

2002

**ANNUAL REPORT**

*of the Railways of the Slovak Republic*

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# FOREWORD BY GENERAL DIRECTOR OF ŽSR

The Railways of the Slovak Republic have passed one year of activity, which is the breakthrough, remarkable and historical year in their almost 155 year history. After the separation of the transport operations into the Railway Company, joint-stock company (ZSSK), ŽSR have already performed the task of the rail infrastructure manager in 2002. This new position has brought many positive matters. However, on the other hand, it is necessary to be stated, that not all of the expectations have been fulfilled, which this radical step resulting from ŽSR Transformation and Restructuralisation Project should have brought.

In 2002 the works have been started on the modernisation of fifth corridor, that leads from Bratislava through Žilina and Košice to Čierna nad Tisou. In the section Bratislava Rača-Šenkvice both rails between Bratislava Rača-Svätý Jur stations have been modernised to the speed of 160 km/h. To the end of 2005 the modernisation of the stations and the track Svätý Jur-Pezinok and Pezinok-Šenkvice is planned. We implement this construction from EU financial means through the ISPA fund. The amount of justified costs presents the volume of 51,422,000 EUR, from which 38,566,500 EUR are EU means. The remaining 25 % of the costs will be refinanced from state budget of SR.

In 2002 we also have put the electrified and modernised section from Čadca to Skalité into service in the sixth international corridor Žilina-Čadca-Skalité-Zwardoň. We modernised the section Čadca-Skalité to the speed of 100 km/h and the section Skalité-state border with Poland to the speed of 70 km/h. The modernisation and electrification of the section

with length 20.2 km required total investment almost 1.8 billions SKK. Also in this case part of the constructions, have been financed from EU means through PHARE program in the amount 2.2 mil. EUR (94.307 mil. SKK).

The works also have proceeded in fourth corridor Kúty-Bratislava-Štúrovo, where in relation to rebuilding and reconstruction of the railway station Kúty to the border exchange station the 250 million investment has been put into service. In the concrete, it was concerned to the activation of the electronic interlocking of the AŽD-ESA 11 type. This modern type of interlocking facilitates to manage the whole activity in the rail station area by computer and is so far the only one in the ŽSR network. Moreover, in regard to maintenance operation, both rails between Devinské Jazero and Zohor have been modernised to 160 km/h.

Passengers do not have to notice our activities in the tracks even if the journey fluency, higher speed or safety is much better than the state in the last, though only in the short modernised sections. But passengers have to notice the changing appearance of our rail stations. It took a while to us to start up in 2000 and 2001, but in the last year the renovation with the raising number of the stations had to be noticed. Starý Smokovec, Liptovský Hrádok, Štrba, Kysak, Šaľa, Podhájska, Galanta, Liptovský Mikuláš, Malacky, Nižná, Podbrezová, Vranov nad Topľou, Hanušovce nad Topľou, Snina, Dolný Hričov and Kysucké Nové Mesto stations have been renewed. In 2003 the pace of station modernisation will be reassessed in regard to the lack of cover sources (settlement amount of the lost for services in the public

interest when operating the railway in 2003, investment transfer from the state budget in 2003 and limited opportunities to take the new loans). We will continue with station and infrastructure capacity renovation because it is out of doubt the right direction we have to take. The reconstructions are appreciated both by passengers and railway employees because the modernisation of the station rooms and operation buildings brings also the new quality into the work environment for both ŽSR employees and carriers.

The strategy goal that we have fully started to implement in 2002 was the project of the tele-information network modernisation. After the Framework Agreement with Alcatel Slovakia, a.s. was signed in November, 2001, the construction with total finance volume 2.6 billions SKK should be finished by contractor to the end of 2004. The construction is divided into three stages. In the first one it will be established the long-distance optical cable in the section Bratislava-Nové Zámky-Zvolen-Košice-Čierna nad Tisou with link to the Ukraine railways, in the second one, Košice-Poprad-Žilina-Trnava-Bratislava will be linked with the optical cable. In the third one, it will be implemented the optical link between Žilina-Martin-Zvolen and Horná Štubňa-Prievidza-Nitra-Nové Zámky-Štúrovo and Nové Zámky-Komárno. The project of the teleinformation network modernisation will cover to not only the need to ensure the operation but the capacity surplus, which offers this new technology will make us able to perform the business activities. The ŽSR are entering into the telecommunication market and the sale of the telecommunication services is becoming the

railway telecommunication's main activity. The Slovak Telecommunications have not the monopoly to offer the voice services from 1. January 2003 already. They will be offered also by ŽSR - Railway Telecommunications, that in December 2002 obtained the license for the establishment and operation of the unswitched public telecommunication network, the offer of the public telephone service through unswitched public telecommunication network and for the offer of the public telecommunication services. It should happen in the second half of 2003 according to our purpose.

From 1. of January 2002 ŽSR have started separately even if they are linked by „navel string“ with their greatest customer - Railway Company, joint-stock company. The essential positive matter of railways separation is the thing, that we did not notice any negative effects on passenger or freight transport, which should arise from the thing, that one undertaking is in charge of the railway infrastructure and the other one is in charge of the transport on the tracks. Moreover, our employees started to behave more economically, efficiently, they are more consistent in decision making because they realise that every incorrect decision brings about the financial losts or the damage of the ŽSR's goodwill. I believe that this tendency will continually go closer and closer from top management through middle management to ordinary employee, that everyone will feel the personal responsibility for the undertaking's results and everyone will care for how public look at the undertaking and what is the credibility of the finance and bank institutions they look at this.

In 2002 we have reached success also in the „railway diplomacy“ field. ŽSR improved its high credit in international railway organisations in 20. march 2002, when they have been adopted on the general session of the Community of European Railways CER as a right member of this organisation. Together with other railway managements of the candidate countries to the accession to EU from Czech Republic, Poland, Slovenia and Hungary, they utilised the change of rules, according that the member of CER may be the railway undertaking of the State, which in relation to pre-accession negotiations have closed chapter Railway traffic. CER is a advisory body for European Commission and the membership in this organisation will enable for ŽSR to participate on the preparation of the community recommendations, on the European Union's decision making processes in the field of railway transport, more actively.

The ŽSR economical results in 2002 regarding to development in 1998 as well as impact by new conditions from 1.1.2002 may to be valuated positively. The Railways management implemented the system steps for improvement in the overall economical results gradually. Also on the basis of the mentioned reasons the total lost decreased from 1998 (5.8 billions SKK) gradually and in 2002 reached the level 3.067 billions SKK. The separation of carrier's function from ŽSR to Railway Company, joint-stock company discovered reserves in both companies, which might be guessed in the past, but they showed themselves fully in 2002. The transition has been ensured from internal relations to the routine external relations based on the contracts and the settlements of the invoices. Nevertheless, first year of the sepa-

rated railways may be considered as a clearing of the mutual relations with the Railway Company, joint-stock company. The forecast is real, that the financial flows in infrastructure financing will be cleaner, which in final result will bring the additional improvement in economical results and additional decrease of lost.

I think that regarding to 2002 we may praise ourselves. Just the manner of the undertaking separation itself draws attention abroad and many people are interested in our experiences. But we realize that the solution of the problem relating to the lack of sources for the corridor construction, assurance of the required extent of infrastructure repairs and maintenance and for operation of the services in the public interest will require the new approaches in internal management of ŽSR. In comparison with the last, the shift toward better is visible. The state recognized its debts against railway for 1994-2001 and it is willing to negotiate about the manner of their settlement, to find the starting points and it settles its debts from the past gradually. Also because of that the SR government charged to draw up the Plan of Consolidation Function Fulfillment, which arisen from the ŽSR Transformation and Restructuralisation Project. This plan constitutes the main instrument for gradual problems removing and draw up the conditions for balanced economy in ŽSR. Its implementation aims to follow at the same time the objective to establish the infrastructure manager fulfilling the EU criteria.

Ing. Ladislav Saxa  
*General Director of ŽSR*



## GOVERNING BOARD

*According to the provisions of § 4 and § 5 of the Act No. 258/1993 Coll. on ŽSR and under the Act No. 152/1997 Coll. and the Act of the National Council of SR No. 259/2001 Coll., the Governing Board and General Director are the statutory authorities of ŽSR. The Governing Board, consisting nine members, is the supreme body of ŽSR.*

*As to 31.12.2002 the Governing Board consisted of these members:*



### **Ing. Zoltán ÁDÁM**

*Chairman of the Governing Board*

Director

Railway Research and Development Institute  
Žilina, ŽSR

### **Ing. Vojtech KOBETIČ**

*Vicechairman of the Governing Board*

General Inspector of SR ŽSR

General Directorate of ŽSR, Bratislava

### **Ing. Milan SOLÁRIK**

*Member of the Governing Board*

Deputy General Director for Operations

General Directorate of ŽSR, Bratislava

### **Ing. Ján VANČÍK**

*Member of the Governing Board*

Director of Department for Financing of  
Business Area Ministry of Finance of SR

### **Ing. Andrej EGYED**

*Member of the Governing Board*

General Director and Chairman of Managing Board  
of Railway Company, joint-stock company

### **Ing. Dušan TURANOVIČ**

*Member of the Governing Board*

General Director of Tracks and Transport on the Tracks  
Department

Ministry of Transport, Posts and Telecommunications of SR

### **Ing. Rudolf PECAR**

*Member of the Governing Board*

Secretary of General Council

Railway Trade Union Bratislava

### **Mgr. Peter ROZLOŽNÍK**

*Member of the Governing Board*

1 Vicechairman of General Council

Railway Trade Union Bratislava

Vacancy in office

## EXECUTIVE BODY

*(Composition in 2002)*



**Ing. Ladislav SAXA**  
*General Director of ŽSR*

**Ing. Dušan ZELINKA**

*Deputy General Director for Economy*

*(in the office until 30.11.2002)*

**Ing. Štefan HLINKA**

*Deputy General Director for Economy*

*(in the office from 1.12.2002)*

**Ing. Ladislav DIMUN**

*Deputy General Director for Technical*

*Development*

**Ing. Milan SOLÁRIK**

*Deputy General Director for Operations*

**Ing. Ján ŽAČKO**

*Deputy General Director for Human Resources*

## SCOPE OF BUSINESS ACTIVITIES

The railways of the Slovak Republic provide freight and passenger transport services in accordance with the state transport policy and market requirements. The scope of the business thereof is stipulated in the provisions of § 2 of Act of the National Council of the Slovak Republic No. 258/1993 of the Coll. on Railways of the Slovak Republic, which has been significantly amended by Act No. 259/2001 Coll. on Railway Company, joint-stock company and on amendment of Act of the National Council No. 258/1993 on Railways of the Slovakia Republic under the Act No. 152/1997 Coll. as follows:

| <b>a) Fundamental business activities:</b>   | <b>b) Other business activities filed in the Trade Register:</b>   |
|--|--|
| <ol style="list-style-type: none"> <li><b>1. Operating railway tracks and cableway tracks under a special regulation,</b></li> <li><b>2. Conducting activities pertinent to the operation of railway tracks and cableway tracks:</b> <ol style="list-style-type: none"> <li>2.1. Establishment and operation of railway telecommunication and radio networks,</li> <li>2.2. Construction, modifications and maintenance of railway tracks and cableway tracks including environmental facilities,</li> <li>2.3. Maintenance and repairs of the means of transport, production, maintenance and repairs of special machines, equipment and materials including inspection and diagnostic services,</li> <li>2.4. Providing services in catering, accommodation and cultural facilities,</li> <li>2.5. Lease of real estate,</li> <li>2.6. Automated data processing and transmission,</li> <li>2.7. Metrological services and defectoscopy, diagnostics and measurement of physical quantities, geodetic and cartographic activities,</li> <li>2.8. Rendering services for the lead sectoral railway transport standardisation centre,</li> <li>2.9. Manufacturing, assembling, repair and reconstruction of electric and electronic equipment including inspection and diagnostics,</li> <li>2.10. Transshipment of goods, re-linking and binding of rolling stock and change of transport modifications of goods transported at track gauge transfer points,</li> <li>2.11. Provision of special healthcare for employees in selected professions,</li> </ol> </li> <li><b>3. Track transport operation for the purpose of:</b> <ol style="list-style-type: none"> <li>3.1. Construction, modifications and maintenance of railway tracks and cableway tracks,</li> <li>3.2. Provision of manipulation services, attendance transport services and attendance transportation services for track transport operators,</li> </ol> </li> </ol> | <ol style="list-style-type: none"> <li>1. Project activities in investment construction,</li> <li>2. Engineering activities,</li> <li>3. Advertising and promotional activities,</li> <li>4. Copying and photographic activities,</li> <li>5. Organising and education activities,</li> <li>6. Psychological services of non-clinic character,</li> <li>7. Keeping a travel agency,</li> <li>8. Preventive health care,</li> <li>9. Purchase of goods for the purpose of sale to other business operators (wholesale),</li> <li>10. Purchase of goods for the purpose of sale to final customer (retail),</li> <li>11. Agency activities,</li> <li>12. Generation of heat, distribution of electricity, distribution of heat,</li> <li>13. Testing of rolling stock for railway and special tracks,</li> <li>14. Public telecommunication network establishment and operation and provision of public telecommunication services,</li> <li>15. Provision of medical care,</li> <li>16. Activities of accounting consultants,</li> <li>17. Conducting accounting procedures,</li> <li>18. Provision of software products - sale of ready-made software products based on a contract with the author,</li> <li>19. Consultancy activities in the area of hardware and software,</li> <li>20. Preparation of the youth for job performance and related activities,</li> <li>21. Research and development activities for construction and operation of all the tracks,</li> <li>22. Research and development activities for transport operation in all the tracks,</li> <li>23. Maintenance, presentation and operation of historical rail vehicles for railway and special tracks including track machines and special equipment,</li> <li>24. Operation of passenger transport by nostalgic trains in the railway and special tracks.</li> </ol> |



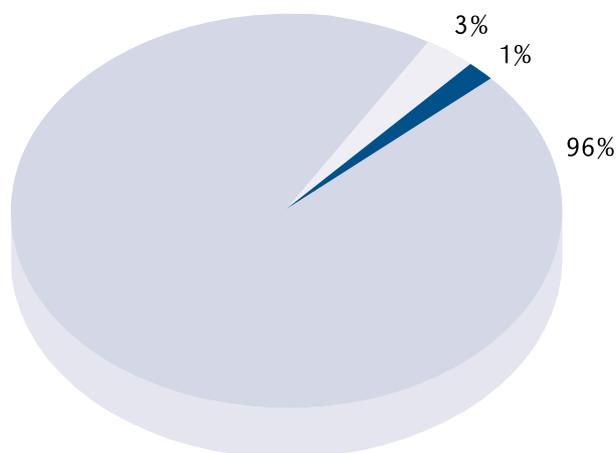
# INFRASTRUCTURE

## *Tracks and rails*

Railways of the Slovak Republic manage and operate the railway tracks of national and regional importance with these lengths and characteristics.

| Parameter / Year                               | 2000         | 2001         | 2002         | Index        |              |
|--|--------------|--------------|--------------|--------------|--------------|
|  |              |              |              | 01/00        | 02/01        |
| <b>Total building length of tracks (in km)</b> | <b>3 662</b> | <b>3 662</b> | <b>3 657</b> | <b>1.000</b> | <b>0.999</b> |
| in that:                                       |              |              |              |              |              |
| Single-tracks                                  | 2 642        | 2 642        | 2 638        | 1.000        | 0.998        |
| Double- and multiple-tracks                    | 1 020        | 1 020        | 1 019        | 1.000        | 0.999        |
| Broad-gauge tracks                             | 100          | 100          | 100          | 1.000        | 1.000        |
| Standard-gauge tracks                          | 3 512        | 3 512        | 3 507        | 1.000        | 0.999        |
| Narrow-gauge tracks                            | 50           | 50           | 50           | 1.000        | 1.000        |
| Non-electrified tracks                         | 2 126        | 2 126        | 2 101        | 1.000        | 0.988        |
| Electrified tracks                             | 1 536        | 1 536        | 1 556        | 1.000        | 1.013        |
| in that:                                       |              |              |              |              |              |
| AC 25000 V/50 Hz                               | 737          | 737          | 738          | 1.000        | 1.001        |
| DC 3000 V (others)                             | 799          | 799          | 818          | 1.000        | 1.024        |
| <b>Total building length of lines (in km)</b>  | <b>6 885</b> | <b>6 885</b> | <b>6 878</b> | <b>1.000</b> | <b>0.999</b> |

The Building Length of Tracks



■ Standard-gauge tracks - 96%   ■ Broad-gauge tracks - 3%   ■ Narrow-gauge tracks - 1%

# RAILWAY INFRASTRUCTURE SERVICES

## *Passenger Transport Services*

ŽSR provided the railway tracks services for passenger and freight transport needs in accordance with the contract for services in the public interest agreed between ŽSR and Ministry of transport, Posts and Telecommunications of the Slovak Republic (MDP SR).

| Service/Period                         | 2000          | 2001          | 2002          |
|--|---------------|---------------|---------------|
| <b>Totally (thousands train km)</b>    | <b>35 853</b> | <b>35 557</b> | <b>35 874</b> |
| in that:                               |               |               |               |
| Electric traction                      | 20 077        | 19 946        | 20 142        |
| Diesel traction                        | 15 776        | 15 611        | 15 732        |
| <b>Totally (millions of gross tkm)</b> | <b>8 381</b>  | <b>8 086</b>  | <b>10 573</b> |

### *Passenger transport services according to the type of train in 2002*

| Type of train       | mil. gross tkm | thousands train km |
|---------------------|----------------|--------------------|
| Eurocity, Intercity | 861            | 1 859              |
| Express             | 128            | 307                |
| Fast train          | 3 728          | 7 585              |
| Local express train | 422            | 1 369              |
| Slow train          | 5 359          | 24 462             |
| Extra train         | 3              | 8                  |
| Mail train          | 0              | 0                  |
| Set train           | 72             | 283                |
| <b>Total</b>        | <b>10 573</b>  | <b>35 874</b>      |



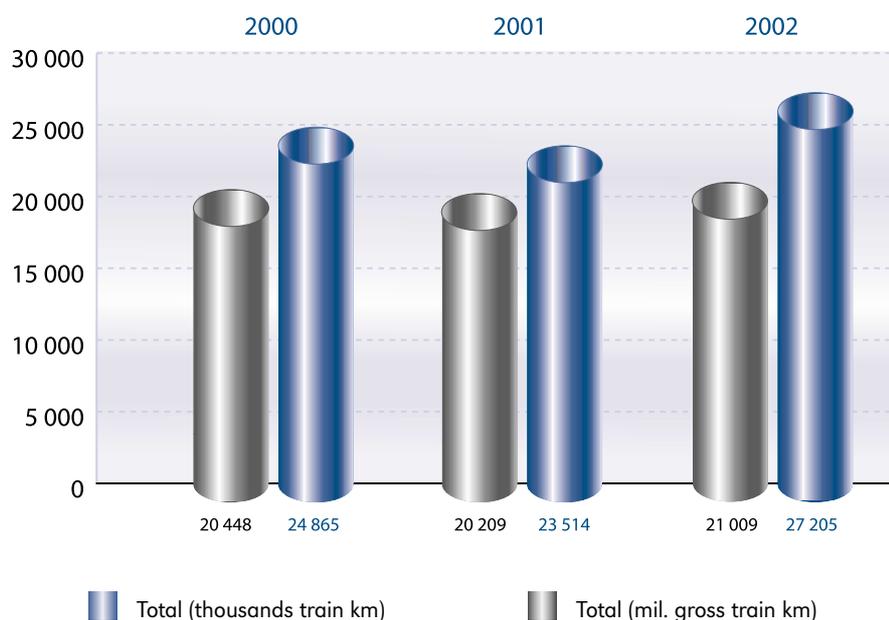
## Freight Transport Services

| Service/Period                      | 2000          | 2001          | 2002          |
|-------------------------------------|---------------|---------------|---------------|
| <b>Totally (thousands train km)</b> | <b>20 448</b> | <b>20 209</b> | <b>21 009</b> |
| in that                             |               |               |               |
| Electric traction                   | 15 254        | 15 006        | 15 525        |
| Diesel traction                     | 5 194         | 5 203         | 5 483         |
| <b>Totally (mil. gross tkm)</b>     | <b>24 865</b> | <b>23 514</b> | <b>27 205</b> |
| in that                             |               |               |               |
| Electric traction                   | 20 376        | 19 460        | 22 441        |
| Diesel traction                     | 4 489         | 4 054         | 4 764         |

### Freight transport services according to the type of train in 2002

| Type of train               | mil. gross tkm | thousands train km |
|-----------------------------|----------------|--------------------|
| Fast freight train          | 279            | 220                |
| Through freight train       | 16 715         | 9 957              |
| Balanced freight train      | 2 045          | 1 960              |
| Way freight train           | 1 373          | 3 148              |
| Exchange freight train      | 344            | 547                |
| Local express freight train | 5 935          | 4 030              |
| Express freight train       | 474            | 1 107              |
| Single set train            | 39             | 40                 |
| <b>Total</b>                | <b>27 205</b>  | <b>21 009</b>      |

### Freight Transport Services



## The Fulfillment of the Passenger Transport Trains Timetable

(in %)

| Type of train                    | Fact         |              |              | Index       |             |
|----------------------------------|--------------|--------------|--------------|-------------|-------------|
|                                  | 2000         | 2001         | 2002         | 02/00       | 02/01       |
| international fast trains        | 94.87        | 92.19        | 89.85        | 0.95        | 0.97        |
| domestic fast trains             | 93.79        | 94.63        | 90.58        | 0.97        | 0.96        |
| slow trains                      | 97.64        | 97.41        | 97.36        | 1.00        | 1.00        |
| <b>Total passenger transport</b> | <b>97.21</b> | <b>97.04</b> | <b>96.83</b> | <b>1.00</b> | <b>1.00</b> |

## External Revenues for the Use of Railway Infrastructure

The use of railway infrastructure has become the main sale product for ŽSR since 01.01.2002. Until 2002 the railway infrastructure was an internal service for commercial departments.

| Revenues/Period                             | 2000          | 2001          | 2002             |
|---|---------------|---------------|------------------|
| Totally (thousands SKK)                     | 13 236        | 21 824        | 8 311 129        |
| in that:                                    |               |               |                  |
| <b>Railway Company, joint-stock company</b> | <b>0</b>      | <b>0</b>      | <b>8 290 585</b> |
| Passenger transport                         | 0             | 0             | 1 827 836        |
| Freight transport                           | 0             | 0             | 6 462 749        |
| <b>Other carriers</b>                       | <b>13 236</b> | <b>21 824</b> | <b>20 544</b>    |
| Passenger transport                         | 0             | 0             | 0                |
| Freight transport                           | 13 236        | 21 824        | 20 544           |

# STRATEGIC OBJECTIVES

During 2002 ŽSR drew up new strategy of the company, now as railway infrastructure manager after the historic split-up of the former unitary railways.

Defining the strategic objectives of ŽSR follows the changing conditions in which ŽSR are being found.

## The strategy is aimed at the main priorities:

- **Continuation of ŽSR's transformation on the market oriented subject in regulated economic competition conditions and European integration of railways.**

One of the main assumptions is to harmonise the Slovak legislation in ŽSR's legal position area as railway infrastructure manager and to adapt relations of partnership between the state and ŽSR.

- **Trade activity of ŽSR**

In new conditions there were achieved the space for trade activity in the fields of trading with transport routes, electric energy, telecommunication services and property.

- **Infrastructure modernisation for support of business orientation and effectiveness of company**

The priority is to provide quality transport route, speed and accuracy of transport with cost minimisation on transport route and operation.

- **Human resources development**

To manage the preparation for competitiveness, system, quality, organisational and technological changes in railway, as such, through human resources development.

- **Financial provision of strategic objectives realisation**

The provision of financial resources is the basic condition for strategic objectives realisation of company. The choice of form and combination of forms and extent for provision of external resources belong to the most important strategic decisions.

- **Rational fulfilment of consolidated function**

The fulfilment of this priority is narrow linked with the solution of financial relations between the state and ŽSR.

At international traffic flows we aim at sorting out the linkages with adjoining railways and the state administration in the displacement of activities from border transit stations to formation yards. These solutions should remove loss times in transportation in future. Projects having this focus are supported by European Union and co-ordinated by UIC.

The expected liberalisation of operators' access to the infrastructure requires ŽSR to remove from the

infrastructure those technical facilities and regulations that lay obstacles to the entry of foreign operators.

Finance from bank loans and grants, in addition to investing in international railway corridors modernisation, needs to be exclusively invested in technological facilities saving energies and human labour.

There is also a strong need to sustain investments in such composition and amount that their subsequent reflection in costs on the fee for traffic path utilisation does not become a competitive disadvantage in a high price for traffic path utilisation.

In 2001 the process of new administrative territorial segmentation of the Slovak Republic into so-called higher territorial units was completed. These territorial units were supposed to take over regional railway transport. Measures from the side of the state administration in this direction involve ŽSR at new situation which we have to cope with.

Above the process of legislative and organisational alterations pertaining to ŽSR, EU legislation was also being developed in conjunction with previous legislation, which in the area of railway transport resulted in adoption of Guidelines 2001/12, 2001/13, 2001/14, 2001/16. ŽSR follow this legislative process and implement progressively the recommendations.

The Slovak Republic expects joining EU in 2004 and therefore all activities of ŽSR must accept this goal and adapt relevant EU legislation.

Notwithstanding the division, ŽSR still remain a regular member of several important international railway associations such as UIC, CER, OSŽD, EHK-OSN-TER, G4, V4 and other. Relevant documents, edicts and standards will facilitate ŽSR to monitor the interoperability trend and tendencies of the development of ŽSR's position on the transport market.

A long-term goal of ŽSR, as infrastructure manager, is to operate in the given European space as an efficient railway infrastructural undertaking.

# COMPANY RESULTS

## *Financial Results*

*(Slovak Accounting Standards)*

Based on accounting records for 2002, ŽSR had total revenues of 18,096,145 thousand SKK and total costs of 21,163,106 thousand SKK. Financial result of ŽSR was loss of 3,066,961 thousand SKK.

With regard to the division of unitary ŽSR into ŽSR and Railway Company, joint-stock company as at January 1, 2002, it is not appropriate to compare financial results with previous years. In comparison with the plan for 2002, attained loss was lower by 184,947 thousand SKK, while costs were accounted higher by 4,222,679 thousand SKK and revenues by 4,407,626 thousand SKK.

The financial results were affected by:

- loss on operating activities in the amount of 413,192 thousand SKK (more than planned for 2002 by 18,700 thousand SKK),
- loss on financial operations in the amount of 1,895,296 thousand SKK (less than planned for 2002 by 631,640 thousand SKK),
- loss on extraordinary activities in the amount of 723,710 thousand SKK (more than planned for 2002 by 393,230 thousand SKK).

(million SKK)

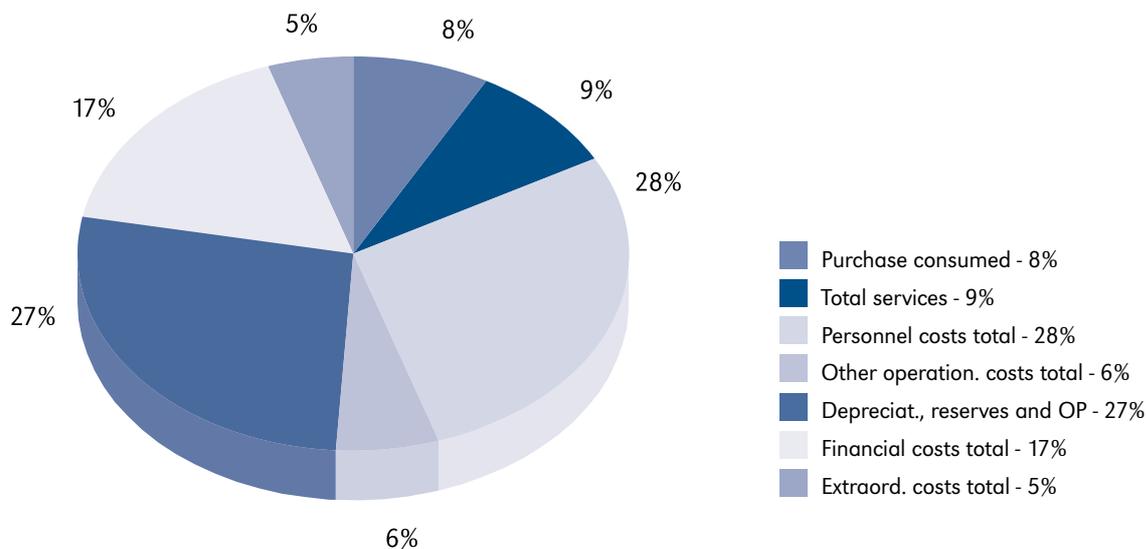
|                      | 2000          | 2001          | 2002          |
|----------------------|---------------|---------------|---------------|
| Costs                | 32 910        | 34 734        | 21 163        |
| Revenues             | 28 876        | 46 379        | 18 096        |
| <b>Profit+/Loss-</b> | <b>-4 034</b> | <b>11 645</b> | <b>-3 067</b> |

Costs were accounted for in the amount of 21,163,106 thousand SKK, more by 4,222,679 thousand SKK in comparison with plan for 2002.

Amount of accounting costs was affected, in particular, by:

- costs of material consumption in the amount of 1,151,282 thousand SKK,
- total services in the amount of 1,916,808 thousand SKK,
- personnel costs in the amount of 5,932,453 thousand SKK, of which wage costs were 4,144,793 thousand SKK,
- pricing of provisions to operational costs in the amount of 3,176,253 thousand SKK, while provisions to receivables toward the state were accounted for in the amount of 2,538,180 thousand SKK,
- cost interests for 2002 attained the amount of 2,476,158 thousand SKK.

### Share of selected cost items in total costs:

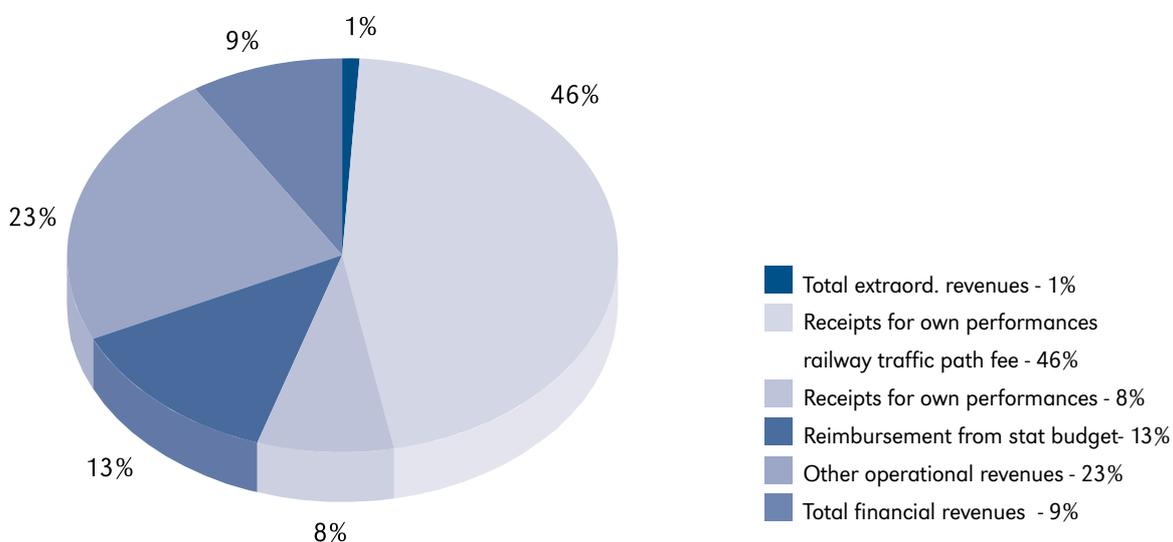


Revenues were accounted for in the amount of 18,096,145 thousand SKK, which is, compared to plan for 2002, more by 4,407,626 thousand SKK.

The amount of accounted revenues was affected, in particular, by:

- revenues from the fee for traffic path utilisation in the amount of 8,311,129 thousand SKK,
- stipulated fines and penalties in the amount of 2,153,455 thousand SKK, while late charges to receivables toward the state for 1994-2001 constitute the amount 2,113,805 thousand SKK in 2002,
- subsidies from the state budget for reimbursement of loss resulting from contractual performances in the public interest in the amount of 2,325,537 thousand SKK,
- discharge of reserves for currency leaks created in 2001 in the amount of 1,227,889 thousand SKK, particularly further to currency leaks of credit payment to The Fuji Bank.

### Share of selected revenue items in total revenues:



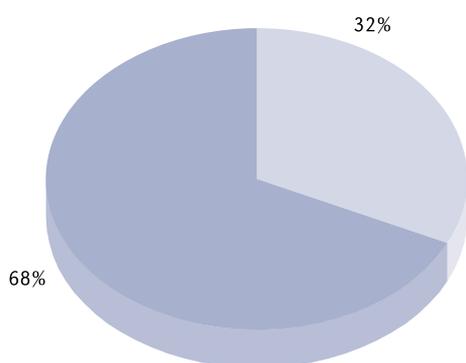
ŽSR's primary business, represented by passenger and freight transport performances, had the most essential impact on costs and revenues of ŽSR.

Total losses on primary business in the amount of 3,344,568 thousand SKK were, in comparison with the plan for 2002, higher by 12,660 thousand SKK. The total losses on primary business were affected by a loss in freight transport in the amount of 1,404,706 thousand SKK and a loss in passenger transport in the amount of 1,939,862 thousand SKK.

(million SKK)

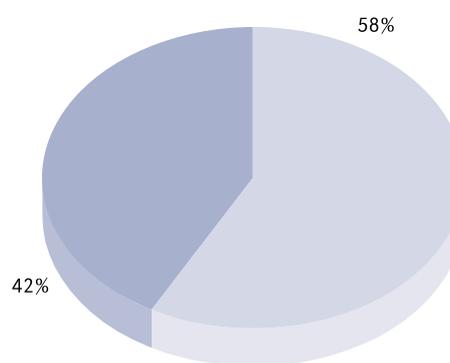
|                            |                              | 2000   | 2001   | 2002   |
|----------------------------|------------------------------|--------|--------|--------|
| <b>Passenger transport</b> | Costs                        | 13 363 | 12 031 | 5 813  |
|                            | Revenues                     | 4 029  | 4 044  | 3 121  |
|                            | Subsidies from state budget  | 4 239  | 3 624  | 752    |
|                            | State subsidy not reimbursed | 2 644  | 2 054  | -      |
|                            | Profit+/-/loss-              | -2 451 | -2 309 | -1 940 |
| <b>Freight transport</b>   | Costs                        | 17 248 | 19 364 | 12 173 |
|                            | Revenues                     | 16 130 | 18 527 | 9 194  |
|                            | Subsidies from state budget  | -      | -      | 1 574  |
|                            | Profit+/-/loss-              | -1 118 | -837   | -1 405 |

Costs (2002)



Passenger transport - 32%  
Freight transport - 68%

Financial results (2002)



Passenger transport - 58%  
Freight transport - 42%

## Profit and Loss Statement

(Slovak Accounting Standards)

(thousand SKK)

|  | 2000              | 2001              | 2002              |
|--|-------------------|-------------------|-------------------|
| Revenues from sales of merchandise                                     | 81 915            | 102 288           | 124 546           |
| Costs of the merchandise sold  | 69 286            | 85 863            | 104 792           |
| <b>Trade margin</b>  | <b>12 629</b>     | <b>16 425</b>     | <b>19 754</b>     |
| <b>Production</b>  | <b>17 535 084</b> | <b>19 984 088</b> | <b>9 927 144</b>  |
| Revenues from the sale of ŽSR products and services                    | 17 078 305        | 19 253 455        | 9 569 706         |
| Change in inventory of ŽSR products and services                       | -1 112            | -232              | 229               |
| Capitalisation   | 457 891           | 730 865           | 357 209           |
| <b>Production consumption</b>  | <b>9 493 575</b>  | <b>11 410 348</b> | <b>3 445 880</b>  |
| <b>Added value</b>   | <b>8 054 138</b>  | <b>8 590 165</b>  | <b>6 501 018</b>  |
| Personnel costs  | 10 577 000        | 10 731 178        | 5 932 453         |
| Taxes and fees   | 57 871            | 56 257            | 49 781            |
| Other operating revenues   | 7 896 052         | 14 221 756        | 5 470 957         |
| Other operating costs  | 1 632 762         | 2 248 446         | 1 297 301         |
| Depreciation of intangible and tangible assets                         | 3 105 778         | 3 278 943         | 2 591 329         |
| Accounting for reserves, provisions and accruals of operating revenues | 945 785           | 2 074 200         | 661 950           |
| Creation of reserves, provisions and accruals of operating costs       | 1 579 465         | 1 865 281         | 3 176 253         |
| <b>Operating Profit+/-Loss-</b>  | <b>-56 901</b>    | <b>6 706 016</b>  | <b>-413 192</b>   |
| Revenues from sale of securities                                       | 0                 | 5 578             | 0                 |
| Sold securities and contributions                                      | 0                 | 3 849             | 0                 |
| Financial revenues   | 618 766           | 305 196           | 344 486           |
| Financial costs  | 3 861 100         | 2 877 635         | 3 541 645         |
| Accounting for reserves and provisions to finance revenues             | 1 858 748         | 2 095 274         | 1 365 189         |
| Creation of reserves and provisions for finance costs                  | 1 964 312         | 1 424 658         | 63 326            |
| <b>Profit+/-Loss- from financial operation</b>                         | <b>-3 347 898</b> | <b>-1 900 094</b> | <b>-1 895 296</b> |
| Income tax payable from ordinary activities                            | 5 035             | 13 620            | 34 763            |
| <b>Profit+/-Loss- from ordinary activities</b>                         | <b>-3 409 834</b> | <b>4 792 302</b>  | <b>-2 343 251</b> |
| Extraordinary revenues   | -60 397           | 7 590 507         | 201 873           |
| Extraordinary costs  | 563 511           | 737 325           | 925 583           |
| <b>Extraordinary Profit+/-Loss-</b>                                    | <b>-623 908</b>   | <b>6 853 182</b>  | <b>-723 710</b>   |
| <b>PROFIT/LOSS FOR ACCOUNTING PERIOD</b>                               | <b>-4 033 742</b> | <b>11 645 484</b> | <b>-3 066 961</b> |

## *Balance Sheet*

*(Slovak Accounting Standards)*

(thousand SKK)

|                                       | 31.12.2000        | 31.12.2001        | 31.12.2002        |
|---------------------------------------|-------------------|-------------------|-------------------|
| <b>ASSETS</b>                         |                   |                   |                   |
| <b>Total assets</b>                   | <b>72 617 404</b> | <b>98 732 597</b> | <b>73 771 647</b> |
| <b>Fixed assets</b>                   | <b>55 326 653</b> | <b>65 226 501</b> | <b>54 920 130</b> |
| Intangible fixed assets               | 398 394           | 334 178           | 254 381           |
| Tangible fixed assets                 | 54 316 645        | 64 213 583        | 54 577 766        |
| Financial investments                 | 611 614           | 678 740           | 87 983            |
| <b>Current assets</b>                 | <b>9 833 951</b>  | <b>28 639 233</b> | <b>16 789 142</b> |
| Inventories                           | 1 754 049         | 2 029 648         | 1 050 956         |
| Long-term accounts receivable         | 17 524            | 8 358             | 4 100             |
| Short-term accounts receivable        | 6 410 157         | 22 007 347        | 13 329 700        |
| Financial assets                      | 1 652 221         | 4 593 880         | 2 404 386         |
| <b>Other assets</b>                   | <b>7 456 800</b>  | <b>4 866 863</b>  | <b>2 062 375</b>  |
| <b>EQUITY &amp; LIABILITIES</b>       |                   |                   |                   |
| <b>Total equity &amp; liabilities</b> | <b>72 617 404</b> | <b>98 732 597</b> | <b>73 771 647</b> |
| <b>Equity</b>                         | <b>27 887 835</b> | <b>41 071 097</b> | <b>21 526 129</b> |
| Registered capital                    | 38 596 655        | 38 878 545        | 21 737 740        |
| Capital funds                         | 8 435 145         | 9 691 033         | 10 353 831        |
| Funds from profit                     | 274 029           | 274 029           | 856 303           |
| Profit+/-Loss- from previous years    | -15 384 252       | -19 417 994       | -8 354 784        |
| Profit+/-Loss- from current year      | -4 033 742        | 11 645 484        | -3 066 961        |
| <b>External sources</b>               | <b>43 254 538</b> | <b>55 686 240</b> | <b>48 940 623</b> |
| Reserves                              | 1 946 326         | 1 229 489         | 44 270            |
| Long-term liabilities                 | 2 655 908         | 3 660 497         | 1 141 661         |
| Short-term liabilities                | 11 978 236        | 12 057 925        | 9 433 576         |
| Bank loans and other loans            | 26 674 068        | 38 738 329        | 38 321 116        |
| <b>Other liabilities</b>              | <b>1 475 031</b>  | <b>1 975 260</b>  | <b>3 304 895</b>  |

## Cash Flow Review

(thousand SKK)

|             | Text  | 2001               | 2002              |
|-------------|---|--------------------|-------------------|
| <b>A.</b>   | <b>Cash flow from basic business activities</b>   |                    |                   |
| <b>Z.</b>   | <b>Profit</b>   |                    |                   |
| <b>S.</b>   | <b>Loss</b>   | <b>4 805 918</b>   | <b>-2 308 488</b> |
| <b>A.1.</b> | <b>Non-cash operations</b>  | <b>6 845 109</b>   | <b>4 882 868</b>  |
| A.1.1.      | Deprecations of fixed assets  | 3 278 943          | 2 591 329         |
| A.1.2.      | Gifts   | 6 493              | 0                 |
| A.1.3.      | Deprecations of account receivables   | 962 518            | 55 908            |
| A.1.4.      | Change in state of reserves   | -716 837           | -1 185 219        |
| A.1.5.      | Change in state of accruals within assets   | 2 589 937          | 1 561 051         |
| A.1.6.      | Change in state of accruals within liabilities  | 499 579            | 1 595 026         |
| A.1.7.      | Change in state of provisions within fixed assets   | 165 233            | 201 851           |
| A.1.8.      | Change in state of provisions from capital shares   |                    | -6 690            |
| A.1.9.      | Other non-cash operations   | 59 243             | 69 614            |
| <b>A.2.</b> | <b>Change in state of working capital</b>   | <b>-17 972 733</b> | <b>1 406 333</b>  |
| A.2.1.      | Change in state of receivables from basic business activities   | -16 093 984        | 1 983 522         |
| A.2.2.      | Change in state of short-term liabilities from basic business activities  | -1 034 346         | -731 220          |
| A.2.3.      | Change in state of VAT  | -290 870           | 661 550           |
| A.2.4.      | Change in state of other taxes  | -283 297           | -443 061          |
| A.2.5.      | Change in state of inventory  | -274 084           | -64 458           |
| A.2.6.      | Change in state of short-term finance assets  | 3 849              | 0                 |
| <b>A.3.</b> | <b>Interests accounted to costs</b>   | <b>2 017 400</b>   | <b>2 476 158</b>  |
| <b>A.4.</b> | <b>Interests accounted to revenues</b>  | <b>-93 446</b>     | <b>-228 825</b>   |
| <b>A</b>    | <b>Profit/Loss from current activities before taxation by income tax valid for corporate entities adjusted for non-cash operations and changes of working capital and interests</b> | <b>-4 397 751</b>  | <b>6 228 045</b>  |
| <b>A.5.</b> | <b>Items excluded from basic business activities</b>  | <b>-6 932</b>      | <b>21 934</b>     |
| A.5.1.      | Profit from sales of fixed assets   | -6 932             |                   |
| A.5.2.      | Loss from sales of fixed assets   |                    | 21 934            |
| <b>A.6.</b> | <b>Specific items</b>   | <b>7 166 345</b>   | <b>-636 513</b>   |
| A.6.1.      | Revenues of extraordinary character within basic business activities  | 7 746 669          | 20 759            |
| A.6.2.      | Expanses of extraordinary character within basic business activities  | -565 887           | -623 649          |
| A.6.4.      | Other specific items  | -14 438            | -33 622           |
| <b>A.7.</b> | <b>Alternative stated items</b>   | <b>0</b>           | <b>0</b>          |
| <b>A.8.</b> | <b>Other items included in cash flow from basic business activities</b>   | <b>0</b>           | <b>0</b>          |
| <b>A</b>    | <b>Net cash flow from basic business activities</b>   | <b>2 761 662</b>   | <b>5 613 466</b>  |
| <b>B.</b>   | <b>Cash flow from investment activities</b>   |                    |                   |
| <b>B.1.</b> | <b>Expanses related to acquisition of fixed assets</b>  | <b>-11 542 248</b> | <b>-9 392 311</b> |
| B.1.1.      | Expenses of acquisition of intangible fixed assets  | -93 423            | -106 138          |
| B.1.2.      | Expanses of acquisition of tangible fixed assets  | -12 027 523        | -10 704 299       |
| B.1.3.      | Expanses of acquisition of financial investment   | -70 975            | 132               |
| B.1.4.      | Change in state of liabilities from investment activities   | 649 673            | 1 417 994         |

(thousand SKK)

|             | <b>Text</b>  | <b>2001</b>        | <b>2002</b>       |
|-------------|--|--------------------|-------------------|
| <b>B.2.</b> | <b>Revenues from sales of fixed assets</b>   | <b>-1 364 911</b>  | <b>58 327</b>     |
| B.2.1.      | Revenues from sales of investment assets   | 154 283            | 58 327            |
| B.2.2.      | Revenues from sales of financial investment  | 5 578              | 0                 |
| B.2.3.      | Change in state of receivables from investment activities  | -1 524 773         | 0                 |
| <b>B.3.</b> | <b>Cash flow from rent and leasing of movable and non-movable fixed assets rented or leased as whole</b> | <b>0</b>           | <b>0</b>          |
| <b>B.4.</b> | <b>Cash flow from credits and loans provided to allied persons</b>                                       | <b>0</b>           | <b>0</b>          |
| <b>B.5.</b> | <b>Specific items</b>  | <b>-100 040</b>    | <b>-30 848</b>    |
| B.5.1.      | Revenues of extraordinary character related to investment activities                                     |                    | 0                 |
| B.5.2.      | Expanses of extraordinary character related to investment activities                                     | -100 040           | -30 848           |
| <b>B.6.</b> | <b>Alternative items</b>   | <b>0</b>           | <b>0</b>          |
| <b>B</b>    | <b>Net cash flow from investment activities</b>  | <b>-13 007 200</b> | <b>-9 364 832</b> |
| <b>C.</b>   | <b>Net cash flow after financing of investment</b>   | <b>-10 245 538</b> | <b>-3 751 367</b> |
| <b>D.</b>   | <b>Cash flow from financial investment</b>   |                    |                   |
| <b>D.1.</b> | <b>Changes in state of long-term and short-term liabilities</b>  | <b>13 879 807</b>  | <b>3 402 459</b>  |
| D.1.1.      | Revenues and expanses from credits and loans   | 13 080 042         | 5 145 193         |
| D.1.2.      | Revenues and expanses from issued bonds  | -1 000 000         | 0                 |
| D.1.3.      | Revenues and expanses from other long-term and short-term liabilities from financial activities          | 2 262 250          | -1 728 056        |
| D.1.4.      | Lessee and/or tenant revenues and expanses from rent or finan. leasing                                   | -461 923           | -14 678           |
| D.1.5.      | Change in state of liabilities from financial activities   | -562               | 0                 |
| <b>D.2.</b> | <b>Cash flow from equity</b>   | <b>1 537 779</b>   | <b>681 979</b>    |
| D.2.1.      | Revenues and expanses from registered securities and contributions                                       | 281 890            | 12 490            |
| D.2.2.      | Accepted gifts and subsidies to equity   | 1 255 889          | 669 488           |
| <b>D.3.</b> | <b>Specific items</b>  | <b>-227 560</b>    | <b>-89 971</b>    |
| D.3.1.      | Revenues of extraordinary character  | -156 163           | 181 115           |
| D.3.2.      | Expanses of extraordinary character  | -71 397            | -271 086          |
| <b>D.4.</b> | <b>Alternative stated items</b>  | <b>-1 923 955</b>  | <b>-2 247 333</b> |
| D.4.1.      | Accepted interests   | 93 446             | 228 825           |
| D.4.2.      | Paid interests   | -2 017 400         | -2 476 158        |
| <b>D.5.</b> | <b>Other items belonging to cash flow from financial activities</b>                                      | <b>0</b>           | <b>0</b>          |
| D.5.1.      | Change in state of accounts receivable from financial activities   | 0                  | 0                 |
| <b>D</b>    | <b>Net cash flow from financial activities</b>   | <b>13 266 071</b>  | <b>1 747 134</b>  |
| <b>E.</b>   | <b>Final exchange-rate difference figured out at the end of accounting period (as at 31st December)</b>  | <b>-59 243</b>     | <b>-69 614</b>    |
| E.1.        | Exchange-rate loss (account No 563)  | -60 635            | -129 382          |
| E.2.        | Exchange-rate profit (account No 663)  | 1 392              | 59 768            |
| <b>F.</b>   | <b>Change in state of cash and momentary equivalents</b>   | <b>2 961 290</b>   | <b>-2 073 847</b> |
| <b>G.</b>   | <b>Balance of cash and cash equivalents at the start of accounting period (as at 1st January)</b>        | <b>1 466 166</b>   | <b>3 983 883</b>  |
| <b>H.</b>   | <b>Balance of cash and cash equivalents at the end of accounting period (as at 31st december)</b>        | <b>4 427 456</b>   | <b>1 910 036</b>  |

Note: Balance of cash at the start of accounting period is stated after separation of property which was used as non-cash contribution to Railway Company, joint-stock company.

## Financial Ratios of Economy Level

(Slovak Accounting Standards)

|   | measuring unit      | 2000     | 2001      | 2002     |
|---|---------------------|----------|-----------|----------|
| <b>Liquidity ratios</b>                     |                     |          |           |          |
| Immediate liquidity                         |                     | 0.09     | 0.24      | 0.18     |
| Current liquidity                           |                     | 0.45     | 1.39      | 1.18     |
| Total liquidity                             |                     | 0.55     | 1.50      | 1.25     |
| <b>Return on investment</b>                 |                     |          |           |          |
| Cost/revenues                               | %                   | 113.97   | 74.89     | 116.95   |
| Wage demandingness                          | %                   | 36.63    | 23.14     | 32.78    |
| <b>Debt ratios</b>                          |                     |          |           |          |
| Self-financing coefficient                  | %                   | 38.40    | 41.60     | 29.18    |
| Total indebtedness                          | %                   | 61.60    | 58.40     | 70.82    |
| Indebtedness rate of equity                 | %                   | 160.39   | 140.39    | 242.71   |
| <b>Labour productivity ratios</b>           |                     |          |           |          |
| From revenues                               | SKK/1 employee      | 618 157  | 1 042 012 | 795 419  |
| From performance                            | train km/1 employee | 1 205    | 1 253     | 2 500    |
| From added value                            | SKK/1 employee      | 172 417  | 193 003   | 285 753  |
| <b>Activity ratios - turnaround time of</b> |                     |          |           |          |
| Inventory from sales                        | days                | 35.84    | 36.38     | 37.64    |
| Short-term trade receivables                | days                | 78.95    | 65.74     | 76.91    |
| Total capital                               | days                | 1 483.92 | 1 769.54  | 2 642.12 |

## Acquisition of Tangible and Intangible Assets

(Slovak Accounting Standards)

(million SKK)

|  | 2000           | 2001            | 2002            |
|--|----------------|-----------------|-----------------|
| <b>A. Resources - total</b>  | <b>4 057.2</b> | <b>11 752.5</b> | <b>10 268.5</b> |
| Subsidies from state budget  | 319.1          | 262.5           | 417.5           |
| ŽSR resources  | 2 882.4        | 6 813.9         | 7 737.6         |
| Loans, issues  | 855.7          | 4 676.1         | 1 769.0         |
| ISPA   | -              | -               | 344.4           |
| <b>B. Drawing - total</b>  | <b>4 057.2</b> | <b>11 752.5</b> | <b>10 268.5</b> |
| <b>B.1. Long-term tangible fixed assets</b>                          |                |                 |                 |
| <b>Railway transport route and other internal organisation units</b> | <b>2 386.8</b> | <b>7 728.6</b>  | <b>10 169.3</b> |
| Electrification and PEÚ  | 370.4          | 651.4           | 1 008.8         |
| Telecommunications   | 68.9           | 214.0           | 1 616.7         |
| Signalling equipment, Univ.Autoblock system UAB                      | 103.4          | 337.4           | 162.9           |
| Transforming stations  | 123.3          | 492.1           | 282.2           |
| Modernisation and reconstruction of tracks                           | 1 213.0        | 3 126.7         | 3 828.0         |
| Machinery for modernisation of transport route                       | 60.0           | 20.0            | -               |
| Combined transport   | 67.7           | 60.0            | -               |
| Construction works   | 244.3          | 2 415.7         | 2 409.5         |
| Machines and equipment not included in budget                        | 135.8          | 411.3           | 861.2           |
| <b>Transportation and other performances</b>                         | <b>1 613.1</b> | <b>3 889.8</b>  | <b>-</b>        |
| Rolling stock  | 1 135.1        | 2 876.6         | -               |
| - of that purchase and modernisation of locomotives                  | 260.9          | 386.8           | -               |
| Reconstruction and modernisation                                     | 314.7          | 677.2           | -               |
| Construction works   | 109.6          | 297.4           | -               |
| Machines and equipment not included in budget                        | 53.7           | 38.6            | -               |
| <b>B.2. Long-term intangible fixed assets</b>                        | <b>57.3</b>    | <b>134.1</b>    | <b>99.2</b>     |

# FINANCIAL INTEREST OF ŽSR

Shares and contributions

(thousand SKK)

| Company   | Share in % | Acquisition price of the commercial interest |
|---|------------|--|
| <b>BETAMAT</b> , a.s. Zvolen  | 10.00      | 100  |
| <b>C.S.E. - Combi Slovakia Eurotrans</b> , spol. s r.o. (Žilina)          | 12.20      | 1 000  |
| <b>Martinská mechatronická</b> , a.s.(Vrútky)                             | 20.00      | 200  |
| <b>Oznamovacie a zabezpečovacie dielne Bratislava</b> a.s.                | 10.00      | 100  |
| <b>Oznamovacie a zabezpečovacie dielne</b> , a.s. Košice (in liquidation) | 10.00      | 100  |
| <b>Železničná priemyselná stavebná výroba</b> , akc.spol. Čaňa            | 41.06      | 21 520                                       |
| <b>STROJEXPORT</b> , a.s. Praha   | 0.06       | 1 200  |
| <b>HIT RAIL</b> , B.V. (Amsterdam)  | 5.00       | 4 583  |

# HUMAN RESOURCES

The average number of employees (headcount) of ŽSR in 2002 was 22,750 employees. This figure is 168 higher compared to planned number (headcount), which was in 2002 22,582 employees.

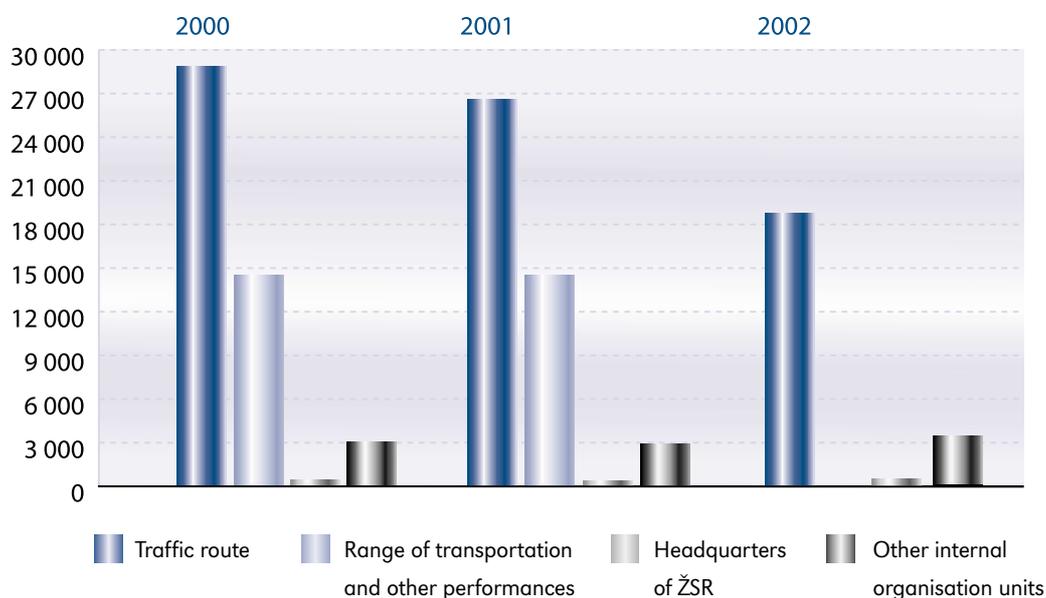
|   | 2000          | 2001          | 2002          |
|---|---------------|---------------|---------------|
| <b>The headcount of ŽSR</b>                           | <b>46 713</b> | <b>44 508</b> | <b>22 750</b> |
| Traffic route   | 28 846        | 26 596        | 18 807        |
| Range of transportation and other performances        | 14 418        | 14 571        | -             |
| Headquarters of ŽSR                                   | 432           | 398           | 500           |
| Other internal organisation units                     | 3 017         | 2 943         | 3 443         |
| of which total technical and administration employees | 15 056        | 14 565        | 8 798         |

With regard to split-up of ŽSR into two companies - ŽSR and Railway Company, joint stock company - as to 1st January 2002, solving the employment of ŽSR in 2002 was characterised by consolidation of activities after the split-up.

In accordance with principles and conditions stated in the methodical document "Tools of Work with Human Resources in the course of Preparation and Realisation of the ŽSR Transformation Process" and according to requirements of organisational sections for acceptance of graduates, ŽSR hired in

2002 138 graduates of selected schools, particularly from those having focus on railways-related issues.

In 2002 ŽSR organised educational training aiming at maintenance and increase of professional qualifications of operating employees, making effective the work of managers, preparation of selected employees within the meaning of providing for personnel reserves, exchange of new information, knowledge and trends in the selected educational areas and last but not least preparation of students of Railway Vocational School for their profession.



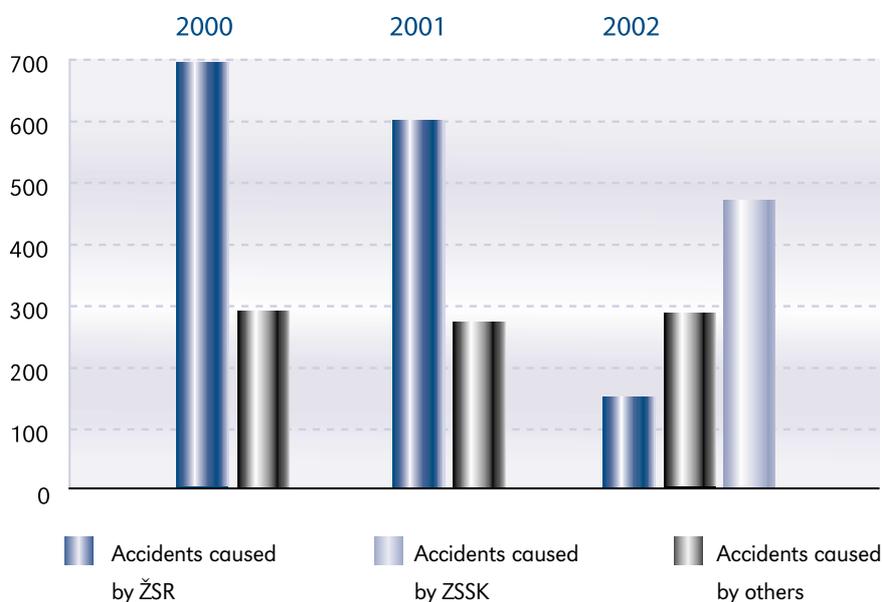
## LABOUR SAFETY

|                 | 2000 | 2001 | 2002 | Index |       |
|-----------------|------|------|------|-------|-------|
|                 |      |      |      | 02/00 | 02/01 |
| Fatal injures   | 2    | 7    | 0    | 0.00  | 0.00  |
| Serious injures | 2    | 2    | 2    | 1.00  | 1.00  |
| Slight injures  | 302  | 281  | 124  | 0.41  | 0.44  |
| Injures total   | 306  | 290  | 126  | 0.41  | 0.43  |

### Traffic accidents in ŽSR network

|   | 2000       | 2001       | 2002       | Index       |             |
|---|------------|------------|------------|-------------|-------------|
|   |            |            |            | 02/00       | 02/01       |
| <b>Number of traffic accidents in ŽSR network</b> | <b>982</b> | <b>871</b> | <b>902</b> | <b>0.92</b> | <b>1.04</b> |
| of which:   |            |            |            |             |             |
| Large accidents (A)                               | 11         | 16         | 16         | 1.45        | 1.00        |
| Accidents (B)                                     | 10         | 18         | 16         | 1.60        | 0.89        |
| Endangerment and disturbance of traffic (C,D)     | 961        | 837        | 870        | 0.91        | 1.04        |
| Accidents caused by ŽSR                           | 692        | 600        | 149        | 0.22        | 0.25        |
| Accidents caused by ZSSK                          | -          | -          | 468        | -           | -           |
| Accidents caused by others                        | 290        | 271        | 285        | 0.98        | 1.05        |
| <b>Caused damage in million SKK</b>               | <b>16</b>  | <b>29</b>  | <b>39</b>  | <b>2.44</b> | <b>1.34</b> |

### Traffic accidents in ŽSR network







A Moody's Investor Service affiliate

## RATING ANALYSIS CONCLUSIONS:

We have evaluated the past financial performance of Železnice Slovenskej republiky, Bratislava, (Slovak Railways), which was characterised by decline in the transport capacity, negative results (with the exception of specific year 2001), as well as massive investments, which brought along pressure on cash-flow. In view of limited support by the transport infrastructure owner (the government) and mentioned cash-flow problems a continuous growth in new loans can be observed during the monitored period. Despite a lower liquidity level the final assessment was influenced mainly by the position of Slovak Railways, business scope and legal form, which provides a scenario for government assistance, should the need be.

**CRA RATING AGENCY, a.s., therefore awards**  
**Železnice Slovenskej Republiky, Bratislava,**  
**short-term CRA Rating**  
**skP-1.**

We have assessed the anticipated development of the Slovak Railways, Bratislava, with taking into consideration possible impacts on their future performance. Significant factors having influence on the resulting assessment are the monopoly role of the Slovak Railways in operating the railway transport infrastructure, legal form of the company, as well as the overall specific position of the Railways on the market and the economy of Slovakia and dependencies on the state. We have also taken into consideration the planned investments, financing of which is not currently resolved. Future performance of the Slovak Railways is therefore highly dependent on how the relationship Railways-government (as the infrastructure owner) will develop, since Slovak Railways are dependent to a large degree on support from the government, without which their creditworthiness would be significantly lower. However, in order to improve the economic situation the Railways will have to find reserves also internally, reduce operating expenses through change of organisational structure and by active asset management contribute to the improved debt servicing. Worth considering is also adjusting the investment policy of the Slovak Railways proportionately to the government subsidies for these investments.

**CRA RATING AGENCY, a.s., therefore awards**  
**Železnice Slovenskej Republiky, Bratislava,**  
**long-term CRA Rating**  
**A- / skAa-**

Considering the open issues regarding financing of railway transport infrastructure development, as well as payment of eligible expenses and the absence of clear government policy in this area CRA Rating Agency is classifying these ratings with **negative** outlook.

In Bratislava and Prague on December 3, 2002



**Eubor KOHÚT**

*analyst*

CRA RATING AGENCY, a.s.



**Eubomír DUBECKÝ**

*Director for SR*

CRA RATING AGENCY, a.s.

**SOLIDITA, spol. s r. o. Račianska 71, 832 59 Bratislava**  
 Registered in the Commercial Register of District Court Bratislava I, Section: Sro, File No.  
 18497/B

**INDEPENDENT AUDITOR'S REPORT**  
**TO THE BOARD OF DIRECTORS OF**  
**ŽELEZNICE SLOVENSKEJ REPUBLIKY, BRATISLAVA**

We have audited the accompanying financial statements of Železnice Slovenskej republiky Bratislava for the year that ended 31 December 2002, prepared in accordance with the Slovak Act on Accounting No. 563/1991 Coll. as amended. The financial statements are the responsibility of the ŽSR, Bratislava management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the Slovak Standards on Auditing SAUŠ. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining evidence, on a test basis, supporting the amounts and disclosures in the financial statements. An audit also includes the assessment of the accounting principles used in the preparation of the financial statements and the evaluation of significant estimates made by the company management, as well as the evaluation of the overall financial statement presentation and the assessment as to whether the accounting records are maintained in accordance with the Act on Accounting. We believe our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements present fairly, in all material respects, the financial position of ŽSR, Bratislava as of 31 December 2002 and its financial result for the year then ended in accordance with the Act on Accounting No. 563/1991 Coll. as amended.

Without qualifying our opinion, we are pointing out the following:

1. According to Article 3 of Act No. 259/2001 Coll., on 1 January 2002 a transfer of assets in the amount of SKK 26,872,426,000 administered by Železnice Slovenskej republiky and liabilities in the amount of SKK 9,719,130,000 resulted in share capital being reduced to SKK 21,725,249,000. This fact has materially influenced the amount of ŽSR equity.
2. The accompanying accounting records have been prepared based on the going concern assumption. The ŽSR ability to continue its investment program and fulfill its obligations arising from loans and operations still depends on state financial support and obtaining additional financial resources.

Bratislava, 15 April 2003

JUDr. Daniel Ráno  
 Responsible auditor  
 License No. 35



SOLIDITA, spol. s r.o.  
 License SKAU 199

 **ERNST & YOUNG AUDIT**  
*SLOVENSKO, SPOL. S R.O.*

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■ P.O. Box 121  
810 01 Bratislava 1  
SLOVAK REPUBLIC

### **Independent Auditor's Report to the Governing Board of Železnice Slovenskej Republiky**

We have audited, in accordance with International Standards on Auditing, the financial statements of Železnice Slovenskej Republiky ("ŽSR" or "the Company") for the year ended 31 December 2002, from which the financial information presented in pages 34 and 35 of this Annual Report is derived. The financial statements were prepared in accordance with International Financial Reporting Standards.

In our report dated 11 April 2003 we expressed an unqualified opinion on these financial statements. However, we drew attention to Note 1 to the financial statements and the fact that the Company reported a net profit of SKK 5,087 million for the year ended 31 December 2002 after recognising State subsidies of SKK 7,505 million. As of that date its current liabilities exceeded its current assets by SKK 2,162 million.

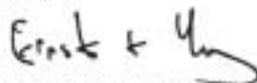
The Company's ability to continue as a going concern and to fulfil its investment program and other operating and financial commitments remains dependant upon continued State support, in the form of capital and operational subsidies and guarantees to support its debt financing program. Further, as disclosed in Note 1 to the financial statements the Company does not own any of the tangible fixed assets that it administers. These are owned exclusively by the Slovak Republic, which entrusts them to ŽSR.

In our opinion, the financial information on pages 34 and 35 included in the Annual Report is consistent, in all material respects, with the financial statements referred to above.

For a better understanding of the Company's financial position as of 31 December 2002 and of the results of its operations and cash flows for the year then ended, the financial information included in the Annual Report should be read in conjunction with the related audited financial statements.

Bratislava,

22 May 2003



ERNST & YOUNG AUDIT SLOVENSKO, s.r.o.

## Balance Sheet

(International Financial Reporting Standards)  
at December 31, 2002

| In millions of Slovak crowns                         | As at 31 December |               |
|--|-------------------|---------------|
|  | 2002              | 2001          |
| <b>ASSETS</b>  |                   |               |
| <b>Non-current assets</b>                            |                   |               |
| Property, plant and equipment                        | 54,305            | 62,621        |
| Intangible assets                                    | 254               | 334           |
| Other financial assets                               | 88                | 679           |
|  | <b>54,647</b>     | <b>63,634</b> |
| <b>Current assets</b>                                |                   |               |
| Inventories  | 690               | 1,445         |
| Trade and other receivables                          | 8,912             | 8,085         |
| Cash and cash equivalents                            | 2,404             | 4,594         |
|  | <b>12,006</b>     | <b>14,124</b> |
| <b>Total assets</b>                                  | <b>66,653</b>     | <b>77,758</b> |
| <b>OWNERS' EQUITY AND LIABILITIES</b>                |                   |               |
| <b>Owners' equity</b>                                |                   |               |
| Capital  | 21,738            | 38,879        |
| Statutory reserve funds                              | 11,210            | 9,965         |
| Net unrealised gains                                 | 1,272             | -             |
| Accumulated losses                                   | (22,899)          | (31,195)      |
|  | <b>11,321</b>     | <b>17,649</b> |
| <b>Provisions</b>                                    | <b>4,152</b>      | <b>4,077</b>  |
| <b>Non-current liabilities</b>                       |                   |               |
| Loans and borrowings                                 | 36,941            | 33,739        |
| Other non-current liabilities                        | 71                | 1,597         |
|  | <b>37,012</b>     | <b>35,336</b> |
| <b>Current liabilities</b>                           |                   |               |
| Current portion of loans and borrowings              | 2,522             | 7,183         |
| Short-term bank loans                                | 603               | 888           |
| Payables and accruals                                | 8,397             | 8,621         |
| Payables to health and social insurance institutions | 2,646             | 4,004         |
|  | <b>14,168</b>     | <b>20,696</b> |
| <b>Total owners' equity and liabilities</b>          | <b>66,653</b>     | <b>77,758</b> |

## Statement of Operations

(International Financial Reporting Standards)  
for the period ended December 31, 2002

| In millions of Slovak crowns                   | Years ended 31 December |                |
|--|-------------------------|----------------|
|  | 2002                    | 2001           |
| <b>Revenues</b>                                |                         |                |
| Track fees                                     | 8,291                   | -              |
| Rendering of services                          | 1,475                   | 280            |
| State subsidies                                | 7,505                   | 5,002          |
| Freight transport                              | -                       | 14,009         |
| Passenger transport                            | -                       | 2,227          |
| Rolling stock rentals                          | -                       | 1,474          |
| Other revenues                                 | 491                     | 1,866          |
|  | <b>17,762</b>           | <b>24,858</b>  |
| <b>Operating costs and expenses</b>            |                         |                |
| Materials and consumables                      | 1,256                   | 3,393          |
| Energy costs                                   | 378                     | 1,985          |
| Repair and maintenance                         | 610                     | 2,399          |
| Payroll costs                                  | 5,932                   | 10,731         |
| Depreciation and amortisation                  | 2,694                   | 3,224          |
| Release of provision                           | (1,974)                 | 191            |
| Other operating expenses, net                  | 2,140                   | 4,339          |
|  | <b>11,036</b>           | <b>26,262</b>  |
| <b>Profit (loss) from operating activities</b> | <b>6,726</b>            | <b>(1,404)</b> |
| Finance costs, net                             | (1,639)                 | (2,116)        |
| <b>Net profit (loss)</b>                       | <b>5,087</b>            | <b>(3,520)</b> |

# ADDRESSES

## ŽSR General Direction:

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