



ŽELEZNICE
SLOVENSKEJ
REPUBLIKY

ANNUAL REPORT 2015





Contents

Foreword by the Director General	4
Company Profile	6
Company Strategy	6
Statutory Bodies	7
Information on situation and development of ŽSR	8
I. Operation of the railway infrastructure	8
a) Contract for the operation of railway infrastructure - balance	8
b) Charges for the access to railway infrastructure	9
c) Railway infrastructure	11
II. Economic and Financial Indicators	13
a) Business Result of ŽSR	13
b) Structure of capital participation in companies as of 31 December 2015	14
c) Financial indicators	15
III. Human Resources	16
IV. Safety	18
V. Research and Development	19
VI. Environment Protection	20
VII. Important events - Milestones 2015	21
VIII. Settlement of the business result 2015	23
IX. Report on compliance of the annual report and the financial statement	24
Separate Financial Statement	27

Foreword by the Director General

Dear Ladies and Gentlemen!

Our business can be understood as a long term activity which has recently been exposed to significant changes and influences. These has resulted in implementation of measures particularly aimed at accelerating and enhancing the quality of international carriage of goods, increasing the extent of both transportation by rail and intermodal transport, improving the safety and quality parameters of railway infrastructure and reducing negative environmental impacts. Sensible implementation of legislative changes, maximum utilization of available financial schemes, elimination of infrastructure bottlenecks and concurrently the modernization of rail infrastructure is necessary to maintain and develop the company's business activities.

The 2015 can be considered as a successful year. I think that even under difficult conditions we managed to fulfil three key objectives set for the year as to successfully complete the Operational Programme Transport 2007-2013 in material and financial terms, successfully launch the follow-up Operational Programme Integrated Infrastructure 2014-2020 and maintain financial stability of the company. ŽSR fulfilling the responsibility as infrastructure manager ensured the operation in accordance with the requirements of the contract for provision of railway infrastructure and at the same time we reported a profit for 2015. We uphold a repute as financially stable and responsible partner.

In 2015 the area of investments was very important. It was based on priorities of ŽSR and mainly driven by high-level policies defined by the Government of the Slovak Republic. Under the Operational Programme Transport 2007-2013 we had successfully completed 35 projects funded by the EU and by the state budget in total amount of 1.1 billion EUR. In 2015 we managed to draw the highest ever amount allocated from the state budget totalling 115.6 million EUR used to finance modernization of corridors, preparation of projects and property settlement of structures. In overall, we invested 407 million EUR from internal and public resources in 2015. Although some negative perceptions associated with these activities concern train delays, longer journey times, dug locations of railway precinct, land take and noise during construction works, I believe that the near future will fully show all positive aspects of modernization such as faster transport connections, operational safety and quality improvement and overall enhancement of standards of all infrastructure elements.

The finalization of Operational Programme Transport largely relates to successful completion of railway track modernization in the section Beluša - Púchov and modernization of the section Považská Teplá - Žilina, traffic control centre was established in Púchov which enables remote control of track section Trenčianska Teplá - Púchov and after completion of modernization the centre will control railway traffic on the railway line between Nové Mesto nad Váhom and Žilina. We implemented Intermodal Transport Terminal in Žilina and Integrated Passenger Transport Terminal in Moldava nad Bodvou. We carried out GSMR and ETCS implementation on the railway line Bratislava - Žilina - Čadca - state border. This also applies to the preparation of constructions "Railway node Žilina", track electrification Haniska pri Košiciach - Moldava nad Bodvou and track modernization Krásno - Čadca - state border. ŽSR in accordance with EU regulations has been actively involved in establishment of international rail freight corridors, RFC 5 (connecting the Baltic Sea and the Adriatic Sea), RFC 7 (connecting Central Europe with the Black Sea and Aegean Sea ports) and RFC 9 (so called Czech-Slovak Corridor: Praha - Žilina - state border with Ukraine).

For a new Operational Programme Integrated Infrastructure 2014-2020 we managed to finalize from our side every necessary basic preparatory documents, provide all the necessary actions for the transition of projects in progress from previous Operational Programme Transport to a new Operational Programme Integrated Infrastructure. Particular attention was paid to the process of education of our employees. In connection with the adopted legislation ŽSR actively entered in the process of dual education. The Collective Agreement of ŽSR effective up to 31 December 2016 was signed in March 2015 between representatives of twelve trade unions and ŽSR. The Agreement has brought ŽSR employees the average salary increase of 2.5%, differentiated by internal organizational units. All the social benefits, reconditioning stays and other benefits are maintained. Also the area of human resources is of a great challenge for ŽSR in the coming periods.

I would like to take this opportunity to thank all employees of ŽSR as well as partner railway companies and business partners for good cooperation, constructive negotiations in achieving a common objective – to ensure the operation of safe and good quality railway infrastructure.



Dipl. Ing. Dušan Šefčík
Director General, ŽSR

Company Profile

ŽSR was established by the Act No. 258/1993 Coll. on Železnice Slovenskej republiky. The company is incorporated in the Commercial Code of District Court Bratislava I, Section Po, Insert 312/B.

In terms of the Act No. 513/2009 Coll. on Railroads and on amendments of some acts as amended by later regulations, Act No. 433/2010 Coll., Act No. 547/2010 Coll., Act No. 393/2011 Coll., Act No. 547/2011 Coll., Act No. 352/2013 Coll., Act No. 402/2013 Coll., Act No. 432/2013 Coll. and Act No. 152/2014 Coll., Act No. 259/2015 Coll., which amend and supplement Act No. 513/2009 Coll., Železnice Slovenskej republiky carries out especially the activities related to operation of the railway infrastructure, the traffic management on railroads and the operability of railroads.

Company Strategy

Mission

Manage and develop the railway infrastructure in accordance with customer demands.

Provide infrastructure for reliable and safe rail passenger and rail freight 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 objectives

- Balanced business result
- Modern infrastructure
- Effective traffic management
- Effective maintenance
- Effective railway infrastructure and internal processes administration

Background and objectives of the Strategy of ŽSR have been continuously updated upon changing external and internal environment in present times. The Strategy of ŽSR is built around applicable national and European legislation, and also driven by demands of the Ministry of Transport, Construction and Regional Development of the Slovak Republic as well as customer demands and internal vision of ŽSR.

Statutory Bodies

The statutory bodies of ŽSR in terms of the provisions of Article 4 and Article 5 of the Act No. 258/1993 Coll. on Železnice Slovenskej republiky as amended by the Act No. 152/1997 Coll. and the Act 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 2015

Ing. Štefan HLINKA

Chairman of the Governing Board

Ing. Martin ČATLOŠ

Vice-Chairman of the Governing Board

Ing. Vladimír LUPTÁK

Member of the Governing Board

Ing. Radovan MAJERSKÝ, PhD.

Member of the Governing Board

Ing. Darina FABUĽOVÁ

Member of the Governing Board

Board of Directors

Composition as of 31 December 2015

Ing. Dušan ŠEFČÍK

Director General

Ing. Jozef VESELKA

Deputy Director-General for Development and IT

Ing. Rastislav GLASA

Deputy Director-General for Economy

Bc. Milan KUBIČEK

Deputy Director-General for Operation

Ing. Ján ŽAČKO

Deputy Director-General for Human Resources

Ing. Anton KUKUČKA

Director of the Office of Director-General



Information on the situation and the development of ŽSR

I. Operation of the railway infrastructure

a) Contract for the provision of railway infrastructure – balance

In 2015, the operation of railway infrastructure was performed in compliance with the Contract for the provision of railway infrastructure for 2014-2016 concluded on 23 December 2013 between ŽSR and the Ministry of Transport, Construction and Regional Development of the Slovak Republic, and its Supplement No. 1 of 23 December 2014.

Comparison of the contract parameters:

Contract - balance (thou. EUR)	2015*	2014
Costs (total Economically eligible costs)	352,096	346,243
<i>thereof: Fixed costs</i>	254,561	255,377
<i>Variable costs</i>	101,860	90,866
<i>Settlement of value adjustments</i>	-4,325	0
Revenues (total Economically eligible revenues)	352,115	346,286
<i>thereof: State budget settlement of fixed part of EEC</i>	250,000	250,000
<i>Settlement for rail infrastructure utilisation</i>	79,401	73,698
<i>Compensation in terms of Resolution No. 390/2013</i>	22,478	22,478
+ Profit/ - Loss	19	43

* Figures presented in the table are audited and subject to protocol evaluation.

Financing of fixed economically eligible costs was provided under the contract for the provision of railway infrastructure and covered by the state budget. In year-on-year comparison subsidy for fixed economically eligible costs has not been changed.

Variable economically eligible costs were covered by railway undertakings in the form of payments for access to the railway infrastructure in accordance with valid regulatory framework and compensation due to reduced railway infrastructure charges under the Government Resolution No. 390/2013.



b) Charges for the access to railway infrastructure

Charging scheme for the access to railway 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.

The amount of revenues from charges for access to the railway infrastructure was significantly influenced by introduction of new rules on charges for the access to railway infrastructure under the Slovak Government Resolution No. 390/2013 regarding the application of "Proposal of measures to consolidate railway freight transport of the Slovak Republic" and "Contract on compensation and financial implications for rail freight undertakings for 2010" concluded between the Ministry of Transport, Construction and Regional Development of the Slovak Republic and ŽSR. On the basis of these documents and in compliance with Article III. of the Contract for provision of railway infrastructure, ŽSR applies and approves a compensation towards the Ministry of Transport, Construction and Regional Development of the Slovak Republic associated with a reduction in access charges to railway infrastructure provided by the owner of the infrastructure. The resolution was adopted on 10 July 2013 and shall be valid until 31 December 2016.

Charge (thou. EUR) / Period	2015	2014
Total	101,879	96,176
<i>thereof Compensation for reduction of charges</i>	<i>22,478</i>	<i>22,478</i>
thereof: Železničná spoločnosť Slovensko, a.s.	48,008	45,892
Železničná spoločnosť Cargo Slovakia, a.s.	40,689	40,556
other undertakings	13,182	9,728
<i>thereof Passenger transport</i>	<i>4,162</i>	<i>1,699</i>
<i>Freight transport</i>	<i>9,020</i>	<i>8,029</i>

The data in the table concerning the undertakings shall also include compensation from reduction in charges for access to the railway infrastructure in freight transport.

In 2015, ŽSR reported revenues from the charges for the access to railway infrastructure in the amount of 79,401 thou. EUR and compensation for reduction of charge amounts to 22,478 thou. EUR. Charges for the access to railway infrastructure including a compensation report a share of 55.73 % on total revenues for own performances and goods, and 21.56 % on total revenues. In year-on-year comparison we report increase of 5,703 thou. EUR, thereof in passenger transport increase of 4,579 thou. EUR, in freight transport increase of 1,124 thou. EUR. In passenger transport the increase was in general equally contributed by ZSSK Slovensko and RegioJet on railway lines Bratislava – Košice; Štúrovo state border – Kúty state border; Bratislava – Šurany – Zvolen. In freight transport the increase was in general equally contributed by ZSSK CARGO and other private undertakings, in particular on the railway lines Bratislava – Košice; Štúrovo state border – Kúty state border.

The railway infrastructure is operated on a non-discriminatory basis and access right are available to all qualifying undertakings. In 2015, the services of railway infrastructure were provided to 42 railways undertaking as follows:

- 7 passenger rail undertakings,
- 35 freight rail undertakings.



Railway undertakings' performances

From the perspective of year-on-year development as compared to 2014 the number of passenger undertakings was increased by one and the number of freight undertakings was decreased by two. Year-on-year increase transport performances represents 2,969 thou. trkm.

In passenger transport the increase represents 2,514 thou. trkm, particularly operators RegioJet (increase of 1,234 thou. trkm), ZSSK Slovensko (increase of 1,076 thou. trkm) and Leo Express (increase of 200 thou. trkm). This trend reflects the necessity to cover increased demand for ZSSK Slovensko passenger services in connection with implementation of measures in terms of the Slovak Government Resolution on zero-fare public rail transport services for pupils, full-time students and retired persons effective from 17 November 2014.

Increase in passenger transport performances on growth in total transport performance amounted to 84.7 % as a result of increase of passenger trains, primarily RegioJet as for the number and weight of trains. Favourable development of these performances is threatened in the future by cancellation of IC train services of ZSSK Slovensko since 18 January 2016, which has not been fully supplemented.

Development of performance in freight transport has been stable in year-on-year comparison. Mainly due to application of state compensation of financial implications in terms of the Government Resolution No. 390/2013 and the Contract on compensation and financial implications for rail freight undertakings for 2010 and its stimulating influence. Modest growth by 454 thou. trkm is associated with a higher amount of transported goods. Maintaining the conditional stability is time limited by fulfilment of provisions of the referred resolution in 2016 and an expected decline in traffic performance due to several month crisis in the steel industry.

Performance / Period		2015	2014	Annual increase in %
Passenger transport	(thou. trkm)	34,590	32,075	7.84
	(mil. grtkm)	10,176	8,746	16.35
Freight transport	(thou. trkm)	14,673	14,219	3.20
	(mil. grtkm)	18,453	17,981	2.62
Total	(thou. trkm)	49,263	46,294	6.41
	(mil. grtkm)	28,629	26,727	7.12



c) Railway infrastructure

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

Parameter/Year	2015	2014
RAILWAY TRACKS AND STRUCTURES		
<i>Construction length of operated lines (km)</i>	3,581	3,582
<i>Construction length of managed lines (km)</i>	3,626	3,627
<i>Construction length of lines (km)</i>	6,871	6,872
Number of switches	8,459	8,448
Number of bridges	2,297	2,314
<i>Total length of bridges (m)</i>	51,205	51,555
Number of tunnels	76	76
<i>Total length of tunnels (m)</i>	45,004	45,004

Year-on-year difference in construction length of lines and tracks is due to modernization, complex reconstructions, cancellation and transfer of assets:

- Intermodal Transport Terminal Žilina was completed in 2015 in the length of 1.589 km;
- Decision of the Ministry of Transport, Construction and Regional Development of SR No. 20545/2015/C350-SŽDD of 18 November 2015, cancelling the part of secondary line in the section Kozárovce - Lužianky - Dražovce of length 1.580 km. Remaining part of the section in length of 0.721 km has been put into administration of Regional Directorate Trnava as a station track.

Figures indicated for "Construction length of managed lines" include the lines with suspended service due to poor technical condition. Non-operated lines with a total length of 45.544 km include:

- Turňa nad Bodvou – MÁV 3.139 km;
- Komárno – Kolárovo 25.908 km;
- Žabokrecká spojka 1.279 km;
- Plavecký Mikuláš – Plavecké Podhradie including operating post Plavecký Mikuláš 5.395 km;
- Breznička – Katarínska Huta 9.823 km (operation suspended in 2014).

In 2014, operation resumed of the track section Michalany – Lastovce (Michalany junction) in the length of 0.719 km therefore its length in 2014 was included in "Total construction length of lines".

Figures do not include construction lengths of cancelled lines: Devínske Jazero - Stupava, Rimavská Sobota - Poltár and Košice Children's Historical Railway – Čermel'ka cancelled in 2014.

Different number of bridges and its length as compared with 2014 are caused by the change in methodology for assessing constructions of parallel bridges.



Parameter/Year	2015	2014
SIGNALLING SYSTEMS		
Track signalling systems		
<i>Automatic block (km)</i>	541	552
<i>Automatic block system (km)</i>	520	495
<i>Semi-automatic block (km)</i>	585	612
<i>Lines with telephone communication system (km)</i>	1,580	1,546
Station signalling systems (no.)	474	471
Remote controlled interlocking operated by dispatcher (km)	377	361
Train signalling systems (km)	762	748
Level crossings (no.)	2,112	2,131
Hump signalling systems (no.)	225	240

Year-on-year changes in figures “Track signalling systems” and “Station signalling systems” result from the corridor development and changes in the organization of the transport operation of ŽSR within systemizing of operating posts.

Parameter/Year	2015	2014
ELECTRICAL INSTALLATIONS		
Electrified lines (km)	1,587	1,586
Extended length of catenary (km)	4,843	5,008
Power and switching stations (no.)	92	92

Parameter/Year	2015	2014
OPERATING POSTS ON ŽSR INFRASTRUCTURE		
Operating posts Total	1,020	1,022
Operating posts manned/unmanned	379/641	434/588
thereof:		
Railway stations	300	304
Border-crossing stations	22	22
<i>Other operating posts (signals, derivations, passing loops, stops, transshipment yards, block-signal positions, operating posts under ŽSR Regulation Z1 and others)</i>	698	696



II. Economic and Financial Indicators

a) Business Result of ŽSR

ŽSR achieved in 2015 a positive financial result. Year-on-year development of costs was significantly influenced in 2015 by settlement of provision for impairment for a receivable of ŽS Cargo Slovakia, a.s. in the amount of 15,000 thou. EUR in terms of the Slovak Government Resolution No. 390/2013 and Supplement No. 3 to the Agreement on recognition of liabilities.

Year-on-year development in revenues was affected by increase in revenues from undertakings of the charges for access to the railway infrastructure and increase in revenues from sale of traction current related to increase of transport volumes. This trend in passenger transport was influenced by introduction of new passenger train services for the Timetable 2014/2015 and the Timetable 2015/2016 in terms of the Slovak Government Resolution on zero-fare public rail transport services for pupils, full-time students and retired persons effective from 17 November 2014 and in freight transport application of measures in terms of Slovak Government Resolution No. 390/2013.

<i>(thou. EUR)</i>	2015	2014
Costs	453,085	454,413
Revenues	470,274	459,245
Business result (+ profit, - loss)	17,189	4,832
Other comprehensive income components	-1,295	-1,585
Other comprehensive income (+ Profit,- Loss)	15,894	3,247

Note: Cost and revenues figures for 2014 were retrospectively changed because of modification, respectively rearrangement of items in the statement of comprehensive results in 2015.

Long-term assets increased by 126,272 thou. EUR as compared to the previous year mainly due to procurement of long-term tangible assets, while short-term assets increased by 4,721 thou. EUR as compared to the previous year.

Assets of 31 December (thou. EUR)	2015	2014
Long-term assets	3,392,217	3,265,945
thereof:		
<i>Long-term tangible assets</i>	3,276,875	3,153,391
Short-term assets	107,421	102,700
thereof:		
<i>Short-term receivables from commercial activity</i>	13,473	14,278
<i>Inventories</i>	7,692	9,351
<i>Cash and Cash Equivalents</i>	35,356	62,012
Total Assets	3,499,638	3,368,645



Long-term liabilities compared to the previous year increased by 192,698 thou. EUR, which was mainly due to refinancing and loan recognition within long-term liabilities. Current liabilities decreased by 83,575 thou. EUR as compared to 31 December 2014 as for an obligation payment for the project Zlatovce - Trenčianska Teplá and decrease in investment obligations and settlement of subsidies into revenues.

Liabilities as of 31 December (thou. EUR)	2015	2014
Equity	1,648,189	1,626 319
thereof		
<i>Registered capital</i>	760,234	760,234
<i>Capital funds</i>	496,451	489,238
Long-term liabilities	1,674,807	1,482,109
thereof		
<i>Loans, State and EU subsidies</i>	1,551,584	1,373,522
Short-term liabilities	176,642	260,217
thereof		
<i>Short-term liabilities from commercial activity</i>	73,461	99,283
Total Liabilities	3,499,638	3,368,645

b) Structure of capital participation in companies as of 31 December 2015

Company	Share of equity (%)
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 (the Netherlands)	4.00

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



c) Financial indicators

as of 31 December	2015	2014
Business result	17,189 thou. EUR	4,832 thou. EUR
Liquidity Indicators		
Current liquidity	1.93	1.02
Total liquidity – average	2.08	1.12
Expenditure Indicators		
Expenditures	96.34 %	98.95 %
Salary expenditures	31.88 %	31.94 %
Indebtedness Indicators		
Self-financing indicators	85.22 %	82.25 %
Total indebtedness	14.78 %	17.75 %
Debt-to-equity ratio	17.34 %	21.57 %
Labour Productivity Indicator		
From revenues	33,547 €/employee	32,521 €/employee
From performance	3,514 trkm/empl.	3,281 trkm/empl.

The change in the both liquidity ratios was due to a decrease in the volume of funds and assets. Although the liquidity of ŽSR depends on balance of financial assets, but in a far greater extent on the future cash flows. Liquidity ratios are significantly influenced as at least 50% of the reported liabilities will be paid from the state budget provided in the form of current and capital subsidies.



III. Human Resources

Development of employment in 2015 as regard number of employees had stable and only slightly declining tendency.

Development of employment	2015	2014	Difference (2015 - 2014)	Difference %
Registered headcount as of 31 December	14,066	14,110	-44	-0.31
Average converted number of employees	14,018	14,109	-91	-0.65

ŽSR in 2015 continued to implement „Adaptation programme for graduates of selected schools“ and enrolled 80 graduates. Enrolment of graduates and their stabilization in ŽSR positively influences age and educational structure of ŽSR's workforce.

Age structure

Age structure of employees as of 31.12.	2015	% share of employees	2014	% share of employees
up to 20 years	24	0.17	23	0.16
20 - 29 years	1,247	8.87	1,091	7.73
30 - 39 years	2,129	15.14	2,298	16.29
40 - 49 years	4,679	33.26	4,780	33.88
50 - 59 years	5,257	37.37	5,305	37.60
over 60 years	730	5.19	613	4.34
ŽSR total	14,066	100.00	14,110	100.00

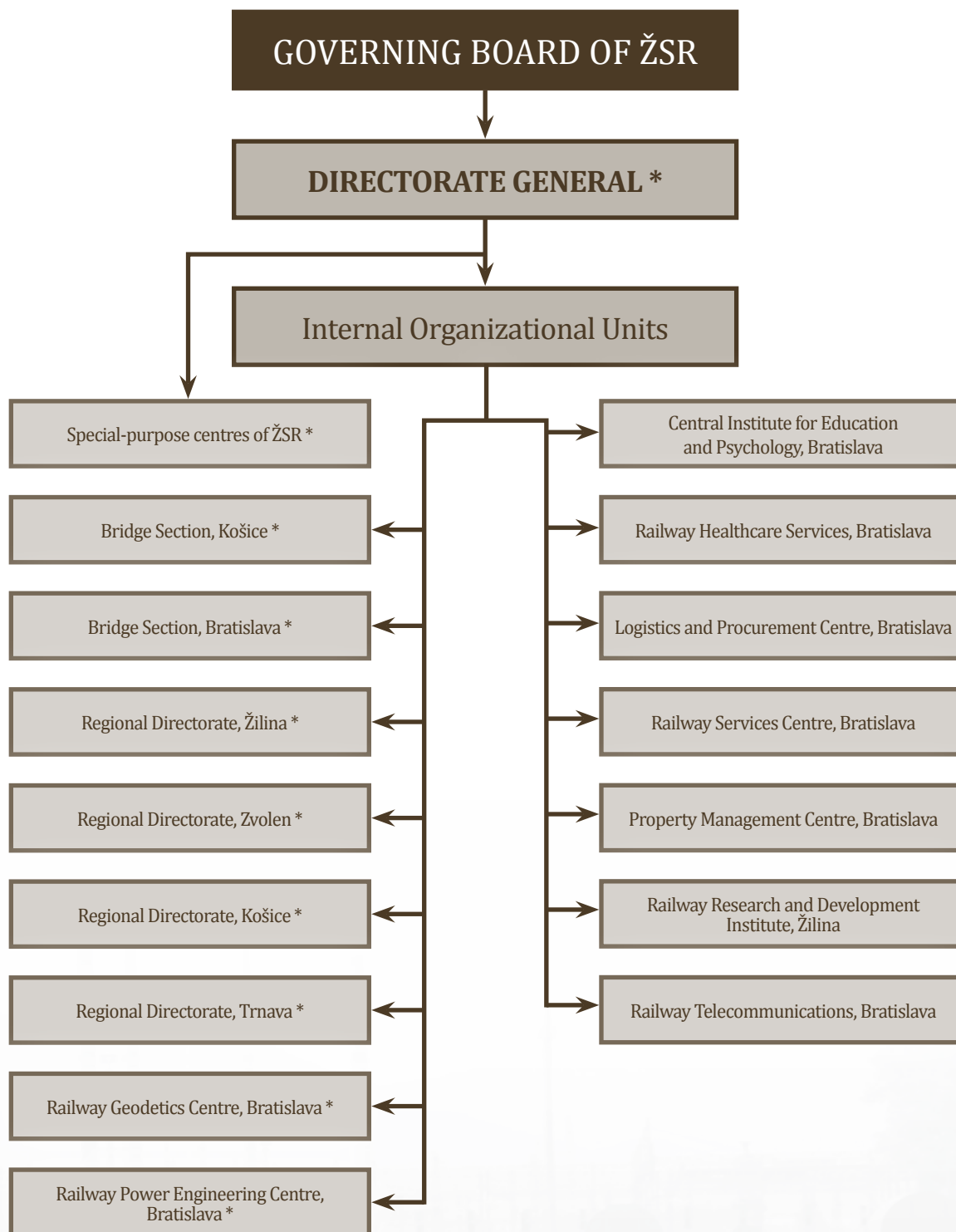
Average age of ŽSR's employee was 46.44 years. Increase of employees in age group 20 - 29 was affected by recruitment of graduates. Also there was increase of employees in age group over 60 (+1 %) and decrease of employees in age group 30 - 49 (-2%).

Education structure

Education structure of employees as of 31.12.	2015	2014
Elementary education	417	471
Secondary education	3,762	3,883
Complete secondary education	7,397	7,349
University education	2,490	2,407
ŽSR total	14,066	14,110

Education structure of employment reports increased share of employees with university education and complete secondary education (+1 %). It is affected by recruitment of graduates but also due to enhanced employees' qualification by distance studying.

Organizational Structure of Železnice Slovenskej republiky as of 31 December 2015



*Internal Organizational Units of ŽSR not incorporated in the Business Register.

Železnice Slovenskej republiky had no independent organizational unit abroad in 2015.

V. Research and Development

Expenditure on Research and Development Assignments

Operational processes / Utilization (thou. EUR)	2015	2014
- Research expenditure	46	221
- Development expenditure	39	33
Total	85	254

The most significant assignments accomplished in 2015:

- **Application of new methods of calibration for metrology system for electrical quantities**
Solving of the assignment included development of “Working procedure for calibration of measuring frame no. FI-KL1-010/025-2015” and “Working procedure for calibration of digital electrical measuring devices for inductance measurement no. FI-KL2-010/019-2015” is under preparation. The aim of procedure is to establish a single procedure for the calibration of measuring equipment. Working procedure has been prepared in accordance with ŽSR Regulation Op 12 and following the provisions of the manual quality calibration laboratory for length, pressure and temperature of Railway Research and Development Centre (VVÚŽ). Working procedures will be used at designated ŽSR workplaces.
- **Geodetic instrument for vertical aiming of steel structures.** Device prototypes were designed and manufactured for measurement of steel structures. Devices were verified during the stress measurement of bridge structure in railway km 32.040-32.135 on the railway line Lužianky - Dražovce.
- **Development of equipment for static impact device for determining the braking forces in crash tests.** Braking components were made and completed. Subsequently, the series of measurements were carried out at the premises of VVÚŽ for theoretical calculations to assess the value in practical testing and processing of the final report.
- **Automatic contact wire assembly wagon recording of contact wire stagger with instrument for the measurement of contact wire static geometric parameters.** Database was processed of numerical designation of traction masts and kilometric position on sections measured by contact wire assembly wagon with on-board instrument for the measurement of contact wire static geometric parameters of traction masts of every measured section into existing software in assembly wagons. Subsequently, the database of traction masts is processed based on GPS position coordinates.
- **Reduction locations with placed signal 140 „pull-off a pantograph“.** The final report contains a full list of electrical division locations where it will be necessary to pull-off a pantograph even after the introduction of proposed measures. Testing of passing of electric divisions with pull-on pantograph were carried out on 24 August 2015 and on 8 September 2015 at the railway station Lisková and Liptovská Teplá. The testing results were also incorporated into the final version of the final report.

Other task addressed the issues in the fields of power engineering, testing, diagnostics and implementation of the legislation of the EU and of the Slovak Republic into practice on ŽSR.

VI. Environment Protection

Overview of ecological accidents

In 2015, ŽSR recorded extraordinary deterioration of water – environmental incidents with an adverse impact on the environment as follows:

Veľký Krtíš – shunting incident between a wagon and a locomotive resulted in damage to a fuel tank with approx. 50 litres of diesel leaked into the ground,

Zvolen – nákladná stanica (freight station) – approx. 300 litres of diesel from a locomotive of “Os 6215” train leaked into the ground,

Zlatno – Poltár – leakage of approx. 150 litres of hydraulic oil,

Žilina – nákladná stanica (freight station) – leakage of approx. 2,890 litres of diesel.

Air pollution

In 2015 ŽSR in accordance with legal obligation the paid fee for air pollution by medium sources in the competence of ŽSR amounted to 1,830 EUR.

Fines for deficiencies found by state authorities inspecting the enforcement of environmental legislation

In monitored period no fine was imposed on ŽSR.

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

- continued area-wide system for collection of hazardous waste by an authorized organization,
- reinstating of bedrock subsoil and underground water in Čierna nad Tisou, the removal of old ecological burden, the operation of hydraulic protection of water source Botány including imposed water monitoring in terms of decision of public administration authorities,
- gradual preparation of the Action Plans for protection against noise in the vicinity of railway tracks.



VII. Important events – Milestones 2015

Relations with the State

ŽSR concluded with the Slovak Republic represented by the Ministry of Transport, Construction and Regional Development, a three year fixed-term contract valid from 1 January 2014 to 31 December 2016. The Supplement No. 2 to the Contract was signed on 30 December 2015 regulating the provision of funds for the railway infrastructure for 2016. The contract contains agreed standards of railway stations aimed to enhance the quality of infrastructure.

On 22 September 2015, the Act No. 259/2015 Coll. amending and supplementing the Act No. 513/2009 Coll. on Railroads and on amendments of some acts was adopted. The act shall ensure the implementation of Directive 2012/34/EU of the European Parliament and of the Council, whereby ŽSR proposed number of amendments on the implementation of certain provisions of Directive 2012/34/EU of the European Parliament and of the Council and at the same time submitted number of remarks on the Act No. 513/2009 Coll. on Railroads and on amendments of some acts, and on the Act No. 514/2009 Coll. on the Transport on Railroads as amended by later regulations arising from implementation practice. The Act No. 259/2015 entered into force on 1 December 2015 and has been gradually implemented.

Railway Infrastructure Modernization

The railway infrastructure modernization in 2015 marked a successful completion of the Operational Programme Transport 2007 – 2013 and primarily concerned the finalization of projects carried out under this programme. At the same time preparation of projects for next programming period within European Commission approved Operational Programme Integrated Infrastructure 2014–2020 was launched. Investments to transport under the Operational Programme Integrated Infrastructure 2014–2020 should be directed at integration of transport modes and improve the quality of transport infrastructure – continued modernization of TEN-T Core Network on Corridor V and Corridor VI and initiating project works on Corridor IV (in compliance with the Regulation of the European Parliament and of the Council No. 1315/2013 of 11 December 2013).

Preliminary list of major projects of Operational Programme Integrated Infrastructure 2014–2020 programming period with implementation to be started before 2016:

- ŽSR, Modernisation of railway track Púchov - Žilina, for speed up to 160 km/h, Stage I – (section Púchov - Považská Teplá);
- ŽSR, Modernisation of railway track Púchov - Žilina, for speed up to 160 km/h, Stage II – (section Považská Teplá /outside/ – Žilina /outside/), Phase 2 (Dolný Hričov - Žilina), implementation;
- ŽSR, track electrification Haniska – Veľká Ida – Moldava nad Bodvou mesto, implementation;
- Communication infrastructure for telematics services, ŽSR.



In 2015 investment projects amounted to 299.524 mil. EUR intended for modernization of railway infrastructure. The investments were financed from EU funds (CF, ISPA, expected reimbursement) in the amount of 58.717 mil. EUR, and state co-funding to EU funds (CF, ISPA, expected reimbursement) in the amount of 1.955 mil. EUR, from state subsidy in the amount of 110.967 mil. EUR and from internal resources in the amount of 124.484 mil. EUR.

Investments were allocated to the components of railway infrastructure - railway stations, railway substructure, superstructure, overhead contact lines, interlocking equipment, retaining walls and construction of railway bridges.

The most important investment projects and major investment activities in 2015 include:

- Modernization of railway track Nové Mesto nad Váhom – Púchov, railway km 100.500 – 159.100 for track-speed up to 160 km/h. Stage VI. (Beluša – Púchov) – 25.2 mil. EUR,
- Modernization of railway track Púchov – Žilina for track speed up to 160 km/h. Stage II in the section Považská Teplá (outside) – Žilina (outside) – 30.3 mil. EUR,
- Modernization of communication facilities on TEN-T network (telematics) – 22 mil. EUR,
- ETCS implementation in Corridor VI: Žilina - Čadca - SK/CZ state border – 15.6 mil. EUR,
- GSM-R implementation into network of ŽSR, section Bratislava – Žilina – Čadca – SK/CZ state border – 12.8 mil. EUR,
- Intermodal Transport Terminal Žilina, Phase 1 of construction – 5.6 mil. EUR,
- Intermodal Passenger Transport Terminal Moldava nad Bodvou mesto - implementation – 4.9 mil. EUR,
- Modernization of elements of overhead contact lines aimed at increase in safety and reliability of railway operation (Trnava, Žilina),
- Traction power substation Borša,
- Modernization of the border-crossing station Čierna nad Tisou, transshipment infrastructure – tracks and ramps, Phase 1.

Personnel and organizational changes

On 1 January 2015, Minister of Transport, Construction and Regional Development appointed Mr Dušan Šefčík to the position of Director General of Železnice Slovenskej republiky.

On 28 February 2015, Mr Jaroslav Mikla terminates his position of Chairman and Member of the Governing Board and on 1 March 2015, the Minister of Transport, Construction and Regional Development 1 March 2015 appointed Mr Štefan Hlinka to the position of Chairman of the Governing Board.

On 1 January 2015, Director General of Železnice Slovenskej republiky appointed Mr Rastislav Glasa to the position of Deputy Director-General for Economy.

Collective agreement

Adoption of the Collective Agreement of ŽSR for 2015-2016 effective from 1 March 2015 to 31 December 2016, and on 21 December 2015 the Supplement No. 1 to the Collective Agreement of ŽSR for 2015-2016 was signed.

VIII. Settlement of the business result 2015

Železnice Slovenske Republike for the accounting period of 2015 reported the business result – profit of 17,188,853.85 EUR proposed to undistributed profit of previous years.



IX. Report on compliance of the annual report and the financial statement



audítorská firma

Audit Company

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

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

To the Board of Directors of the company

- I. We have audited the annual financial statements of the company Železnice Slovenskej republiky, with the registered office in Bratislava, IČO (company registration number): 31 364 501, as of December 31, 2015 enclosed in the accompanying annual report, to which we have on March 2, 2016 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, 2015, 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:

- As described in Note 1 to the accompanying Financial Statements, 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.
- As described in Note 2.1 to the accompanying Financial Statements, environmental burden provision is recorded 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. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis for making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these 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.
- As described in Note 3 to the accompanying Financial Statements, the Company is exposed to significant credit risk of an individual contractual party, as 23.28 % of receivables as at 31 December 2015 (as at 31 December 2014: 34.64 %) 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 and 53.04 % of receivables is due to founder – Ministry of Transport (as at 31 December 2014: 66.21 %).
- As described in Note 3 and Note 22 to the accompanying Financial Statements, the Company settled in 2015 the liability for repayment of subsidy under Agreement on termination of the Contract for the provision of the grant for the project Modernization of railway line "Nové Mesto nad Váhom – Púchov", section "Zlatovce – Trenčianska Teplá" in the amount of € 94,909 thousand, effective from 25 February 2015. In 2014, the liability for repayment of subsidy was recognized in the amount less claims for capital subsidies in the amount of € 41,309 thousand. The account balance of liabilities was in the amount of € 53,600 thousand.

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>



audítorská firma

Audit Company

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

These Standards require that the auditor plans and performs the audit in such a way to obtain reasonable assurance whether the information and facts presented in Annual Report which are presented in financial statements are in all material respects in compliance with financial statements. We have considered the information in Annual Report with the information presented in financial statements as of December 31, 2015. We have audited solely the information obtained from financial statements and accounting books. We believe that the conducted audit provide a reasonable basis for our opinion.

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

Banská Bystrica, March 2, 2016

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An Independent member firm of Moore Stephens International Limited

Ing. Miroslav Čiampor
Responsible auditor
Licence UDVA No. 1068







Separate Financial Statements

**prepared in accordance with
International Financial Reporting Standards
for the year ended 31 December 2015**

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, 2015 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, 2015, 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 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. As described in Note 2.1 to the accompanying Financial Statements, environmental burden provision is recorded 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. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis for making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these 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.
3. As described in Note 3 to the accompanying Financial Statements, the Company is exposed to significant credit risk of an individual contractual party, as 23.28 % of receivables as at 31 December 2015 (as at 31 December 2014: 34.64 %) 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 and 53.04 % of receivables is due to founder – Ministry of Transport (as at 31 December 2014: 66.21 %).
4. As described in Note 3 and Note 22 to the accompanying Financial Statements, the Company settled in 2015 the liability for repayment of subsidy under Agreement on termination of the Contract for the provision of the grant for the project Modernization of railway line "Nové Mesto nad Váhom – Púchov", section "Zlatovce – Trenčianska Teplá" in the amount of € 94,909 thousand, effective from 25 February 2015. In 2014, the liability for repayment of subsidy was recognized in the amount less claims for capital subsidies in the amount of € 41,309 thousand. The account balance of liabilities was in the amount of € 53,600 thousand.

Banská Bystrica, March 2, 2016

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CONTENTS

Statement of financial position	32
Statement of comprehensive income	33
Statement of changes in equity	34
Statement of cash flows	35
Notes to the Financial Statements	36

STATEMENT OF FINANCIAL POSITION

	Note	31 December 2015	31 December 2014
ASSETS			
NON-CURRENT ASSETS			
Property, Plant and Equipment	4	3,276,875	3,153,391
Real Estate Investment	5	34,534	36,240
Intangible Assets	6	7,273	4,443
Financial Investment	7	4,904	3,404
Non-Current receivables	8	68,631	68,467
Total Non-Current Assets		3,392,217	3,265,945
CURRENT ASSETS			
Inventories	9	7,692	9,351
Trade receivables	10	13,473	14,278
Other receivables and assets	11	50,900	17,059
Cash and Cash Equivalents	12	35,356	62,012
Total Current assets		107,421	102,700
TOTAL ASSETS		3,499,638	3,368,645
EQUITY AND LIABILITIES			
EQUITY			
Registered capital		760,234	760,234
Capital funds		496,451	489,238
Legal reserve fund		21,904	21,904
Earnings from previous periods		352,411	350,111
Profit for accounting period		17,189	4,832
Accumulated earnings		369,600	354,943
Total Equity	13	1,648,189	1,626,319
NON-CURRENT LIABILITIES			
Loans	3,14	62,742	62,743
State and EU subsidies	15	1,488,842	1,310,779
Provisions	17,18	80,463	80,152
Deferred tax liability	37	39,074	27,553
Other non-current liabilities	19	3,686	882
Total Non-Current Liabilities		1,674,807	1,482,109
CURRENT LIABILITIES			
Short-term loans and curr. portion of long-term loans	3,14	3	333
Short-term state and EU subsidies	15	60,865	63,828
Trade liabilities	20	73,461	99,283
Payables to the public institutions	21	8,502	8,605
Other liabilities	22	14,120	67,708
Provisions and accruals	16,17,18	19,691	20,460
Total Current liabilities		176,642	260,217
TOTAL EQUITY AND LIABILITIES		3,499,638	3,368,645

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

SEPARATE FINANCIAL STATEMENTS
STATEMENT OF COMPREHENSIVE INCOME

	Note	31 December 2015	31 December 2014
REVENUES			
Railway infrastructure operation	23	89,665	83,730
Subsidies for railway infrastructure operation	24	272,478	272,478
Electric energy	25	69,532	63,633
Telecommunication services and IT services	26	6,048	6,429
Rent of property	27	8,969	8,958
Other revenues	28	23,582	23,624
Total revenues		470,274	458,852
OPERATING COSTS			
Materials and consumables	30	-28,796	-26,275
Energy	31	-78,803	-75,187
Services	32	-36,582	-35,099
Payroll costs	33	-219,738	-216,290
Depreciation and amortization	34	-89,471	-89,733
Other operating costs, net	35	12,013	-2,438
Total operating costs		-441,377	-445,022
PROFIT FROM OPERATIONS		28,897	13,830
FINANCIAL COSTS / INCOME			
Interest from loans		-335	-920
Other financial costs / income	36	102	-1,268
Total financial costs		-233	-2,188
PROFIT before tax		28,664	11,642
Income tax	37	-11,475	-6,810
NET PROFIT after tax		17,189	4,832
Other comprehensive income:			
Items that will not be reclassified to profit or loss:			
Re-measurements of post-employment benefit obligations	18	-1,660	-2,032
Deferred tax related to re-measurements	37	365	447
COMPREHENSIVE PROFIT FOR PERIOD		15,894	3,247

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 earnings	Total
As at 1 January 2014	760,337	484,814	21,904	351,943	1,618,998
Profit for the period	0	0	0	4,832	4,832
Non-cash increase in capital	0	4,580	0	0	4,580
Disposal of land	-103	0	0	0	-103
Other comprehensive income	0	-156	0	-1,832	-1,988
As at 31 December 2014	760,234	489,238	21,904	354,943	1,626,319
As at 1 January 2015	760,234	489,238	21,904	354,943	1,626,319
Profit for the period	0	0	0	17,189	17,189
Non-cash increase in capital	0	6,923	0	0	6,923
Allocation to Social fund	0	0	0	-500	-500
Other comprehensive income	0	290	0	-2,032	-1,742
As at 31 December 2015	760,234	496,451	21,904	369,600	1,648,189

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



STATEMENT OF CASH FLOWS

	31 December 2015	31 December 2014
Profit before tax	28,664	11,642
<i>Adjustments by non-cash transactions</i>	115,306	104,151
Depreciation and amortization	164,477	164,013
Dividends and other profit sharing recorded against revenues	-89	-319
Interest recorded against expenses	630	920
Interest recorded against revenues	-422	-1,041
Gain from the sale of property, plant and equipment	-1,924	-682
Change in provisions	476	3,898
Amortization of state subsidies	-75,006	-74,280
Other non-monetary items	-1,500	0
<i>Effect on changes in working capital</i>	-111,672	-36,826
Changes in receivables and other assets	-32,942	138,199
Changes in liabilities	-80,389	-175,840
Changes in inventories	1,659	815
Cash flow from operating activities	3,634	67,325
Expenditure on income tax	-35	-90
Interest received	164	367
Interest paid	-335	-1,383
Net cash flows from operating activities	3,428	66,219
Acquisition of property, plant and equipment and non-current intangible assets	-282,404	-272,108
Subsidies for acquisition of non-current assets	250,106	163,890
Cash receipts from the sale of property, plant and equipment and non-current intangible assets	2,456	2,909
Net cash flows from investment activities	-29,842	-105,309
Cash receipts from dividends and other profit sharing	89	319
Cash receipts from loans borrowing	0	62,976
Expenditure on loans borrowing	0	-66,258
Repayment of liabilities related to financial leasing	-331	-607
Net cash flows from financial activities	-242	-3,570
Net increase / decrease in cash and cash equivalents	-26,656	-42,660
Cash and cash equivalents at the beginning of the year	12 62,011	104,671
Cash and cash equivalents at the end of the year	12 35,355	62,011

The Company for clearer presentation reclassified as at 31 December 2014 the liability to subsidies for acquisition of non-current assets under Agreement on termination of the Contract for the provision of the grant in the amount of € 94,909 thousand. The company settled the liability in 2015.

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

NOTES TO THE FINANCIAL STATEMENTS

I COMPANY'S GENERAL INFORMATION

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

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

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

The founder of the Company is the Ministry of Transport, Construction and Regional Development (“Ministry of Transport”) that although is not directly involved in the Company’s day-to day operations, does oversee certain aspects of the business through representation on the Governing Board of ŽSR.

The Company’s assets although it is recognized in the statement of financial position of the Company is owned by the Slovak Republic and it is entrusted to the Company.

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

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

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

The members of Administrative Board of ŽSR:

Ing. Štefan HLINKA	chairman
Ing. Martin ČATLOŠ	deputy chairman
Ing. Vladimír LUPTÁK	member
Ing. Radovan MAJERSKÝ, PhD.	member
Ing. Darina FABUĽOVÁ	member

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.

ŽSR are manager of railway infrastructure in accordance with Operation of Railway Infrastructure Contract concluded with the Slovak republic represented by Ministry of Transport as an owner of railway infrastructure. Manager of infrastructure is obliged to ensure track in serviceable condition, to restore the track after an accident or extraordinary event, to maintain the track according to the projected specifications, development of the track in accordance with technical progress and with the requirements for safety and flow of traffic on the track, operation of railway infrastructure, organization and management of railway transport on the railway network.

Owner of the infrastructure provides funds for the operation of railway infrastructure in accordance with Operation of Railway Infrastructure Contract. At the same time owner of the infrastructure provides subsidy in the form of capital transfer to develop and modernize property.

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.

The accounting period is one calendar year.

Financial statements for the previous period ended 31 December 2014 were approved by Administrative Board of ŽSR on 30 March 2015 in Bratislava.

For the year ended 31 December 2015 the Company reported a net profit of € 17,189 thousand (for the year ended 31 December 2014: profit of € 4,832 thousand).

2 BASIS OF PREPARATION

The Company prepares separate financial statements in accordance with IFRS as adopted by the EU in accordance with Accountancy Act No. 431/2002 Coll. § 17a, section 1 as amended. IFRS comprise standards and interpretations approved by EU committee.

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.

In accordance with Accountancy Act No. 431/2002 Coll. §22, section 12 as amended, the Company is exempt from the requirement to prepare consolidated financial statements and consolidated annual report as compilation of separated financial statements does not significantly affect the financial situation, expenses, income and profit or loss of the consolidated group. Business names and registered office in which the Company has an ownership interest is disclosed in Note 7.

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

Figures disclosed in ŽSR's separate financial statements for the year ended 31 December 2015 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.

2.1 Use of estimates and judgments

Preparation of financial statements requires use of estimates, judgments and assumptions which affect the application of accounting policies and accounting principles and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis for making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumption are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

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 recorded 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. 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.

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. Management relies on own professional assessment upon assessing the forecasted results.

Provision for demolition of buildings

Provision for demolition of buildings is recognized if the Company has decided to demolish buildings or other operating equipment. Disposal of buildings are perform 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). Accounting for provision is based on expert estimate which corresponds to the future costs necessary for demolition of buildings.

2.2 Significant accounting policies

Property, plant and equipment and intangible assets

Property, plant and equipment and intangible assets are stated at cost less accumulated depreciation/amortization, while 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 tangible and intangible 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 - 50 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 assets under constructions or departs significantly from its planned completion, it reviews the potential decrease in value and records impairment.

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 recovery. 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.

Financial investments

Shares in subsidiaries and associated companies are presented at their acquisition costs. 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.

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.

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. 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.

Classification and clearing of financial instruments

Financial assets and liabilities disclosed in the Statement of financial position include cash and cash equivalents, receivables and liabilities, 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.

The discount rate of receivables is determined in accordance with IAS 36 – Impairment of Assets. As an asset-specific rate is not directly available from the market, estimate is used in accordance with Appendix A to IAS 36. Estimate takes into account the time value of money for the periods until the end of the asset's useful life, expectations about possible variations in the amount or timing of those cash flows, the price for bearing the uncertainty and other factors (such as insolvency).

The discount rate of liabilities is determined in accordance with IAS 37 - Provisions, contingent liabilities and contingent assets. The discount rate is a pre-tax rate, that reflects current market assessment of the time value of money and the risks specific to the liability.

The estimate of discount rate takes into account other market borrowing rates. Based on the above information, the discount rate of receivables and liabilities as at 31 December 2015 is set to 2% (as at 31 December 2014: 2 %).

Receivables

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.

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.

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.

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 representing 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.

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.

Revenue recognition

Revenues are recognized in rendering of services and goods net of value added tax and discounts. Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. The Company recognizes revenue from fees for access to railway infrastructure, sales of additional services of railway infrastructure, sales of energy, sales of telecommunications services and services of information technologies, revenue from real estate investments and other services on an accrual basis.

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 22 % after adjustments to some of 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 legalized as at the date that the financial statements are authorised for issue.

2.3 New accounting standards and interpretations

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.

The Company has not applied any standards issued after 31 December 2015 in preparing the financial statements:

- amendment to IAS 1 - 'Presentation of Financial Statements', effective from 1 January 2016
- amendments to IAS 16 and IAS 38 – clarification of acceptable methods of depreciation and amortisation, effective from 1 January 2016
- amendment to IAS 27 - 'Separate financial statements' regarding the equity method, effective from 1 January 2016
- IFRS 15 - 'Revenue from contracts with customers', effective from 1 January 2017

Amendment to IAS 1 - 'Presentation of Financial Statements'

The amendment provide clarifications on number of issues including materiality (an entity should not aggregate or disaggregate information in a manner that obscures useful information), disaggregation and subtotals (lines may need to be disaggregated where this is relevant to an understanding of the entity's financial position or performance; there is also new guidance on the use of subtotals), Notes (confirmation that the notes do not need to be presented in a particular order), other comprehensive income (equity-accounted investments is grouped based on whether the items will or will not subsequently be reclassified to profit or loss and each group should then be presented as a single line item in the statement of other comprehensive income).

Amendments to IAS 16 - 'Property, Plant and Equipment' and IAS 38 - 'Intangible Assets'

This amendment clarify that a revenue-based method should not be used to calculate the depreciation of property, plant and equipment and amortisation of intangible assets with exemption of intangible assets expressed as a measure of revenue or revenue and the consumption of economic benefits generated by the asset are highly correlated.

Amendment to IAS 27 - 'Separate financial statements'

The amendment allows entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements.

IFRS 15 - 'Revenue from contracts with customers'

This new standard establishes the principle that revenue is recognized in transaction in the transaction price when a customer obtains control of a good or service. Any separable bonded good or services are recognize separately and rebates or refunds have to be allocated to each item. Acquisition costs of contracts with customers have to be capitalized and amortized over the period of economic benefits of the contract with the customer.

3 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 is exposed to significant credit risk of an individual contractual party, as 23.28 % of receivables as at 31 December 2015 (as at 31 December 2014: 34.64 %) is due to from two of the most important customers: Železničná spoločnosť Slovensko, a. s. Bratislava ("ZSSK") and Železničná spoločnosť Cargo Slovakia, a. s. Bratislava ("ZSSK CARGO") whose only shareholder is the State represented by Ministry of Transport and 53.04 % of receivables is due to founder – Ministry of Transport (as at 31 December 2014: 66.21 %).

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

	31 December 2015	31 December 2014
Receivables within maturity	181,498	163,929
Up to 1 month	15,994	15,078
From 1 to 3 months	29,891	11,313
From 3 to 12 months	35,803	19,034
From 1 to 5 years	25,740	44,400
Over 5 years	74,070	74,104
Receivables overdue	7,526	9,777
Total receivables	189,024	173,706

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):

SEPARATE FINANCIAL STATEMENTS

	Loans and borrowings		Payables	
	31 December 2015	31 December 2014	31 December 2015	31 December 2014
Payables within maturity	62,745	63,076	219,648	282,610
On demand	0	0	0	0
Up to 1 month	1	69	44,869	37,572
From 1 to 3 months	0	28	18,757	37,143
From 3 to 12 months	2	236	35,740	99,683
From 1 to 5 years	62,742	62,743	47,644	48,755
Over 5 years	0	0	72,638	59,457
Payables overdue	0	0	505	5,186
Total payables	62,745	63,076	220,153	287,796

The Company settled in 2015 the liability for repayment of subsidy under Agreement on termination of the Contract for the provision of the grant for the project Modernization of railway line "Nové Mesto nad Váhom – Púchov", section "Zlatovce – Trenčianska Teplá" in the amount of € 94,909 thousand, effective from 25 February 2015. In 2014, the liability for repayment of subsidy was recognized in the amount less claims for capital subsidies in the amount of € 41,309 thousand. The account balance of liabilities was in the amount of € 53,600 thousand (Note 22).

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.

Company's bank loan has 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

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 6-month Euribor by +1% / 6-month Euribor at zero level, respectively with negative value, which payables against the bank bearing the interest rate would be equal to margin, 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
6ME + 1% / 6ME rate = 0% p. a.	-627/ no impact

As at 31 December 2015 there have been no changes in methods and assumptions from the previous period.

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.

The gearing ratio at year-end:

	31 December 2015	31 December 2014
Debt (Note 14)	62,745	63,076
Cash and cash equivalents (Note 12)	35,356	62,012
Net debt	27,389	1,064
Equity	1,648,189	1,626,319
Ratio Net debt to Equity	1.66 %	0.07 %



SEPARATE FINANCIAL STATEMENTS
4 PROPERTY, PLANT AND EQUIPMENT

	Land and Buildings	Machinery, Equipment and other assets	Assets acquisition	Total
Cost				
As at 1 January 2014	4,125,551	874,751	541,538	5,541,840
Additions	54,356	12,462	302,594	369,412
Disposals	-30,418	-38,674	-71,451	-140,543
Transfers	119,417	38,396	-157,813	0
Transfer to investments in real estate (Note 5)	-2,434	0	0	-2,434
Transfer from investments in real estate (Note 5)	7,335	0	0	7,335
As at 31 December 2014	4,273,807	886,935	614,868	5,775,610
Accumulated depreciation / Impairment				
As at 1 January 2014	1,833,807	638,985	27,747	2,500,539
Additions	99,975	65,976	4,454	170,405
Disposals	-17,872	-35,179	-3,917	-56,968
Transfers	3,224	5,019	0	8,243
As at 31 December 2014	1,919,134	674,801	28,284	2,622,219
Net book value				
As at 1 January 2014	2,291,744	235,766	513,791	3,041,301
As at 31 December 2014	2,354,673	212,134	586,584	3,153,391
Cost				
As at 1 January 2015	4,273,807	886,935	614,868	5,775,610
Additions	14,019	5,164	305,552	323,752
Disposals	-13,690	-22,661	-31,434	-66,802
Transfers	148,527	56,482	-205,009	0
Transfer to investments in real estate (Note 5)	-2,433	0	0	-2,433
Transfer from investments in real estate (Note 5)	3,248	0	0	3,248
As at 31 December 2015	4,423,478	925,920	683,977	6,033,375
Accumulated depreciation / Impairment				
As at 1 January 2015	1,919,134	674,801	28,284	2,622,219
Additions	98,822	56,758	3,538	159,118
Disposals	-7,702	-22,434	-8,518	-38,654
Transfers	3,552	10,265	0	13,817
As at 31 December 2015	2,013,806	719,390	23,304	2,756,500
Net book value				
As at 1 January 2015	2,354,673	212,134	586,584	3,153,391
As at 31 December 2015	2,409,672	206,530	660,673	3,276,875

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 € 53,569 thousand (as at 31 December 2014: € 61,698 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 2015 title to land with an administrative value of € 4,806 thousand was transferred to the Company and capitalized in its statement of financial position (as at 31 December 2014: € 638 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 € 2,117 thousand (as at 31 December 2014: € 3,942 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. The Company also manages land in the amount of € 30,589 thousand, reported on acquisition account and the Company is heavily involved with their transfer into use. During the year 2015, land were transferred into use in the amount of € 11,287 thousand (as at 31 December 2014: € 8,507 thousand).

Finance lease liabilities (Note 14) s of the Company are protected by lessor ownership rights to the leased assets with a book value of € 6 thousand (as at 31 December 2014: € 1,937 thousand).

Acquisition cost of all fully written off property, plant and equipment that are utilized by the Company as at 31 December 2015 is in the amount of € 1,393,487 thousand (as at 31 December 2014: € 1,322,384 thousand). Temporary unused assets in original cost are in the amount of € 31,061 thousand (as at 31 December 2014: € 29,662 thousand) and in carrying value in the amount of € 17,262 thousand (as at 31 December 2014: € 16,326 thousand).

The Company considered reality of valuation of assets and liabilities as at 31 December 2015. 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.

Progress in allowances for property, plant and equipment:

Allowances	Land and Buildings	Machinery, Equipment and other assets	Assets acquisition	Total
As at 1 January 2014	3,578	0	27,746	31,324
Creation	119	0	4,445	4,564
Reversal	0	0	-3,024	-3,024
Reversal of impairment loss	-308	0	-883	-1,191
As at 31 December 2014	3,389	0	28,284	31,673
As at 1 January 2015	3,389	0	28,284	31,673
Creation	1,651	208	3,538	5,397
Reversal	0	0	-6,702	-6,702
Reversal of impairment loss	-297	0	-1,816	-2,113
As at 31 December 2015	4,743	208	23,304	28,255

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 € 40,000 thousand for natural hazards with the exception of floods). ŽSR have also liability insurance (annual benefit limit is € 1,660 thousand).

5 REAL ESTATE INVESTMENTS

	Year 2015	Year 2014
Cost		
As at 1 January	54,735	61,225
Additions	0	0
Disposals	-376	-1,589
Transfer from Property, Plant and Equipment (Note 4)	2,433	2,434
Transfer to Property, Plant and Equipment (Note 4)	-3,248	-7,335
As at 31 December	53,544	54,735
Accumulated depreciation / Impairment		
As at 1 January	18,495	21,514
Additions	951	971
Disposals	-96	-1,842
Transfers	-340	-2,148
As at 31 December	19,010	18,495
Net book value		
As at 1 January	36,240	39,711
As at 31 December	34,534	36,240

The following table presents assets disclosed at fair value.

Assets	Level 1	Level 2	Level 3
Hospital	0	0	18,560
Land	0	0	26,044
Building	0	0	15,563

Real estate investments are recorded estate properties rented as a whole or offered for rent, for instance hospitals and clinics, apartment buildings and offices, hostels, guard houses, garages, stops and land related.

The different levels have been defined as follows:

Level 1 – quoted 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 2015 is in the amount of € 60,167 thousand (as at 31 December 2014: € 49,883 thousand). All appropriate method were used to determine the fair value of the investment, in the case of expert property valuation, objectification method expertly determined general value of the relevant assets was primarily used. This method was used to determine fair value for a total 797 property items, simplified method of positional differentiation was used for a total 862 items, income method was used for a total 619 items and acquisition cost method was used for a total 514 items.

The fair value of buildings was determined by replacement cost method for a total 427 items, income method for a total 117 items, objectification method expertly determined general value for a total 101 items, acquisition cost method for a total 45 items, qualified estimate for a total 95 items and cash-flow method for a total 14 items.

Costs related with real estate investments represent the amount of € 963 thousand (as at 31 December 2014: € 975 thousand) and revenues related with real estate investments represent the amount of € 2,357 thousand (as at 31 December 2014: € 2,333 thousand).

6 INTANGIBLE ASSETS

	Capitalized Development Cost	Software	Acquisition of Assets	Total
Cost				
As at 1 January 2014	52	16,857	1,466	18,375
Additions	0	2,734	903	3,637
Disposals	0	-2,375	-512	-2,887
Transfers	0	1,162	-1,162	0
As at 31 December 2014	52	18,378	695	19,125
Accumulated depreciation / Impairment				
As at 1 January 2014	51	15,525	29	15,605
Additions	0	1,452	0	1,452
Disposals	0	-2,375	0	-2,375
Transfers	0	0	0	0
As at 31 December 2014	51	14,602	29	14,682
Net book value				
As at 1 January 2014	1	1,332	1,437	2,770
As at 31 December 2014	1	3,776	666	4,443
Cost				
As at 1 January 2015	52	18,378	695	19,125
Additions	0	4,243	4,034	8,277
Disposals	0	-1,087	-3,623	-4,710
Transfers	0	665	-665	0
As at 31 December 2015	52	22,199	441	22,692
Accumulated depreciation / Impairment				
As at 1 January 2015	51	14,602	29	14,682
Additions	0	1,823	0	1,823
Disposals	0	-1,086	0	-1,086
Transfers	0	0	0	0
As at 31 December 2015	51	15,339	29	15,419
Net book value				
As at 1 January 2015	1	3,776	666	4,443
As at 31 December 2015	1	6,860	412	7,273

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 2015. According to IAS 36 – Impairment of Assets, as at 31 December 2015 the Company recorded allowance for assets under construction in the amount of € 29 thousand (as at 31 December 2014: € 29 thousand).

7 FINANCIAL INVESTMENTS

	Subsidiaries	Associated companies	Other investments	Total 2015	Total 2014
Opening balance as at 1 January	1,009	2,240	155	3,404	3,404
Additions	0	1,500	0	1,500	0
Disposals	0	0	0	0	0
Closing balance as at 31 December	1,009	3,740	155	4,904	3,404

Structure of capital participation as at 31 December 2015 is as follows:

Name	Amount of Equity	Profit / Loss	Country of registration	Share of equity in %	Core business
Subsidiaries					
Stabilita, d.d.s., a. s., Košice (Note 40)	5,991	838	Slovakia	55.26	Management of supplementary pension funds
Associated companies					
ŽPSV a.s., Čaňa (Note 40)	7,055	157	Slovakia	41.06	Manufacturing of concrete products, prefabricated components and structures for construction purposes
Breitspur Planungs GmbH, Viedeň	5,402	-1,014	Austria	25.00	The planning and continuation of rail infrastructure with gauge 1,520 mm from the borders of Ukraine through Slovakia to and in Austria
Other investments					
Betamat, a.s., Zvolen (Note 40)	212	11	Slovakia	10.00	Installation, maintenance, and repair of telecomm. equipment
HIT RAIL, b.v., Amsterdam, Netherland	3 250*	39*	Netherland	4.00	Implementation of the interconnection of information systems within the UIC

* the company did not supply financial statement as at 31 December 2015 by the date of preparation of Financial Statements, information is presented as at 31 December 2014.

Ownership interest in companies expresses voting rights and company control.

The Company Stabilita, d. d. s., a. s. has 100% share in subsidiary Stabilita Service, s. r. o. that carries out technical and service activities and provides an economic asset management for the parent company. Other companies do not have any shares in other companies.

8 NON-CURRENT RECEIVABLES

	31 December 2015	31 December 2014
Non-current trade receivables	18,060	36,553
Advances given	7,504	7,515
Receivables from sale of flats	232	413
Other non-current receivables	28	29
State receivables	73,980	73,980
Allowances for receivables	-31,173	-50,023
Total non-current receivables	68,631	68,467

Non-current trade receivables decreased due to reclassification of non-current receivables to current receivables from Železničná spoločnosť Cargo Slovakia, a. s. for access to railway infrastructure for the year 2010 under Appendix No. 3 to Settlement Agreement of Payables in the amount of € 17,500 thousand (Note 10).

Progress in allowances for non-current receivables:

Balance as at 31 December 2014	50,023
Creation	0
Reversal	-1,350
Reclassify non-current allowances to current allowances	-17,500
Balance as at 31 December 2015	31,173

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 € 17,500 thousand. Non-current receivables are through the allowances measured at amortised cost using the effective interest rate method.



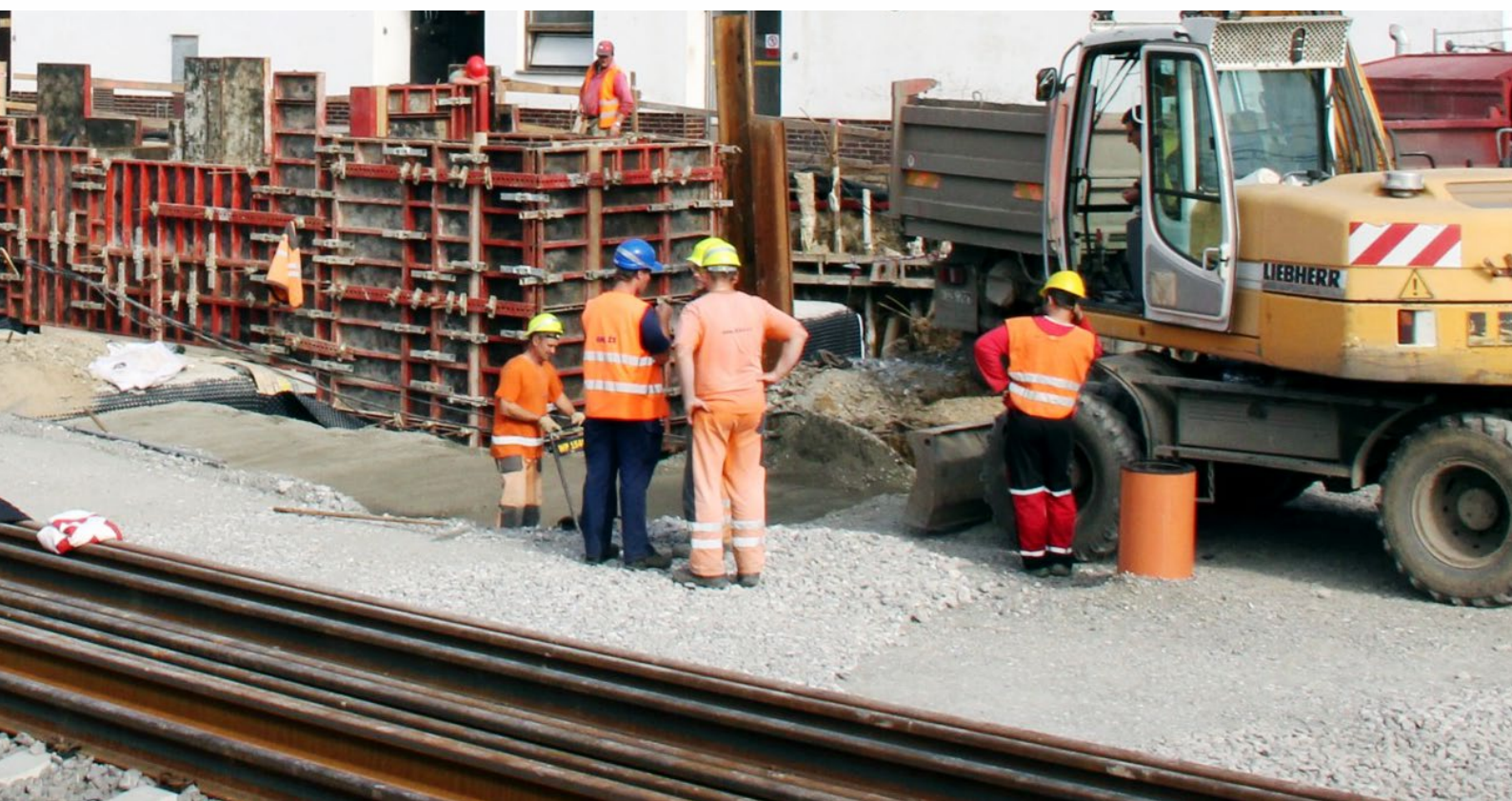
9 INVENTORIES

	Cost 2015	Book value 2015	Cost 2014	Book value 2014
Products of engineering and metal industry	3,948	1,998	6,903	2,611
Products of electro-technical industry	3,713	1,915	3,326	1,748
Products of steel industry	2,326	1,230	2,981	1,610
Products of chemical industry	1,171	931	1,329	1,035
Personal protective equipment and uniforms	1,038	910	1,539	1,460
Building materials and products of wood industry	387	215	551	409
Other materials	826	493	944	478
Total inventories	13,409	7,692	17,573	9,351

The Company recorded allowances for slow moving and obsolete inventories following comparison of valuation with net realizable value as at 31 December 2015.

Progress in allowances for inventories:

Balance as at 31 December 2014	8,222
Creation	3,224
Disposal of inventories	-510
Dissolution of relevance	-5,219
Balance as at 31 December 2015	5,717



10 CURRENT TRADE RECEIVABLES

	31 December 2015	31 December 2014
Trade receivables	36,158	35,074
of which receivables from ZSSK CARGO for the year 2010	17,500	15,000
Advances given	104	139
Other trade receivables	1,790	2,629
Allowances for receivables	-24,579	-23,564
Total current receivables	13,473	14,278

Overdue receivables are in the amount of € 7,526 thousand (as at 31 December 2014: € 9,777 thousand). Trade receivables are interest-free and generally due from 14 to 60 days.

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 2014	23,564	3,442
Creation	145	15
Reclassify from long-term to short-term	17,500	0
Reversal because of receivable write-off	-1,171	-156
Reversal because of full or partial collection	-15,459	-273
Balance as at 31 December 2015	24,579	3,028

11 OTHER RECEIVABLES AND ASSETS

	31 December 2015	31 December 2014
Other receivables	639	1,092
State receivables	48,841	14,716
Allowances for receivables	-268	-315
Prepaid expenses	1,688	1,566
Total other receivables	50,900	17,059

Other state receivables increased by € 7,871 thousand due to higher receivable from excess VAT and due to claim for capital subsidies for capital liabilities in the amount of € 26,276 thousand (Note 3).

Progress in allowances for other receivables:

Balance as at 31 December 2014	315
Creation	41
Reversal because of receivables write-off	-25
Reversal because of full or partial collection	-63
Balance as at 31 December 2015	268

12 CASH AND CASH EQUIVALENTS

	31 December 2015	31 December 2014
Cash on hand	527	739
Cash in bank	28,775	19,564
Short-term deposit	6,054	41,709
Total cash and cash equivalents in statement of financial position	35,356	62,012
Credit cards	-1	-1
Total cash and cash equivalents in statement of cash flow	35,355	62,011

Total cash and cash equivalents decreased mainly due to expenditures in the investment activities from own resources, due to the payment of all expenses to suppliers for projects of Operational Programme Transport until 31 December 2015.

Interest rates on current accounts range from 0.01 % p. a. up to 0.35 % p. a., those on short-term deposits from 0.03 % p. a. up to 0.50 % p. a.. Temporarily free funds are recovered in banks and branches of foreign banks in the Slovak Republic.

13 REGISTERED CAPITAL

Registered capital represents the State's investment in the Company in the form of cash and assets.

Total capital is in the amount of € 760,234 thousand (as at 31 December 2014: € 760,234 thousand) of which registered capital is in the amount of € 800,170 thousand (as at 31 December 2014: € 800,170 thousand) and unregistered changes in capital are in the amount of € -39,936 thousand (as at 31 December 2014: € -39,936 thousand).

Based on the Administrative Board Decision dated 30 March 2015, profit from previous accounting period in the amount of € 4,832 thousand was used to retained earnings from previous years.

Based on the Administrative Board Decision dated 25 June 2015 social fund budget has been increased from retained earnings from previous years in the amount of € 500 thousand (Note 19).

Capital funds includes capital contributions that do not increase share capital of the Company. The state studies the legal title and the value of the land managed by the Company and on the basis of which periodically adds assets to the Company and corrects administrative values. In 2015 claims in the amount of € 6,923 thousand was transferred (as at 31 December 2014: € 4,580 thousand). Capital funds also includes re-measurements of post-employment benefits in accordance with IAS 19 based on projected actuarial valuation method and deferred tax related to re-measurements of post-employment benefits.

The legal reserve fund is created in accordance with Act No. 258/1993 Coll. §15 as amended and supplemented by the amount of at least 5 % of earnings, up to a maximum of 5 % of the value of the assets the Company has right manage with, less the value of the railway infrastructure. The carrying value of the managed assets less the value of the railway infrastructure is in the amount of € 177,635 thousand as at 31 December 2015 (as at 31 December 2014: € 159,989 thousand). Reserve fund is in the amount of € 21,904 thousand which represent more than 5 % of the value of assets less the value of railway infrastructure.

14 LOANS

	31 December 2015	31 December 2014
Short-term loans and current portion of long-term loans		
Interest on loans	1	1
Credit cards	1	1
Short-term finance lease	1	331
Total Short-term loans and current portion of long-term loans	3	333
Loans		
Euro		
6ME + margin, maturity 3 October 2019	62,740	62,740
	62,740	62,740
Long-term finance lease	2	3
Total Long-term loans	62,742	62,743
Total loans	62,745	63,076

The Company reports bank loan as at 31 December 2015 in the amount of € 62,740 thousand (as at 31 December 2014: € 62,740 thousand) provided from reputable bank in Slovak republic, without security, bearing interest with floating interest rate linked to the 6-month Euribor (Note 3). Part of the loan agreement is a commitment of the Company to comply with certain loan covenants.

Finance lease drawn on vehicles and technological equipment with the average lease period 36 months, 48 months was finished in 2015. Finance lease is drawn on electric motor unit with the lease period 10 years. Finance lease liabilities of the Company are secured by ownership rights of the lessor to leased assets (Note 4).

	Minimum lease payments		Present value of minimum lease payments	
	31 December 2015	31 December 2014	31 December 2015	31 December 2014
Up to 1 year	0	415	1	331
From 1 to 5 years	3	170	2	3
5 years and more	0	0	0	0
	3	585	3	334
Less future finance costs	0	-251	0	0
Present value of minimum lease payments	3	334	3	334

Disclosed in the Statement of financial position:

Short-term finance lease	0	0	1	331
Long-term finance lease	0	0	2	3

Fair value of finance lease liabilities equals their book value.

15 STATE AND EU SUBSIDIES

In 2015 the Company drew capital subsidies from the state budgeted under contract of category of budget of Ministry of Transport in the amount of € 115,683 thousand. From the above transfer, investment projects "Construction and renovation of railway network" and "Co-financing of eligible costs and ineligible costs" were provided.

Within the project Operational Programme Transport – programming period 2007-2013, the Company drew capital subsidies from priority axis No. 1 for modernization of railway infrastructure in the amount of € 154,700 thousand, from priority axis No. 3 for intermodal transport infrastructure in the amount of € 6,537 thousand and from priority axis No. 4 for infrastructure of integrated transport systems in the amount of € 5,965 thousand.

	31 December 2015	31 December 2014
Investment subsidies from EU – State Budget funds	176,991	160,671
Investment subsidies from EU – EU funds	754,095	665,683
Investment subsidies – ISPA program - State Budget funds	116,142	122,680
Investment subsidies – ISPA program - EU funds	61,604	68,615
Investment subsidies – others	360,289	314,395
Investment subsidies – buildings	51,282	0
Operating subsidies – unbilled	3	0
Subsidy – share repurchase	3,025	1,525
Investment subsidy – claim	26,276	41,038
Total state and EU subsidies	1,549,707	1,374,607
of which short-term portion	60,865	63,828

16 ACCRUALS

	31 December 2015	31 December 2014
Received free of charge depreciable non-current asset	15,163	16,269
Other accrued income	740	564
Prepaid expenses	11	15
Total accruals	15,914	16,848



17 PROVISIONS

	31 December 2015	31 December 2014
Environmental burden – long-term portion	44,035	45,050
– short-term portion	606	834
Legal claims	2,865	2,824
Provisions for demolition of buildings	1,053	614
Total provisions	48,559	49,322

Progress in provisions:

	Environmental burden provision	Provision for legal claims	Provisions for demolition of buildings	Total provisions
Balance as at 31 December 2014	45,884	2,824	614	49,322
Creation	1,239	193	788	2,220
Interest expense	122	0	0	122
Interest income	59	0	0	59
Cancellation as not justified	1,939	26	168	2,133
Reversal due to provision drawing	606	126	181	913
Balance as at 31 December 2015	44,641	2,865	1,053	48,559

Environmental burden provision

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 1 – 15 years. In accordance with environmental rules the Company performed revision of created provision. In 2015, old ecological burden and remedy of ground water include bioventing in Čierna nad Tisou. In accordance with state program of remediation of environmental burdens for the year 2010 – 2015, Ministry of Environment of the Slovak republic has taken over burden in Brezno, due to this, provision has been cancelled in the amount of € 1,939 thousand. In 2015 new environmental burden were identified and the Company recorded provision in the amount of € 1,141 thousand. The Company is applying for EU funds to fund these costs. Long-term portion of provision is calculated by a fixed interest rate of 2.0 % as at 31 December 2015 (as at 31 December 2014: 2.0 %).

Interests from discounting as a result of the passage of time are in the amount of € 122 thousand (as at 31 December 2014: € 1,676 thousand), interest income is in the amount of € 59 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 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 € 2,865 thousand (as at 31 December 2014: € 2,824 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 2015 the Company recorded provision in the amount of future costs for demolition of buildings and operating equipment.

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 2015 is in the amount of € 1,053 thousand (as at 31 December 2014: € 614 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.).

18 EMPLOYEE BENEFITS

	31 December 2015	31 December 2014
Employee benefit - long-term portion	33,563	32,278
- short-term portion	2,118	2,164
Total employee benefit	35,681	34,442

Progress in employee benefit:

	Year 2015	Year 2014
Balance as at 1 January	34,442	31,963
Creation	1,742	2,494
of which creation of short-term provision	2,118	2,164
of which -decrease/ +creation of long-term provision	-376	330
Reversal due to provision drawing	1,951	1,739
Dissolution due to unrealized provision	212	308
Re-measurement of post-employment benefit	1,660	2,032
Balance as at 31 December	35,681	34,442

Employee benefit provision

As at 31 December 2015 the Company recorded a provision in the amount of € 35,681 thousand (as at 31 December 2014: € 34,442 tis. EUR) 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 33).

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 2.4 % p. a.

Future salary increases in 2016 by 1.84 % p. a., in 2017 and in subsequent years by 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 2014, 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 +1 % for all subsequent years, provided that the other assumptions in calculation remain unchanged, results in decrease of liability by 8.72 %
- change in wage by +1 % for all subsequent years, provided that the other assumptions in calculation remain unchanged, results in increase of liability by 2.37 %
- 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 1.03 %

The structure of employee benefit costs

	Employment benefits	Post-employment benefits	Total
Balance as at 31 December 2014	5,757	28,685	34,442
Current and past service cost	251	1,179	1,430
current service cost	251	1,179	1,430
past service cost	0	0	0
Interest expense	138	689	827
Re-measurements	-41	1,661	1,620
- changes in demographic assumptions	0	0	0
- changes in financial assumptions	0	1,395	1,395
- resulting from practice	-41	266	225
Payments program (benefits paid)	-610	-2,028	-2,638
Balance as at 31 December 2015	5,495	30,186	35,681

The average maturity of employment benefits is 9.59 years, future benefits is 14.49 years and the average maturity of post-employment benefits is 7.28 years, future benefits is 11.39 years.

Re-measurements of post-employment benefit in the amount of € 1,660 thousand are disclosed in equity and other comprehensive income.

SEPARATE FINANCIAL STATEMENTS**19 OTHER NON-CURRENT LIABILITIES**

	31 December 2015	31 December 2014
Social fund liabilities	744	881
Other non-current liabilities	2,942	1
Total other non-current liabilities	3,686	882

Other non-current liabilities increased by € 2,941 thousand due to accounting for deferred long term lease.

Structure of social fund:

	Year 2015	Year 2014
Balance of fund as at 1 January	881	1,398
Creation	1,897	1,360
of which creation from retained earnings	500	0
Spending	2,034	1,877
Balance as at 31 December	744	881

20 CURRENT TRADE PAYABLES

	31 December 2015	31 December 2014
Trade payables	70,581	95,937
Advances received	1,889	1,198
Other payables	991	2,148
Total current payables	73,461	99,283

Current trade payables decreased mainly due to the decrease from investing activities from EU funds (Note 3).

21 PAYABLES TO PUBLIC INSTITUTIONS

	31 December 2015	31 December 2014
Payables to insurance companies	7,084	7,216
Payables to tax authorities	1,418	1,389
Total payables to public institutions	8,502	8,605

22 OTHER PAYABLES

	31 December 2015	31 December 2014
Employees	13,959	13,948
Other payables	161	53,760
Total other payables	14,120	67,708

Other payables decreased due to settlement of liability against Ministry of Transport under Agreement on termination of the Contract for the provision of the grant (Note 3).

23 SALES OF OPERATION OF RAILWAY INFRASTRUCTURE

Fees for access to railway infrastructure represent the allocation of infrastructure capacity for service – freight / passenger transport on railway network under Contract for access to railway infrastructure. Infrastructure capacity means the potential to schedule train paths for a certain period on certain section of railway track.

	31 December 2015	31 December 2014
Fees for access to railway infrastructure – cargo transport	27,231	26,107
– passenger transport	52,170	47,591
Total fees for access to railway infrastructure	79,401	73,698

Sales of additional services of shunting and technical office are separated from the fee for access to railway infrastructure, i. e. unregulated and charged separately to railway companies.

	31 December 2015	31 December 2014
Sales of additional services of railway infrastr. – cargo	5,906	5,774
– passenger	4,358	4,258
Total sales of additional services of railway infrastructure	10,264	10,032

As at 31 December 2015, the total number of railway carriers is 42, herein the number of Slovak carriers is 28 and the number of foreign carriers is 14; the number of carriers for passenger transport is 7 and the number of carriers for freight transport is 35.



24 SUBSIDY FOR RAILWAY INFRASTRUCTURE OPERATION

In accordance with the Operation of the Railway Infrastructure Contract for the year 2014 – 2016 concluded between Ministry of Transport and ŽSR, the Company receives operational subsidy to cover fixed portion of economic allowed costs in the amount of € 250,000 thousand in 2015 and will be evaluated within the half of 2016.

Under the Government Resolution of Slovak republic No. 390/2013 and valid Operation of Railway Infrastructure Contract, compensation of financial impact was provided to the Company, associated with reduction in charges for access to railway infrastructure for cargo carriers. The compensation was complied with the condition of application of non-discriminatory access to rail cargo carriers and cleared in accordance with the terms of the contract.

	31 December 2015	31 December 2014
Subsidies for railway infrastructure operation	250,000	250,000
Compensation from the reduction of fees for access	22,478	22,478
Total subsidies and compensation for railway infrastructure operation	272,478	272,478

25 ELECTRIC ENERGY

ŽSR provides sales and distribution of electricity and gas for internal and external customers. The Company is also sole supplier of track energy for carriers using traction unit of electric traction.

	31 December 2015	31 December 2014
Sales of track energy	28,522	24,944
Sales of distribution of track energy	35,718	33,390
Sales of non-track energy	1,656	1,847
Sales of distribution of non-track energy	2,091	2,060
Sales of energy – national nuclear fund	1,545	1,392
Total sales of track energy	69,532	63,633

26 TELECOMMUNICATIONS SERVICES AND INFORMATICS

ŽSR provides data, voice, internet services and rental of digital circuits and network; operation of communication infrastructure including terminals, main and backup data centres, data warehousing, international data exchange and customer service.

	31 December 2015	31 December 2014
Sales of IT services	3,086	3,411
Sales of telecommunication services – data	1,981	1,990
Sales of telecommunication services – voice	505	579
Sales of telecommunication services – others	476	449
Total sales of telecommunication services and informatics	6,048	6,429

27 RENT OF PROPERTY

ŽSR provides the possibility of operating lease of buildings, premises, land and service facilities in the district of railway stations and tracks (i.e. space on ticket sales, places for information and commercial services, ramps, cranes, rail scales, etc.). Payments made under operating lease are recognized as revenue evenly throughout the period of the lease.

	31 December 2015	31 December 2014
Revenues from rental of non-residential premises	5,381	5,200
Revenues from rental – land	2,595	2,641
Revenues from rental – residential premises	671	700
Revenues from rental – movable assets	322	417
Total revenues from rental	8,969	8,958

28 OTHER REVENUES

	31 December 2015	31 December 2014
Sales of trailers turned out and other technical services	2,615	2,552
Sales for heat and steam	1,759	1,824
Sales for training, education	1,268	1,189
Sales of fire prevention and repression	0	913
Sales of water and sewage charges	694	723
Sales of accommodation services	817	624
Sales of works canteens and catering services	394	346
Own work capitalized	9,837	10,007
Re-earned material	2,269	2,420
Others revenues	3,929	3,026
Total sales of other services	23,582	23,624



29 NET SALES

	31 December 2015	31 December 2014
Sales of services	182,749	171,671
Sales of goods	53	52
Subsidy in accordance with Operation of railway infrastructure Contract	272,478	272,478
Total net sales	455,280	444,201

30 MATERIALS AND CONSUMABLES

	31 December 2015	31 December 2014
Consumption of materials and consumables	-23,397	-19,307
Fuel consumption	-4,185	-4,780
Consumption of fixed asset	-3,720	-1,992
- Creation / + Reversals of allowances for inventories	2,506	-196
Total materials and consumables	-28,796	-26,275

31 ENERGIES

	31 December 2015	31 December 2014
Electricity	-72,046	-68,021
Gas	-2,306	-2,956
Steam and heat	-3,302	-2,962
Water	-1,149	-1,248
Total energies	-78,803	-75,187



32 SERVICES

	31 December 2015	31 December 2014
Repairs and maintenance	-17,960	-17,396
Costs of waste disposal	-2,613	-1,985
Costs of cleaning	-3,756	-3,708
Costs of information technology	-1,389	-1,228
Costs for machineries performance with operator	-498	-509
Paid rent and remuneration	-618	-683
Costs of diagnostics, metrology, project documentation, experts opinions	-577	-1,215
Costs of telecommunication services	-1,359	-1,274
Costs for sewage, sludge disposal	-1,010	-1,099
Materiology costs	-1,967	-1,787
Transportation if not included in the cost	-604	-578
Costs of software and software licences	-326	-73
Guarding, security and investigation services	-853	-868
IT support and consulting costs	-185	-372
of which costs of auditing services	-60	-58
Others	-2,867	-2,324
Total services	-36,582	-35,099

33 PERSONNEL COSTS

	31 December 2015	31 December 2014
Salary costs	-150,066	-146,674
Social security costs	-56,993	-55,671
Other personnel costs	-12,679	-13,945
Total personnel costs	-219,738	-216,290

Average number of employees during the financial year as at 31 December 2015 was 14,018 (as at 31 December 2014: 14,109) and the Company employed 14,066 employees as at 31 December 2015 (as at 31 December 2014: 14,110 employees) of which manager employees directly responsible of general director 40 (as at 31 December 2014: 39).



SEPARATE FINANCIAL STATEMENTS
34 DEPRECIATION AND AMORTIZATION

	31 December 2015	31 December 2014
Depreciation and amortization	-164,477	-164,013
Release of subsidy for non-current assets	75,006	74,280
Total depreciation and amortization	-89,471	-89,733

35 OTHER OPERATING COSTS, NET

	31 December 2015	31 December 2014
Reversal of allowances for receivables	17,924	5,144
Fare	-3,802	-3,654
Taxes and fees	-2,791	-2,743
Profit from disposal of non-current assets	1,924	682
Profit from sale of material	386	487
Creation of legal claims provision	-41	-210
Settlement of provision for environmental burden	1,306	573
Property insurance	-2,302	-2,158
Other costs and revenues	-591	-559
Total other operating costs, net	12,013	-2,438

The greatest impact on the change in other operating costs was reversal of allowance to Železničná spoločnosť Cargo Slovakia, a. s. due to the payment of receivable (Note 10).

36 OTHER FINANCIAL COSTS AND INCOME

	31 December 2015	31 December 2014
Interest expense	-316	-2,306
Other financial expenses	-4	-3
Interest income	422	1,041
Total other financial costs and income	102	-1,268



37 CORPORATE INCOME TAX

A reconciliation of income tax expense computed using 22 % on net loss before taxes to the actual tax expense for the years ended 31 December is as follows:

	31 December 2015	31 December 2014
Profit before tax according to SAS *	28,462	11,377
of which theoretical tax at	22 %	22 %
	6 262	2 503
Tax effect of		
Tax unrecognized costs	8,605	8,697
Non-taxable income	-15,473	-6,102
Deferred tax	-39,074	-27,553
Tax expense	3	3
Temporary differences arising between the tax bases of assets and their carrying amounts, of which:	294,922	250,628
Deductible	-86,991	-110,383
- allowances for property, plant and equipment	-28,282	-31,701
- allowances for receivables	-52,992	-70,460
- allowances for inventories	-5,717	-8,222
Taxable	381,913	361,011
- property, Plant and Equipment	373,201	352,245
- income recognized after payment	8,712	8,766
Temporary differences arising between the tax bases of liabilities and their carrying amounts, of which:	-87,111	-84,964
Deductible	-87,111	-84,964
- provisions recorded as expenses	-85,378	-82,925
- provisions recorded in equity	-1,660	-2,032
- cost recognized after payment	-73	-7
Taxable	0	0
Possibility to carry forward tax losses in future	30,200	40,424
Tax rate	22 %	22 %
Deferred tax (+assets / -liabilities):		
- deferred tax at valid tax rate, net	-46,084	-36,893
- deferred tax recorded in equity	365	447
- deferred tax from possibility to carry forward tax losses in future	6,644	8,893
Total deferred tax (+ assets / -liabilities)	-39,074	-20,877
Change in deferred tax liability	-11,522	-20,182
recorded in income statement	-11,440	-20,585
recorded in equity	-82	403

*SAS = Slovak accounting standard

In the period of taxation 2015 the Company disclosed tax loss in the amount of € 2,755 thousand (as at 31 December 2014: tax base € 0). Due to the tax loss, the Company is obliged to pay the licence tax in the amount of € 2,880 under the Act No. 595/2003 Coll. on Income Tax as amended.

Withholding tax on interest in the amount of € 32 thousand was deducted in tax year 2015 (as at 31 December 2014: € 87 thousand).

The Company recorded deferred tax liability in equity in the amount of € 82 thousand (as at 31 December 2014: deferred tax asset in the amount of € 44 thousand) and deferred tax liability in the income statement in the amount of € 11,440 thousand (as at 31 December 2014: € 6,720 thousand).

38 COMMITMENTS AND CONTINGENCIES

Capital commitments

The Company is engaged in a continuous capital investment program, including projects for environmental improvements, modernization, replacement and expansion, whereby the majority of these objectives is associated with the reduction of regional differences within the EU. The Company's capital expenditure budget for each of the years 2016 – 2018 is set out in the table below:

Year	Track and infrastructure	IT and telecom	Total
2016	254,626	3,157	257,783
2017	300,110	3,152	303,262
2018	323,929	3,251	327,180
Total	878,665	9,560	888,225

39 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.



40 RELATED PARTY TRANSACTIONS

Based on the volume of realized transactions, the most significant related parties in 2015 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 14.46 % (as at 31 December 2014: 14.07 %) and 7.53 % (as at 31 December 2014: 7.47 %) of the total revenues for rendered services (Note 23).

Summary of liabilities and receivables is as follows:

	ZSSK CARGO		ZSSK	
	31 December 2015	31 December 2014	31 December 2015	31 December 2014
Liabilities	98	190	62	76
Receivables	40,145	55,647	3,856	4,532
Allowances	35,559	50,565	1	8

In accordance with the Operation of the Railway Infrastructure Contract, the Company receives subsidy to cover fixed portion of economic allowed costs in the amount of € 250,000 thousand in 2015 and will be evaluated within the half of 2016. Based on this Contract and under Government Resolution of Slovak republic No. 390/2013 dated 10 July 2013, compensation of financial impact in the amount of € 22,478 thousand was provided to the Company, associated with reduction in charges for access to railway infrastructure for cargo carriers (Note 24).

The Company draws capital subsidies from the state budgeted under contract of category of budget of Ministry of Transport to modernization and development of railway property (Note 15).

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 7). 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 2015 is in the amount of € 3,506 thousand (as at 31 December 2014: € 3,330 thousand).

As at 31 December 2015 the Company records receivables from associated company Železničná priemyselná stavebná výroba, Čaňa in the amount of € 2 thousand (as at 31 December 2014: € 3 thousand) for technical services and training, revenues for the year 2015 were in the amount of € 20 thousand (as at 31 December 2014: € 29 thousand). As at 31 December 2015 and as at 31 December 2014 the Company records no liabilities to this company (Note 7).

As at 31 December 2015 the Company records receivables from associated company Betamat, a.s., Zvolen in the amount of € 21 thousand (as at 31 December 2014: € 25) and liabilities in the amount of € 697 thousand (as at 31 December 2014: € 687 thousand) for repairs, maintenance and inspection, machine performance and rolling stock, revenues for the year 2015 were in the amount of € 18 thousand (as at 31 December 2014: € 21 thousand) (Note 7).

In 2015 the Company paid out employee benefits in the amount of € 579 thousand (in 2014: € 545 thousand) to the key management of the Company, of this Administrative Board in the amount of € 50 thousand (as at 31 December 2014: € 27 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 3, Note 8, Note 10, Note 11, Note 15, Note 21, Note 22, Note 24).

41 EVENTS AFTER THE REPORTING PERIOD

There were no material events in the Company between the end of the reporting period and the date that the financial statements are authorised for issue.

42 APPROVAL OF FINANCIAL STATEMENTS

Financial statements in notes 1 to 42 were prepared and signed on behalf of the Company on 2 March 2016:

STATUTORY AUTHORITY
OF THE ENTITY



Ing. Dušan Šefčík
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



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