	8,360

24 OTHER PAYABLES

	31 December 2013	31 December 2012
Employees	13,532	13,527
Other payables	74,190	118
Total other payables	87,722	13,645

Other payables includes Company's liability based on the Government Resolution No. 390/2013 and Contract on compensation according to which the Company will pay claims of rail freight carriers in 2014.

25 RAILWAY INFRASTRUCTURE OPERATION

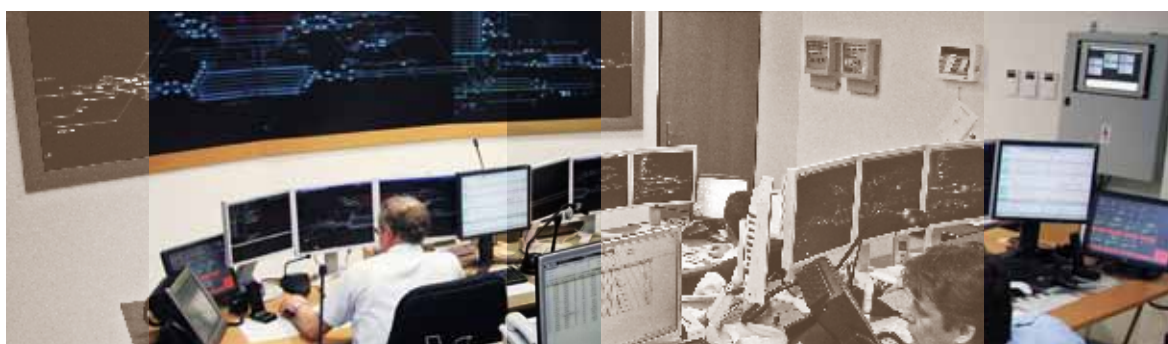
	31 December 2013	31 December 2012
Fees for access to railway infrastructure - cargo transport	46,652	44,413
- passenger transport	45,762	44,620
Total fees for access to railway infrastructure	92,414	89,033

	31 December 2013	31 December 2012
Sales of additional services of railway infrastr. - cargo transport	5,968	5,233
- passenger transport	4,300	5,409
Total sales of additional services of railway infrastructure	10,268	10,642

	31 December 2013	31 December 2012
Subsidies for railway infrastructure operation	260,000	270,000
Claim due to the Operating of the Railway Infrastr. Contract	0	5,333
Total subsidies for railway infrastructure operation	260,000	275,333

26 SALES OF OTHER SERVICES

	31 December 2013	31 December 2012
Sales of trailers turned out and other technical services	2,635	2,966
Sales for heat and steam	2,014	1,890
Sales for training, education	1,015	1,081
Sales of fire prevention and repression	2,780	1,039
Sales of water and sewage charges	731	787
Sales of accommodation services	567	698
Sales of works canteens and catering services	314	478
Sales of lease of movable property	433	439
Revenue from sales of products	95	135
Other services	1,392	1,023
Total sales of other services	11,976	10,536





27 OTHER REVENUES

	31 December 2013	31 December 2012
Changes in work in progress	11	-30
Changes in products	0	-18
Re-earned material	3,556	2,248
Compensation for property damage	711	1,535
Other revenues from economic activities	2,090	2,144
Total other revenues	6,368	5,879

28 SERVICES RECEIVED

	31 December 2013	31 December 2012
Costs of waste disposal	-3,938	-3,868
Costs of cleaning	-3,599	-3,756
Costs of information technology	-1,316	-1,631
Costs for machineries performance with operator	-1,033	-1,621
Costs of complex services and heat installation	-501	-1,245
Paid rent and remuneration	-1,143	-1,232
Costs of diagnostics, metrology, project documentation, experts opinions	-574	-1,158
Costs of telecommunication services	-855	-1,053
Costs for sewage, sludge disposal	-1,029	-1,038
Materiology costs	-1,376	-939
Transportation if not included in the cost	-817	-845
Costs of software and software licences	-75	-743
Guarding, security and investigation services	-874	-763
IT support and consulting costs	-152	-142
of which costs of auditing services	-56	-59
Others	-3,269	-3,498
Total services received	-20,551	-23,532

29 PERSONNEL COSTS

	31 December 2013	31 December 2012 restated
Salary costs	-143,960	-141,302
Social security costs	-54,477	-53,778
Other personnel costs	-13,374	-12,772
Total personnel costs	-211,811	-207,852

Average number of employees during the financial year as at 31 December 2013 was 14,349.971 (as at 31 December 2012: 14,473.829) and the Company employed 14,301 employees as at 31 December 2013 (as at 31 December 2012: 14,421 employees) of which manager employees 651 (as at 31 December 2012: 651).

30 OTHER OPERATING COSTS

	31 December 2013	31 December 2012
- Creation / + Reversal of allowances for receivables	47,400	-10,951
Fare	-3,607	-3,464
Taxes and fees	-2,836	-2,803
+ Profit / - Loss from disposal of non-current assets	-330	2,598
Profit from sale of material	405	859
Creation of legal claims provision	-72	-594
Settlement of provision for environmental burden	1,159	1,138
Other costs and revenues	-2,333	-183
Total other operating costs, net	39,786	-13,400

31 CORPORATE INCOME TAX

A reconciliation of income tax expense computed using 23 % on net loss before taxes to the actual tax expense for the years ended 31 December is as follows:

	31 December 2013	31 December 2012
Profit before tax according to SAS*	65,726	16,909
of which theoretical tax at	23 % 15,117	19 % 3,213
TAX EFFECT OF		
Tax unrecognized costs	23,451	10,963
Non-taxable income	-39,350	-14,387
Deferred tax	-20,877	-695
Tax expense	0	0





	31 December 2013	31 December 2012
temporary differences arising between the tax bases of assets and their carrying amounts, of which:	254,679	173,497
→ deductible	-116,357	-174,503
Allowances for property, plant and equipment	-40,121	-49,056
Allowances for receivables	-68,210	-116,514
Allowances for inventories	-8,026	-8,933
→ taxable	371,036	348,000
Property, Plant and Equipment	362,215	341,923
Income recognized after payment	8,821	6,077
temporary differences arising between the tax bases of liabilities and their carrying amounts, of which:	-81,133	-78,413
→ deductible	-81,133	-78,413
Provisions recorded as expenses	-79,280	-75,825
Provisions recorded in equity	-1,832	-2,587
Cost recognized after payment	-21	-1
→ taxable	0	0
Possibility to carry forward tax losses in future	78,652	92,063
Tax rate	23 %	19 %
Deferred tax (+assets / -liabilities):		
Deferred tax at valid tax rate, net	-40,337	-18,558
Deferred tax recorded in equity	421	492
Deferred tax from possibility to carry forward tax losses in future	18,090	17,492
Change in income tax rate to	22,%	23,%
Adjustment of deferred tax arising from change in tax rate (+ assets / - liability):		
Adjustment of deferred tax, net	1,754	-3,907
Adjustment of deferred tax recorded in equity	-18	103
Adjustment of deferred tax from possibility to carry forward tax losses in future	-787	3,683
Total deferred tax (+ assets / -liabilities)	-20,877	-695
change in deferred tax liability	-20,182	-695
recorded in income statement	-20,585	-1,290
recorded in equity	403	595

In the period of taxation 2013 the Company disclosed tax loss in the amount of € 3,401 thousand (as at 31 December 2012: € 1,111 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 € 203 thousand was deducted in tax year 2013 (as at 31 December 2012: € 80 thousand). From 1 January 2011, deduction of withholding tax on interest from bank funds is considered as settled and the Company cannot require a refund of the tax. The Company recorded deferred tax asset in equity in the amount of € 403 thousand (as at 31 December 2012: € 595 thousand) and deferred tax liability in the income statement in the amount of € 20,585 thousand (as at 31 December 2012: € 1,290 thousand).

*SAS = Slovak accounting standards

32 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 2014 – 2016 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
2014	678,951	7,983	686,934
2015	357,611	7,820	365,431
2016	167,119	7,820	174,939
Total	1,203,681	23,623	1,227,304

33 CONTINGENT ASSETS AND CONTINGENT LIABILITIES

ŽSR registers legal claims for which is not recorded a provision, where termination of the proceedings not in favor of the Company is less than probable.





34 RELATED PARTY TRANSACTIONS

Based on the volume of realized transactions, the most significant related parties in 2013 were Železničná spoločnosť Slovensko, a. s., and Železničná spoločnosť Cargo Slovakia, a. s. with the State as the sole shareholder. Fees for access to railway infrastructure from these two companies represent 13.40 % (as at 31 December 2012: 13.32 %) and 12.69 % (as at 31 December 2012: 11.76 %) of the total revenues for rendered services (Note 25).

Summary of liabilities and receivables is as follows:

	ZSSK Cargo		ZSSK Slovensko	
	31 December 2013	31 December 2012	31 December 2013	31 December 2012
Liabilities	70,127	532	83	84
Receivables	115,166	110,120	6,202	6,579
Allowances	50,872	104,466	51	0

In accordance with the Operating of the Railway Infrastructure Contract, the Company receives subsidy to cover fixed portion of economic allowed costs (Note 25) under which the Company recorded state receivable (Note 10).

Furthermore, the Company also draws investment subsidies from State (Note 17).

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 2013 is in the amount of € 3,186 thousand (as at 31 December 2012: € 3,073 thousand).

As at 31 December 2013, the Company records receivables from associated company Železničná priemyselná stavebná výroba, Čaňa in the amount of € 3 thousand (as at 31 December 2012: € 2 thousand) for technical services and training, revenues for the year 2013 were in the amount of € 39 thousand (as at 31 December 2012: € 24 thousand). As at 31 December 2013 and as at 31 December 2012 the Company records no liabilities to this company (Note 9).

In 2013 the Company paid out employee benefits in the amount of € 499 thousand (in 2012: € 562 thousand) to the key management of the Company, of this Administrative Board in the amount of € 27 thousand (as at 31 December 2012: € 103 thousand); to the former members in the amount of € 57 thousand.

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 10, Note 13, Note 17, Note 23, Note 25).



35 EVENTS AFTER THE REPORTING PERIOD

In January 2014, offsetting was realized based on the Appendix No. 2 to Payables Settlement Agreement between ŽSR and Železničná spoločnosť Cargo Slovakia, a. s. in the amount of € 57,947 thousand.

36 APPROVAL OF FINANCIAL STATEMENTS

Financial statements in notes 1 to 36 were prepared and signed on behalf of the Company on 28 February 2014:

STATUTORY AUTHORITY
OF THE ENTITY



Ing. Štefan Hlinka
General Director

PERSON RESPONSIBLE FOR
BOOKKEEPING



Ing. Jana Krupcová
Director of financing, bookkeeping
and tax division

PERSON RESPONSIBLE FOR
PREPARATION OF THE
FINANCIAL STATEMENTS



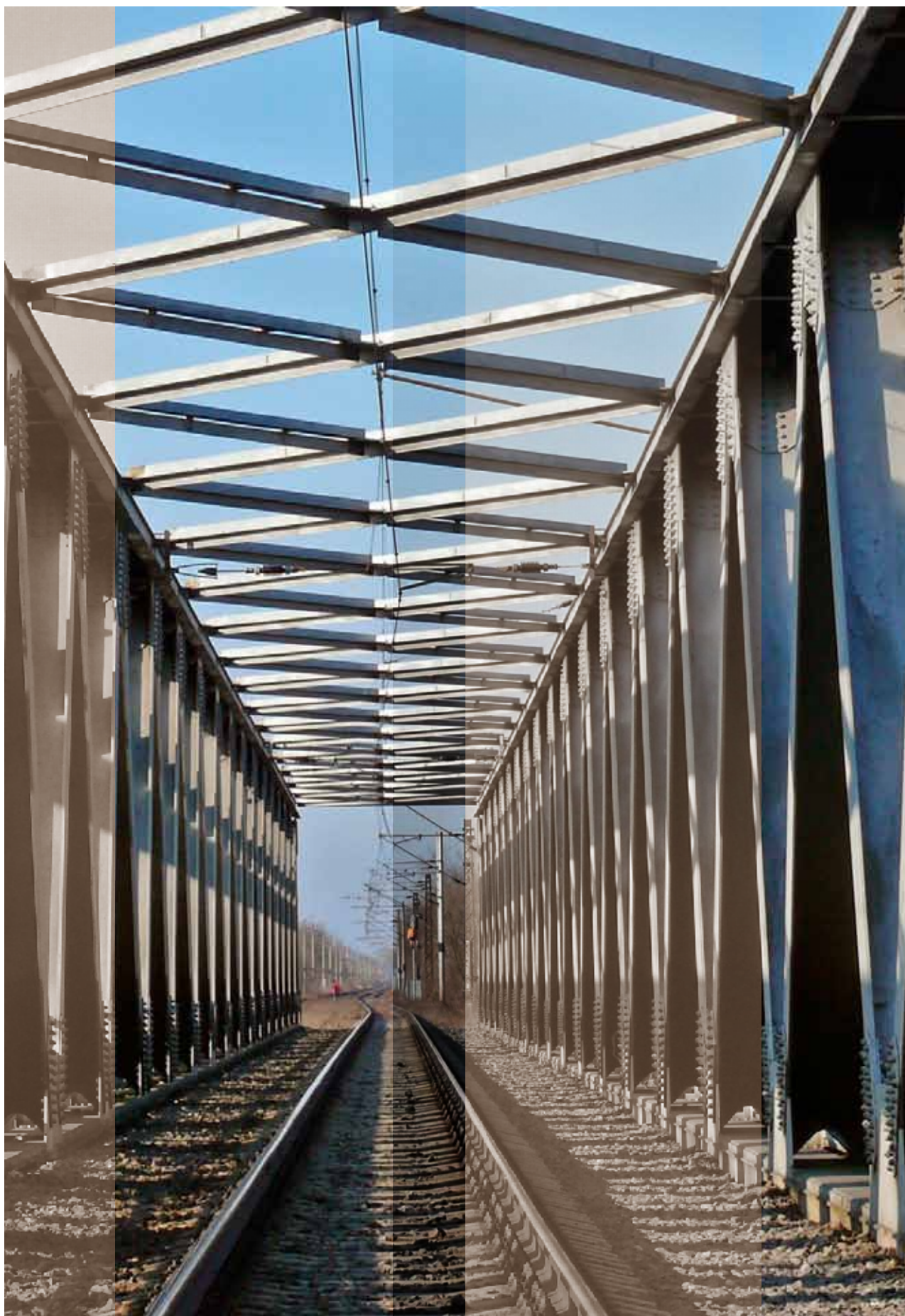
Milota Šnegoňová
Department manager of statistics
and reporting





LIST OF SIGNS AND ABBREVIATIONS

a.s.	Joint stock company
BOZP	Health and Safety Protection at Work
CER	Community of European Railway and Infrastructure Companies
ČR	Czech Republic
DHM	Fixed tangible assets
DNM	Fixed intangible assets
DSP	Documentation for construction permission
DVZ	Documentation for contractor selection
DÚR	Documentation for planning decision
EIA	Environment impact assessment
EON	Economically eligible costs
EOV	Economically eligible revenues
ERDF	European Regional Development Fund
ERTMS	European Rail Traffic Management System
EÚ	European Union
GR ŽSR	General Directorate of Železnice Slovenskej republiky
GVD	Train Traffic Diagram
hrtkm	Gross-ton kilometre
IEC	International Electro technical Commission
IDS BSK	Integrated Transport System of Bratislava Region
KF	Cohesion Fund
MDVRR SR	Ministry of Transport, Construction and Regional Development of the Slovak Republic
MF SR	Ministry of Finance of the Slovak Republic
MZV	Extraordinary water quality deterioration – abbreviation is in terms of Decree of The Ministry of Environment of the SR
ND	Freight transport
NR SR	National Council of the Slovak Republic
OD	Passenger transport
OSŽD	Organization for Co-operation between Railways
PEÚ	pre-electrification modifications
STN	Slovak Technical Standard
v.j.	Switching unit
VH	business result
vtkm	Train-kilometre
VOJ ŽSR	Internal Organizational Unit of Železnice Slovenskej republiky
SR	Slovak Republic
ŠD	State Grants
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
ZC	Residual Value
ZPŽI	Agreement on Operation of Railway Infrastructure
ŽI	Railway Infrastructure
ŽSR	Železnice Slovenskej republiky
žst.	Railway station
ŽV	Rolling stock





CONTACT INFORMATION

ŽSR - Directorate General
Klemensova 8
813 61 Bratislava
Slovak Republic

Tel.: 00421/2/20 29 11 11
Fax: 00421/2/20 29 47 00
E-mail: gr@zsr.sk
www.zsr.sk

