



2010

ANNUAL REPORT

ŽELEZNICE SLOVENSKEJ REPUBLIKY





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FOREWORD OF DIRECTOR GENERAL



Dear Railway friends, colleagues and partners,

The past year can be evaluated from different aspects as challenging, eventful and filled with various changes that provide a new insight into operation and management of our company. ŽSR as the railway infrastructure manager has always had its specifics. Whether it concerns history, economic indicators, funding, modernization projects, or professional orientation. With respect to fading impact of the global economic crisis, I had taken charge of the company that was in a relatively stable condition and in the phase of upcoming crucial changes whether in the field of significant change to charges for the access to railway infrastructure, amendment to Railroad Act, shaping the strategy of ŽSR for upcoming years, issues of preparation and approval of the State budget for 2011, or ongoing Trade Unions negotiations. The task of mine and of my colleagues was and remains to build on what is good and vital, and on what we consider strengths of our company.

Over the twelve months of 2010, ŽSR reported loss amounted to 101,465 th. EUR, which is a figure lower by 19 mil. EUR compared to the plan, however reported business result fell behind by 11 mil. EUR in comparison with 2009. Business result in year-on-year comparison was particularly affected by decrease in state funding for operation of railway infrastructure by almost 17 mil. EUR. Better business result in 2010 as compared to the plan is associated with higher revenues from track access charges by 4 mil. EUR, but also with a number of significant cost cutting measures. In 2010, costs amounted to 534 mil. EUR, which is a figure lower by 12 mil. EUR as compared to the plan. Revenues amounted to 433 mil. EUR, which represents an increase of 10 mil. EUR as compared to the plan.

In 2010, ŽSR had an average calculated number of 16,955 employees. The average salary set out by Collective agreement of ŽSR for 2010 was met.

From the perspective of comprehensive assessment, Železnice Slovenskej republiky has been reassigned A1/Aaa.sk rating by Moody's Central Europe Agency.

For the future prospects of ŽSR, I consider the introduction of a new calculation scheme for track access charges effective as at 1 January 2011, clearly the most important and a breakthrough moment in the beginning of a new era in railway transport in Slovakia. Significant reduction in charge for freight transport by about 50% and for passenger transport roughly by 10% is giving railway undertakings an opportunity to change their trade policy. Our common goal is to benefit more from a favourable geographical location of Slovakia and make the railway more attractive for transportation of both goods and passengers than road.

The company's management vision is aimed at achieving balanced business result within the medium term in close collaboration with relevant ministries and internal efforts to review all the expenditures and effectiveness of spending.

The project of modernization of railway Euro-corridors is in fast progress. And so arrange appropriate form of funding is necessary. The fact is the projects are taking place in tough times for investors and investments. Therefore project planning and implementing need to be really very well prepared in order to maintain the trend and pace of modernization in the following years as well as the ability to complete more construction projects such as the Turecký vrch railway tunnel and also upgrade track sections for 160 km/h operation. I am convinced that railway has got a great human and technical potential.

I would like to express my sincere thanks to all railwaymen for their work, for their ability to work well in tough times and manage challenging period. I do believe the next year of railways in Slovakia we will manage successfully.

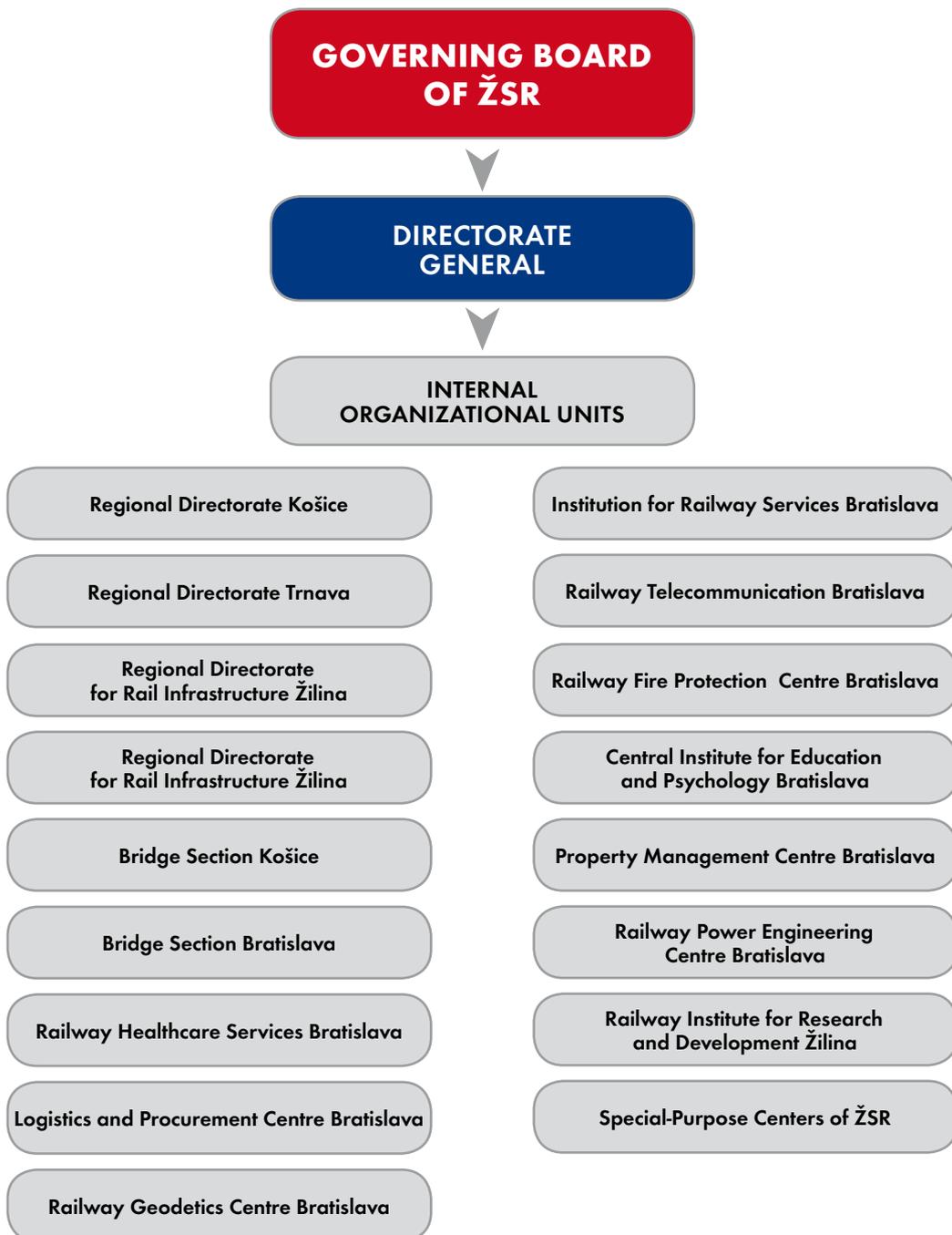


Dipl. Ing. Vladimír Ľupták
Director General



ORGANIZATIONAL STRUCTURE AND COMPANY PROFILE

ORGANIZATIONAL STRUCTURE OF ŽELEZNICE SLOVENSKEJ REPUBLIKY
AS AT 31 DECEMBER 2010



In 2010, Železnice Slovenskej republiky had no independent organizational unit abroad.

COMPANY PROFILE

ŽSR was established by the Act No. 258/1993 Coll. on ŽSR, assigning the activities of infrastructure manager and transport operator to the company.

Pursuant to the adopted project of transformation and restructuring, ŽSR was further transformed as at 1 January 2002 by the Act No. 259/2001 Coll. on Železničná spoločnosť, a.s. and on amendments and supplements to the Act of the National Council of the Slovak Republic No. 258/1993 Coll.

In terms of the foresaid legislation ŽSR carries out activities related to management of rail infrastructure, rail traffic management and operability of railway lines.

The scope of business of ŽSR is stipulated by incorporation in the Companies Register of District Court Bratislava I, section Po, Insert No. 312/B.

Selected activities:

1. **Management of railway lines and funicular lines under a specific regulation,**
2. **Activities related to management of railway and funicular lines:**
 - 2.1. establishment and operation of railway telecommunication and radio networks,
 - 2.2. construction, modification and maintenance of railway lines and funicular lines including environmental facilities,
 - 2.3. maintenance and repairs of transport vehicles, production, maintenance and repairs of special machinery, equipment and materials including inspections and diagnostics,
 - 2.4. provision of services in catering, accommodation and cultural facilities,
 - 2.5. property leasing,
 - 2.6. automated data processing and transmission,
 - 2.7. metrological services and defectoscopy, diagnostics and measuring of physical quantities, geodetic and cartographic activities,
 - 2.8. tasks of the chief expert standardisation centre for railway transport,
 - 2.9. manufacturing, assembling, repairs and reconstruction of electric and electronic equipment including inspections and diagnostics,
 - 2.10. transshipment of goods, re-tying of rolling stock and change of transport modifications of transported goods during change of rail gauge,
 - 2.11. provision of special health-care services for selected professions,
 - 2.12. performing rolling stock tests for railways, special railways and tram tracks,
 - 2.13. performing assessment of compliance with approved type of rolling stock,
3. **Operation of railway transport for the purposes of:**
 - 3.1. construction, modification and maintenance of railway and funicular lines,
 - 3.2. provision of manipulation services, attendance transport services for railway undertakings.
4. **Other activities as set out in Commercial Code.**



STATUTORY BODIES

The statutory bodies of ŽSR, in terms of the provisions of Articles 4 and 5 of the Act No. 258/1993 Coll. on ŽSR as amended by the Act of the National Council of the Slovak Republic No. 152/1997 Coll. and the Act of the National Council of the Slovak Republic No. 259/2001 Coll., are the Governing Board and the Director General. The Governing Board is the supreme body of ŽSR and comprises nine members.

GOVERNING BOARD

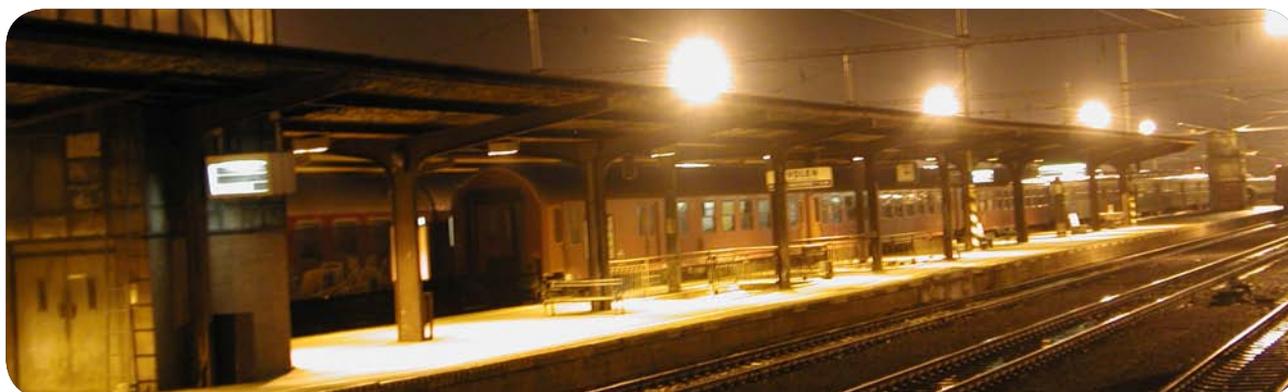
Composition as at 31 December 2010

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

BOARD OF DIRECTORS

Composition as at 31 December 2010

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



COMPANY STRATEGY

MISSION

Manage and provide a high-quality and safe rail transport potential of railway infrastructure to railway undertakings with minimal adverse impact on the environment.

VISION

Provision of modern, interoperable, safe, accessible and environmentally friendly railway infrastructure with the aim of increasing its use by rail passenger and rail freight transport.

STRATEGIC GOALS:

- Modern infrastructure;
- Efficient transport management;
- Growth in management and maintenance profitability;
- Achieve balanced business results within rail infrastructure operation in the medium-term plan.

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

ACTIVITIES OF INFRASTRUCTURE MANAGER WERE FOCUSED TO:

- Achieve parameters of modernization projects under Operational Programme – Transport and efficient use of external sources (EU funds);
- Retain company's economic and financial stability;
- Enhance quality and reliability of railway infrastructure;
- Eliminate cost increases;
- Utilize synergy effects of introduced austerity measures.



CORE BUSINESS OF ŽSR IN 2010

INFRASTRUCTURE

Železnice Slovenske Republike manages and operates nationwide and regional railway lines and installations as follows:

Parameter/Year	2009	2010	Index
			2010/2009
RAILWAY LINES AND STRUCTURES			
Construction Length of Operated Lines (km) *	3,592	3,592	1.000
Construction Length of Managed Lines (km) **	3,623	3,622	1.000
of which: Single track lines	2,608	2,607	1.000
Double and multiple track lines	1,015	1,015	1.000
of which: Broad-gauge lines	99	99	1.000
Standard-gauge lines	3,474	3,473	1.000
Narrow-gauge lines	50	50	1.000
of which: Non-electrified	2,046	2,045	1.000
Electrified	1,577	1,577	1.000
of which:			
Electrified AC 25000 V/50 Hz	760	760	1.000
Electrified DC 3000 V (others)	817	817	1.000
Total Construction Length of Lines (km)	6,875	6,876	1.000
of which:			
- Main lines	4,638	4,637	1.000
- Other station Lines	2,237	2,239	1.001
Number of Switches	8,539	8,529	0.999
Number of Switch Units	9,488	9,476	0.999
Number of Bridges	2,303	2,321	1.008
- Steel	455	455	1.000
- Solid	1,848	1,866	1.010
Total length of bridges (m)	52,154	52,154	1.000
Number of Tunnels	75	75	1.000
- Single track	68	68	1.000
- Double track	7	7	1.000
Total Length of Tunnels (m)	43,229	43,229	1.000
Number of Railway Level Crossings	2,220	2,219	1.000

Parameter / Year	2009	2010	Index
			2010/2009
SAFETY INSTALLATIONS			
Track safety installations			
Automatic block (km)	670	670	1.000
- unidirectional	129	129	1.000
- bidirectional	541	541	1.000
Automatic block system (km)	512	512	1.000
Semi-automatic block (km)	762	762	1.000
- relay	624	624	1.000
- block	138	138	1.000
Lines with telephone communication system	1,620	1,620	1.000
Station safety installations			
Operating posts with mechanic interlocking	159	159	1.000
Operating posts with electro-mechanic interlocking	77	76	0.987
Operating posts with relay interlocking	151	151	1.000
Operating posts with other interlocking	75	75	1.000
Operating posts with electronic interlocking	19	20	1.053
Remote-controlled interlocking, operated by dispatcher (km)	252	339	1.345
Train safety installations			
Tracks with info. transmission to train installation (km)	670	762	1.137
Level-crossing safety installations			
Unprotected level crossings (no.)	1,144	1,138	0.995
Protected level crossings (no.)	1,076	1,081	1.005
- mechanical gates***	100	98	0.980
- safety installations with light signalling	976	983	1.007
Hump safety installations			
Rail brakes (no.)	88	88	1.000
Electro-pneumatic brakes	74	74	1.000
Spring-hydraulic brakes	14	14	1.000
Mechanised humps (no.)	7	7	1.000
Semi-automated humps (no.)	1	1	1.000
Automated humps (no.)	1	1	1.000
Compressor station (no.)	8	8	1.000
- packaged three-dimensional (mobile)	5	5	1.000
- packaged spiral (mobile)	1	1	1.000
- stationary (hall)	2	2	1.000

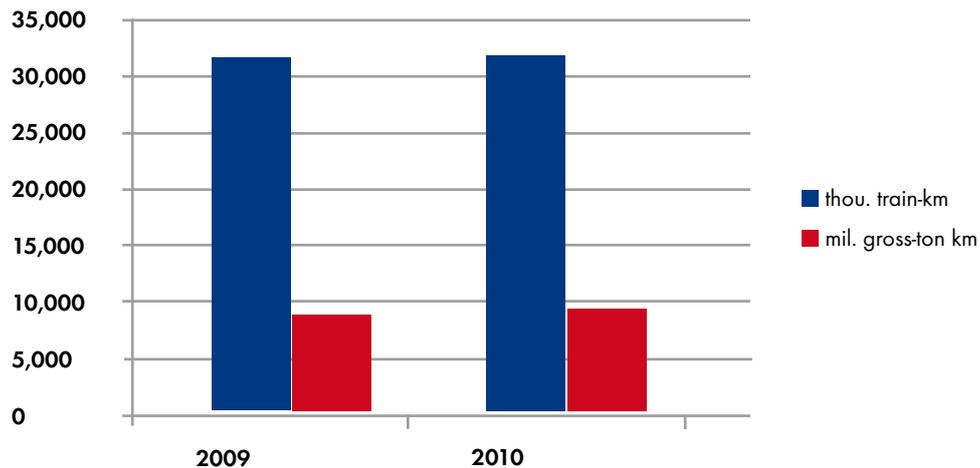
* Construction length of operated lines does not include lines with suspended service: Komárno - Kolárovo km 25.908; Žabokrečká spojka km 1.278; Turňa nad Bodvou - MÁV km 3.139; Total: km 30.325.

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

*** Including 22 permanently locked.

RAILWAY UNDERTAKINGS' PERFORMANCE – PASSENGER TRANSPORT

Volume / Period	2009	2010
Total (thou. train-km)	31,995	31,886
Total (thou. train-km)	8,101	8,215



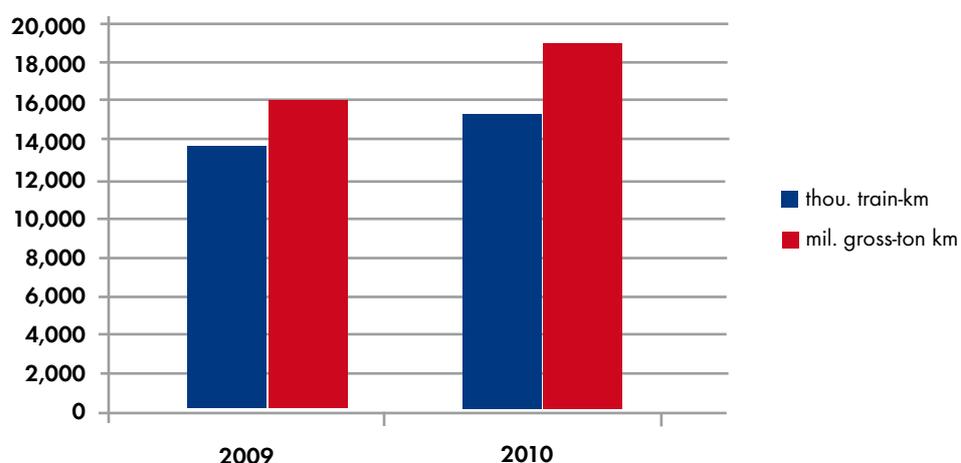
Passenger transport in 2010 according to Type of train

Type of Train	(identification)	thou. gross-ton km	train-km
EuroCity , InterCity, EuroNight	(EC, IC, EC)	1,072,897,846	2,180,105
SuperCity	(SC)	1,169,519	2,840
Express train	(Ex)	413,277,102	877,715
Regional Express	(REx)	54,140,157	216,655
Fast Train	(R)	2,985,995,823	6,307,321
Local Express Train	(Zr)	228,857,754	789,492
Slow Train	(Os)	3,355,089,133	20,963,582
Extra Trains	(Mimos)	8,496	12
Train-sets	(Sv)	62,345,898	188,966
Special trains	(OsOs)	12,635,220	45,819
Train sets - track closure	(SV výluka)	7,491,255	23,797
Light Engine Rv Trains	(Rv Os)	19,875,562	268,247
Light Engine Trains - Test rides	(Rv, Rvsk)	1,104,979	11,283
Light Engine Train during track closures	(Rvvył)	474,752	10,516
Total		8,215,363,496	31,886,350

RAILWAY UNDERTAKINGS' PERFORMANCE – FREIGHT TRANSPORT

Over 2010, transport market had reported growth as reflected in moderate growth in freight transport performance of railway undertakings.

Volume / Period	2009	2010
Total (thou. train-km)	12,962	14,523
Total (thou. train-km)	15,204	18,230



Freight transport in 2010 according to Type of train

Type of Train	(identification)	thou. gross-ton km	train-km
Inter Marshalling-Yard Train	(Pn)	16,386,623	10,365,647
Pick Up Goods Train	(Mn)	555,736	1,304,380
Express Freight Train	(Nex)	1,034,824	972,422
Siding Trains	(Vlec)	4,488	17,948
Light Engine Trains – Test rides	(Rv, Rvsk)	248,689	1,863,037
Total		18,230,359	14,523,434



CHARGE FOR THE ACCESS TO RAILWAY INFRASTRUCTURE

As at 1 January 2002 the main product of ŽSR has been the sale of train paths on the managed rail infrastructure. Allocation of the path capacity is done in accordance with the Decree of the Railway Regulatory Authority No. 654/2005 Coll. as amended by later regulations, and in compliance with amended Decree of the Railway Regulatory Authority No. 545/2008. In 2010 the revenues of ŽSR from track access charges amounted to 188,508 thou. EUR, which accounts for 66.4% of total revenues from own business and products, and 38.6% of total revenues. Increase in revenues in comparison with 2009 was due to increase in volumes of freight operators.

In 2010, 29 companies provided transport services on ŽSR network under concluded Contract on the access to railway infrastructure, while 25 railway undertakings actually provided transport services on rail infrastructure. Two railway undertakings delivered passenger services and 23 railway undertakings operated freight transport services.

Charge / Period	2009	2010
Total of which:	180,333	188,508
Železničná spoločnosť Slovensko, a.s.	58,495	58,247
Železničná spoločnosť Cargo Slovakia, a.s.	116,602	123,206
Other Railway undertakings	5,236	7,055
of which		
Passenger transport	0	3
Freight transport	5,236	7,052

PASSENGER TRAIN TRAFFIC DIAGRAM COMPLIANCE

Train Traffic Diagram represents a set of measures and tools related to rail traffic. It is developed and issued for the period set out in accordance with international and railway agreements and conventions. Train Traffic Diagram specifies the total extent of traffic on the rail network and is introduced simultaneously within the whole network.

Type of Train	Actual Figures (%)		Index
	2009	2010	2010/2009
International Fast Trains	85.80	83.01	0.967
National Fast Trains	93.62	89.50	0.956
Slow Trains	96.39	95.22	0.988
Passenger Transport /Total/	96.11	94.83	0.987

Compliance with Passenger Train Traffic Diagram in 2010 was ensured in accordance with Railway Operating Contract. Reported year-on-year decrease in punctuality by 1.28% was caused by massive floods, which had led to closures of track sections and railway stations, and due to traffic closures in connection with ongoing modernization of rail corridors.

RAILWAY OPERATING CONTRACT

The Railway Operating Contract is concluded between ŽSR and the State in favour of ensuring operability and performance of all necessary services related to the operation of the rail network. The contract also comprises legal and financial relations.

Operation and Maintenance of Railroads /Total/		(thou. €)	
		2009	2010
	Costs	400,645	393,261
	Revenues	181,789	189,704
	Support for Operation of Railroads	0	8,298
	Charge for Operation of Railroads	136,095	119,498
	+ Profit / - Loss	- 82,761	- 75,761

of which

Operation and Maintenance of Railroads for /Total/		(thou. €)	
		2009	2010
Passenger Transport	Costs	120,006	117,416
	Revenues	58,941	58,614
	Support for Operation of Railroads	0	0
	Charge for Operation of Railroads	40,765	34,654
	+ Profit / - Loss	- 20,300	- 24,148

Operation and Maintenance of Railroads for /Total/		(thou. €)	
		2009	2010
Freight Transport	Costs	280,639	275,845
	Revenues	122,848	131,090
	Support for Operation of Railroads	0	8,298
	Charge for Operation of Railroads	95,330	84,844
	+ Profit / - Loss	- 62,461	- 51,613

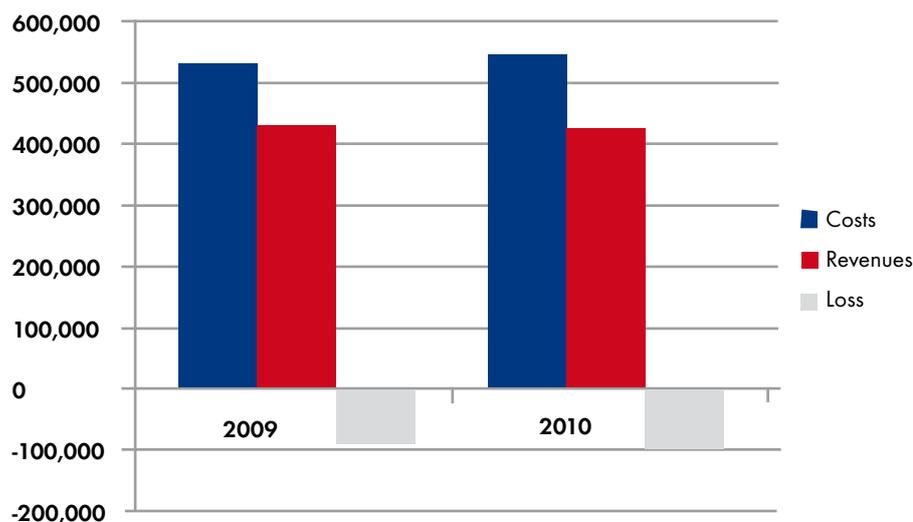
Note: Extraordinary transport revenues are included in the item Revenues.

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

Charge for Operation of Railroads (Railway Infrastructure) represents the difference between costs and revenues associated with the Railway Operating Contract, while the difference results from the regulation of track access charge.

BUSINESS RESULT OF ŽSR
Cost, Revenues and Business Results

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


Structure of costs and revenues

Structure of costs as at 31 December	Share (%) 2009	Share (%) 2010	Index
Labour Costs	29.81	29.17	0.979
Amortization of Long-term Tangible and Intangible Assets	26.18	25.30	0.966
Energy Costs	15.87	14.62	0.921
Other Costs	9.16	13.28	1.450
Other Services	6.88	6.43	0.935
Use of Material	5.87	5.04	0.859
Repairs and Maintenance	4.09	4.03	0.985
Financial Costs	1.68	1.64	0.976
Taxes and Charges	0.46	0.49	1.065
Total	100.00	100,00	

Structure of revenues as at 31 December	Share (%) 2009	Share (%) 2010	Index
Infrastructure Charges	41.47	43.59	1.051
Subsidy for operation of RI	31.30	29.55	0.944
Traction Electric Energy	14.66	14.08	0.960
Other Revenues	12.57	12.78	1.017
Total	100.00	100.00	

HUMAN RESOURCES

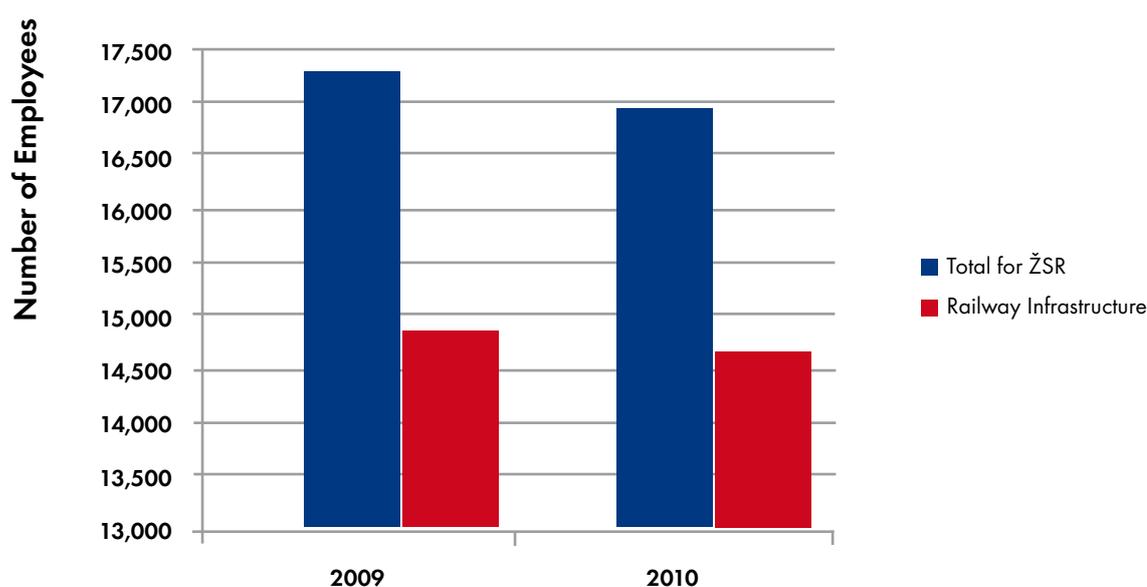
Employees' structure

As at 31 December 2010, the company had an average registered number of 16,955 employees, thereof 51% operational (workers), 17% administrative and 32% technical employees. The planned average registered headcount according to "Business Plan 2010 of ŽSR" was 17,200. The actual registered headcount was by 245 employees lower as compared to the plan. In 2010, increased number of employees went into retirement and early retirement.

Under the "Adaptation programme for graduates of selected schools" ŽSR enrolled the total of 80 secondary school and university graduates. Compared to previous years the number of graduates with technical education interested in working for ŽSR had significantly increased.

Development of employment	2009	2010
Registered headcount	17,264	16,955
Average monthly salary in accordance with Collective Agreement (€)	757.72	757.72
Average monthly salary for ŽSR (€)	757.72	764.84

Average registered number of employees	2009	2010
Railway Infrastructure	14,827	14,530
Other Internal Organizational Units	2,437	2,425
Total for ŽSR	17,264	16,955



Age structure

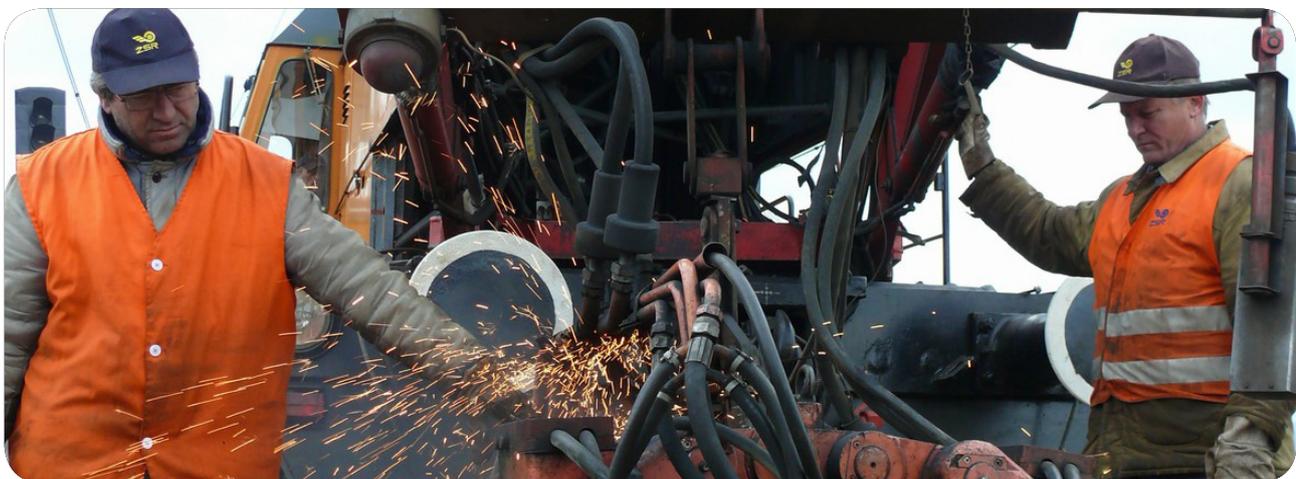
Age structure of employees as at 31 December	2009	2010
up to 20 years	12	16
20 - 29 years	1,203	1,333
30 - 39 years	3,970	3,706
40 - 49 years	5,752	5,677
50 - 59 years	5,533	5,600
over 60 years	600	657
Total for ŽSR	17,070	16,989

Change in age structure of employees of ŽSR was present within all age groups. The most significantly within over 50 age group, where number of employees increased by 2%, and in age group 30 – 39 the number of employees decreased by 3%. The increase within age group 20 – 29 was affected by recruitment of graduates.

Education Level

Education structure of employees as at 31 December	2009	2010
Elementary education	1,073	974
Secondary education	5,585	5,447
Complete secondary education	8,396	8,340
University education	2,016	2,228
Total for ŽSR	17,070	16,989

With the growing requirements on traffic management and maintenance the share of university educated employees increased to 13%.



INVESTMENTS

In 2010, ŽSR implemented investment projects in the total amount of 273,409 thou. EUR.

According to resources, funds were invested as follows:

(thou. €)	2009	2010
Total Resources	175,510	273,409
Subsidies from the State budget	46,336	24,482
Own resources	30,215	25,354
Loans, issues	28,419	23
ISPA	54	0
Co-financing from the State budget to ISPA	11	0
Co-financing from the State budget to ERDF	0	1
Cohesion Fund	53,457	184,303
Co-financing from the State budget to Cohesion Fund	8,109	32,531
Technical assistance from EU	127	0
Co-financing of technical assistance	42	0
TEN-T	2,901	2,581
Co-financing from the State budget to TEN-T	5,681	4,106
Others	158	28

According to use, funds were invested as follows:

(thou. €)	2009	2010
Total Use	175,510	273,409
Long-term Tangible Assets	175,503	273,237
Track electrification and pre-electrification modifications	900	1,019
Telecommunications and Track radiofication	969	0
Deployment of Dispatcher Centers for Tracks, Safety Installations, Universal Automatic Block	13,527	765
Track modernization and reconstruction	134,197	250,575
Buildings – residential, non-residential	14,351	945
Machines, Equipment, Devices	651	840
Others (Project documentation and Property settlement)	10,908	19,093
Long-term Intangible Assets	7	172

Investment programme of ŽSR in accordance with Act No. 513/2009 Coll. on Railroads as amended by later regulations was aimed at areas as follows:

(thou. €)

Purpose	Implementation
Modernization, reconstruction and construction of railway infrastructure	250,559
Operation Safety	22,735
Service Quality Improvement	115
Total	273,409

Through the investment projects company has succeeded in meeting its objectives to improve operational and safety level of railway infrastructure and contribute to sustainable company's value growth.

In 2010, investments were allocated into modernization of railway infrastructure.

Completed constructions:

- Poprad Tatry – construction of pedestrian underpass and platforms - 2nd phase - station building modernization,
- Kysak – modernization of safety installation,

Continued preparation and implementation of constructions:

- ŽSR, Modernization of the railway track Žilina – Krásno nad Kysucou,
- ŽSR, Marshalling yard Žilina-Teplička, 2nd phase, 2nd construction,
- ŽSR, Modernization of the railway track Nové Mesto nad Váhom – Púchov:
 - section Nové Mesto – Zlatovce
 - section Trenčianska Teplá – Beluša

Preparing project documentation:

- Railway connection of EU corridors in Bratislava with airport directly connected to the railway network (TEN-T Project),
- Púchov – Žilina, Modernization of railway track,

Solving emergency conditions as flooding hit the following constructions:

- Trebišov – Slivník, complete reconstruction of culvert in km 11.9, reinstatement of subsurface,
- Railway station Handlová – Railway station Prievidza, km 7.130-7.260 and km 10.850 -10.950,
- Kysak – Drienovská Nová Ves (Obišovce), landslide in km 0.900 -1.010,
- Kysak – Kostolány, reinstatement of sub-grade in km 108.078 -108.200.

Significant investment project in 2010 was modernization of the railway track Nové Mesto nad Váhom – Púchov (sections: Nové Mesto nad Váhom – Zlatovce and Trenčianska Teplá – Beluša).

RESEARCH AND DEVELOPMENT

Costs of Research and Development Assignments

Area / Drawing (thou. €)	2009	2010
Operational Processes		
- Research costs	86	123
- Development costs	285	183
Total	371	306

The most significant assignments accomplished in 2010:

- Development and implementation of a technical system for strength testing of structural units in a vertical load up to 100 kN;
- Equipment for measuring static geometric parameters of, including devices for correcting fluctuations in the assembly wagon box within maintenance of contact lines;
- Software extension for determining the gauge clearance of powered rail vehicles on the track lines of category D4xL according to EN 15 528;
- Resistant measuring system with contactless transmission of measured data;
- Development and implementation of isolation valves for dynamic definition of the minimum dynamic distances between live parts of contact lines and artificial structures;
- Information system for serviceability of rail infrastructure facilities;
- Operation of cross-links at switching substation of AC traction system;
- Redesign of the information system of supply substations.

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

SAFETY OF OPERATION AND WORK

Occupational Safety

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

Report of Occupational Injuries

Number of Employees	Year		Index
	2009	2010	2010/2009
Fatalities	1	2	2.000
Major Injuries	0	0	xx
Incapacity for work for 42 and more days	11	9	0.818
Other Occupational Injuries	40	42	1.050
Total Occupational Injuries	52	53	1.019
Number of missed calendar work days	3,058	2,474	0.809
Number of injuries per 1,000 employees	3,012	3,126	1.038

Over the year two occupational diseases had been recognized.

Safety of Railway Transport

Accidents on the Network of ŽSR

Number of Accidents	Year		Index
	2009	2010	2010/2009
ŽSR Network	250	231	0.924
of which:			
Train collision	6	13	2.167
Derailment	3	2	0.667
Collision with level crossing users	51	50	0.980
Rolling Stock Fire	14	9	0.643
Injuries by Railway Rolling Stock	130	116	0.892
Other accidents (at shunting)	46	41	0.891
Accidents on the account of ŽSR	21	34.5	1.643
Fatalities	128	103	0.805
Accidents caused by third parties	182.5	166	0.910
Incurring damage (thou. €)	2,563	2,699	1.053
Accidents on the account of Railway Undertakings			
of which: ZSSK Cargo	21.5	18.1	0.842
ZSSK Slovensko	23	11.4	0.496
Other RUs	2	1	0.500

Note: Act No. 513/2009 effective as of 1 January 2011 has brought a radical change in categorization of accidents and also in the content of individual categories. Categorization is processed in accordance with § 92, sec. 2, letter b) of aforesaid law. Due to comparability of safety development the accident 2009 were transformed to presently valid legislation. Subject of evaluation are neither incidents, nor operational faults. Number of accidents in chart have been evaluated by the degree of culpability.

PROTECTION OF ENVIRONMENT

Overview of Ecological Accidents

In 2010, one event was reported as ecological accident with adverse effect on the environment. On 31 March 2010, the railway station Zbehy reported motor oil leak of 20 liters to subsoil due to a technical failure of ZSSK's powered engine. Consequences of the accident were liquidated by ZSSK Slovensko a.s., which was accountable for the accident.

Air Pollution

Under Act No. 401/1998 Coll. on Air Pollution Charges and Regulation No. 357/2010 Coll. of Ministry of Agriculture, Environment and Regional Development of the Slovak Republic, legal entities which operate air pollution sources shall pay the charges. ŽSR operates medium air pollution sources in 44 districts.

The amount of charge depends mainly on:

- Amount of fuel consumed, its quality and resulting amount of emissions;
- Emission factor;
- Class of Emissions (ŽSR has all sources designated in Class A);
- Basic charge for 1 ton (from official publication of MŽP SR);
- Compensation index.

For fee purposes five pollutants shall be monitored: solid pollutants, sulfur dioxide, nitrogen oxide, carbon monoxide and amount of carbon.

For 2010, the amount of the fee for medium air pollution sources in the scope of ŽSR was 7,442 EUR.

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

- Area-wide system for collection of hazardous waste, including waste comprising asbestos, in compliance with applicable legislation on waste management;
- Reinstating of bedrock subsoil and underground water in Čierna nad Tisou within the process of removing old ecological burden;
- Operation of hydraulic protection of water source Boľany, including ordered water monitoring;
- Reinstating of underground water in the area of railway station Brezno - removing of old ecological burden (oil substances in soil and oil substances on underground water).

STRUCTURE OF ASSETS AND RESOURCES

In compliance with International Accounting Standards, the total amount of ŽSR assets reported as at 31 December 2010 was 2,853,886 thou. EUR, which is a figure higher by 6.34 % as compared to 2009.

Long-term Assets constitutes 94.76 % out of the total amount of assets and were increased by 168,566 thou. EUR as compared with 2009, particularly due to increase in long-term tangible assets with regard to reconstruction and modernization of railway infrastructure.

Short-term Assets constitutes 5.24 % out of the total amount of assets and were increased by 1,514 thou. EUR as compared with 2009 due to outstanding amount owed by ZSSK Cargo Slovakia, a.s. for the use of rail infrastructure.

Cash and Cash Equivalents - its decreased is connected with increase in receivables of ZSSK Cargo Slovakia, a.s.

Equity was reported in the amount of 1,397,692 thou. EUR as at 31 December 2010 and constitutes 48.98 % out of total amount of liabilities.

Capital Funds reported an increase by 18,332 thou. EUR as compared to 31 December 2009, which is connected with land settlement along rail infrastructure.

Long-term Liabilities increased by 138,241 thou. EUR in comparison with 2009, mainly due to drawing EU funds and co-financing of the EU projects from the State budget.

Structure of assets as at 31 December	Share (%) 2009	Share (%) 2010
Long-term assets	94.49	94.76
of which:		
Long-term tangible assets	92.73	92.97
Short-term assets	5.51	5.24
of which:		
Short-term receivables from commercial activity	1.34	2.74
Inventories	0.75	0.56
Cash and Cash Equivalents	3.03	1.26
Total Assets	100.00	100.00

Structure of liabilities as at 31 December	Share (%) 2009	Share (%) 2010
Equity	53.86	48.98
of which		
Registered capital	28.33	26.64
Capital funds	16.79	16.43
Long-term liabilities	42.15	44.48
of which		
Loans, State and EU subsidies	38.47	41.40
Short-term liabilities	3.99	6.55
of which		
Short-term liabilities from commercial activity	2.58	4.28
Total Liabilities	100.00	100.00

Structure of equity interests as at 31 December 2010

Company	Share (%)
STABILITA, d.d.s., a.s., Košice	55.26
ŽPSV, a.s. Čaňa	41.06
Breitspur Planugs GmbH Vienna	25.00
Martinská mechatronická, a.s., Bratislava	20.00
BETAMAT, a.s. Zvolen	10.00
HIT RAIL, b.v. Amsterdam (Netherlands)	4.00

Financial Indicators

As at 31 December	unit	2009	2010
Liquidity indicators			
Current liquidity - average		1.39	1.61
Total liquidity - average		1.68	1.78
Expenditure Indicators			
Expenditures	%	120.91	123.46
Wage expenditures	%	36.01	36.01
Indebtedness Indicators			
Self-financing index	%	82.24	81.35
Total indebtedness	%	17.76	18.65
Debt-to-Equity Ratio	%	21.60	22.92
Labour productivity indicators			
From revenues	€/employee	25,188	25,509
From performance	train-km/employee	2,604	2,737
Activity - Turnover Interval Indicator			
Inventories	day	25.03	19.76
Short-term receivables from commercial activity	day	44.60	96.15

IMPORTANT EVENTS IN 2010

Railroad Act and relating legislation

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

Modernization of Railway Infrastructure

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

Personnel Changes

On 8 October 2010, Minister of Transport, Posts and Telecommunications of the Slovak Republic appointed the Governing Board of ŽSR.

As at 13 October 2010, Minister of Transport, Posts and Telecommunications of the Slovak Republic has appointed **Ing. Vladimír Ľupták** to the position of Director General of Železnice Slovenskej republiky.

As at 15 October 2010, Director General of ŽSR has appointed **Ing. Ján Zachar** as Deputy Director-General for Operation, **Ing. Ján Žačko** as Deputy Director-General for Human Resources, and as at 1 November 2010, **Ing. Silvia Némethová** as Deputy Director-General for Economy, **Ing. Jozef Lamprecht** as Deputy Director-General for Development and IT.

Change in Organizational Structure

- As at 1 January 2010, Specialized Centre of ŽSR - Project Centre has been cancelled due to economic ineffectiveness,
- As at 1 January 2010, Internal Organizational Unit - Infrastructure Technical Centre has been cancelled and its activities were incorporated into Internal Organizational Unit - Railway Research and Development Centre Žilina with streamlined job positions.

Meetings at the International Level

The following significant meetings took place in the presence of ŽSR in 2010:

- Infrastructure Managers CEO´s meeting of SŽDC, ŽSR, ÖBB, MÁV, CFR on "Corridor E" in Czech Republic,
- 20th High Level Bilateral meeting with Ukraine Railways,
- G4 Railways CEO´s meeting in Budapest,
- 10th Summit Meeting of the CEO´s of the European Railways in Rome, which was a follow up of the Berlin meeting of the previous year,
- 11th Meeting of the COLPOFER Working Group - Security in the International Freight Traffic,
- Meeting of Director General of ŽSR with Executive Director of the Community of European Railway and Infrastructure Companies (CER),
- UIC General Assembly meeting and 7th World Congress on High Speed Rail - „UIC HighSpeed 2010“ in Beijing.

Over the 2010, ongoing bilateral cooperation with infrastructure managers of neighbouring countries took place as regular border conferences and meetings of permanent working groups were held. In addition various meetings at different management levels were held where necessary.

Rating

On 13 April 2010, ŽSR was reassigned issuer rating A1 and a long-term national rating Aaa.sk by Moody's Central Europe Agency. ŽSR has defended the rating at A1/Aaa.sk level that was assigned to ŽSR for the first time on 29 May 2007.

Collective Agreement

Prolongation of validity of the Collective Agreement of ŽSR for 2010 by subscription of Annex No. 3 to the Collective Agreement on 25 January 2010.

Settlement of Business Result

Železnice Slovenskej republiky for the accounting period of 2010 reported the business result
- loss 101,465,193.52 EUR

ŽSR has covered the loss in the amount of 101,465,193.52 EUR by undistributed profit of previous years.

Processes and events of significant importance after 2010

- > In terms of the Government Resolution No. 188/2011 of 16 March 2011, Revitalization Programme for Railway Companies was approved with the aim of stabilization and sanitation of railway companies and set measures and obligations for the State represented by MDVRR SR and for railway companies including ŽSR,
- > Implementation of Austerity and Streamlining Programme of ŽSR aimed at ensuring balanced business result in the medium term,
- > In November 2010, the Contract on future purchase contract for sale of stakeholder share of ŽSR in company STABILITA d.d.s., a.s. ceases to apply. Assumed re-launch of termination of equity interest of ŽSR in company STABILITA d.d.s., a.s. with sale of stakeholder share.
- > Preparation of the new organizational arrangement of particular Internal Organizational Unit of ŽSR as a result of railway infrastructure maintenance strategy and reengineering of ŽSR operation,
- > Application of a new charging scheme for rail transport output effective as at 1 January 2011 implemented in terms of Decree No. 3/2010 of Railway Regulatory Authority on the regulatory framework for laying down charges for the access to railway infrastructure.

Risks and Uncertainties Affecting Business Result of ŽSR

- > Excluding “Shunting operations” and “Technical office services” from the charge for the access to railway infrastructure and its shift to commercial sphere with possible risk of decreased demand for these services,
- > Solvency of the biggest railway undertakings on ŽSR network and consequential outstanding debts from these railway undertakings, particularly for the use of railway infrastructure, traction energy and other services provided by ŽSR.
- > Lack of payment of the fixed economically eligible costs of the government budget - to increase payments from the general government budget is tied to cost saving.
- > Granted public sources (capital subsidy, co-financing from the State budget) on investments, despite its sufficient overall volume, it does not correspond to real needs in terms of structure of individual items. Failure to address commitments of constructions within OPD at 5% of eligible costs and expenses beyond the financial gap from public sources.
- > Method of settlement of losses arising from the Protocols on evaluation of Railway Operating Contracts for 2004 - 2009 and the settlement of uncovered loss from the Railway Operating Contracts 2010.
- > Impact of new legislative changes associated with the consolidation of public finances (VAT law, legislation on the social and health insurance and others).





RATING

№ 0147/2

Moody's Central Europe

assigns the company

Železnice Slovenskej republiky



Issued at Prague, 13th April 2010

Lead Analyst

Moody's Central Europe

Managing Director

Moody's Central Europe

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



Moody's Central Europe a.s.

AUDITOR'S REPORT ON COMPLIANCE OF THE ANNUAL REPORT WITH ANNUAL FINANCIAL STATEMENTS


audítorská firma

Report on compliance of the Annual Report with annual financial statements

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

To the Board of Directors of the company

- I. We have audited the annual financial statements of the company Železnice Slovenskej republiky, with the registered office in Bratislava, IČO (company registration number): 31 364 501, as of December 31, 2010 enclosed in the accompanying annual report, to which we have on March 17, 2011 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, 2010, business results and cash flows for the year ending as of the above mentioned date and in accordance with International Financial Reporting Standards as adopted by the European Union.

Emphasis of specific matters

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

1. As described in Note 1 to the accompanying financial statements, the Company's ability to continue as a going concern and to fulfill its investment program and other operating and financial commitments remains dependent upon continued State support in the form of capital and operating subsidies.
2. As described in Note 5 to the accompanying financial statements, the Company is exposed to significant credit risk of an individual contractual party, as 91% of trade receivables as of December 31, 2010 is due to from two of the most important customers: Železničná spoločnosť Cargo Slovakia, a.s. Bratislava and Železničná spoločnosť Slovensko, a.s. Bratislava, which are related parties as well as described in Note 33 to the accompanying financial statements.
3. As described in Note 12, trade receivables have significantly increased due to deterioration of payment discipline of Železničná spoločnosť Cargo Slovakia, a.s..
4. As described in Note 34, from January 1, 2011, pursuant to Act No.513/2009 Coll. On Railroads as amended by later regulation, the new price calculation for use of railway infrastructure is set – reduced by about 50% for freight and about 10% for passenger traffic. Loss of revenue will be covered in accordance with the Contract on access to railway infrastructure.

Based on the Government Decree No.188/2011 dated March 16, 2011 Program of revitalization of railway companies has been approved, which is aimed at stabilizing and rehabilitating the railway companies including ŽSR.

BDR spol. s r. o., M. M. Hodžu 3, 974 00 Banská Bystrica; IČO: 00614556, IČ DPH: SK 2020459199
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 Označenie a číslo zápisu: Obchodný register Okresného súdu Banská Bystrica, Oddiel: Sro, Vložka číslo: 98/S

Bankové spojenie:
 Tatrabanka
 č. účtu: 2625778903/1100



- 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, 2010. 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 17, 2011

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 Commercial Register of District Court, Banská Bystrica
 Section: Sro, File No.: 98/S, IČO (company registration number): 00614556

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



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LIST OF ABBREVIATIONS

a.s.	joint-stock company
BOZP	Health and Safety Protection at Work
CFR	Romanian Railways
DDP	Additional Pension Insurance
EN	European Standards
EÚ	European Union
GR ŽSR	Directorate General of Železnice Slovenskej republiky
hrtkm	gross-ton kilometer
Hz	Hertz - the unit of frequency
ISPA	EU Fund
MÁV	Hungarian Railways
MDVRR SR	Ministry of Transport, Construction and Regional Development of the Slovak Republic
MF SR	Ministry of Finance of the Slovak Republic
MŽP SR	Ministry of Environment of the Slovak Republic
NR SR	National Council of the Slovak Republic
OPD	Operational Programme - Transport
ÖBB	Austrian Federal Railways
v.j.	switching unit
vlkm	train-kilometer
VOJ ŽSR	Internal Organizational Unit of Železnice Slovenskej republiky
VVÚŽ	Railway Research and Development Centre Žilina
SR	Slovak Republic
ŠR	State budget
TEN-T	EU Fund - linking airport to railway network
TÚI	Infrastructure Technical Centre
UIC	International Union of Railways
ŽI	Railway Infrastructure
ŽSR	Železnice Slovenskej republiky
žst.	railway station
RU	Railway Undertaking
SŽDC	Czech Railway Infrastructure Administration
VAT	Value Added Tax
ZSSK Slovensko	Slovak Rail Passenger Operator
ZSSK Cargo Slovakia	Slovak Rail Freight Company



ŽELEZNICE SLOVENSKEJ REPUBLIKY

SEPARATE FINANCIAL STATEMENTS
**PREPARED IN ACCORDANCE WITH INTERNATIONAL
FINANCIAL REPORTING STANDARDS
FOR THE YEAR ENDED 31 DECEMBER 2010**

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, 2010, 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, 2010, business results and cash flows for the year ending as of the above mentioned date and in accordance with International Financial Reporting Standards as adopted by the European Union.

Emphasis of specific matters:

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

1. As described in Note 1 to the accompanying financial statements, the Company's ability to continue as a going concern and to fulfill its investment program and other operating and financial commitments remains dependent upon continued State support in the form of capital and operating subsidies.
2. As described in Note 5 to the accompanying financial statements, the Company is exposed to significant credit risk of an individual contractual party, as 91% of trade receivables as of December 31, 2010 is due to from two of the most important customers: Železničná spoločnosť Cargo Slovakia, a.s.

Bratislava and Železničná spoločnosť Slovensko, a.s. Bratislava, which are related parties as well as described in Note 33 to the accompanying financial statements.

3. As described in Note 12, trade receivables have significantly increased due to deterioration of payment discipline of Železničná spoločnosť Cargo Slovakia, a.s..
4. As described in Note 34, from January 1, 2011, pursuant to Act No.513/2009 Coll. On Railroads as amended by later regulation, the new price calculation for use of railway infrastructure is set – reduced by about 50% for freight and about 10% for passenger traffic. Loss of revenue will be covered in accordance with the Contract on access to railway infrastructure.

Based on the Government Decree No.188/2011 dated March 16, 2011 Program of revitalization of railway companies has been approved, which is aimed at stabilizing and rehabilitating the railway companies including ŽSR.

Banská Bystrica, March 17, 2011

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






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STATEMENT OF FINANCIAL POSITION

	Note	31 December 2010	31 December 2009
ASSETS			
NON-CURRENT ASSETS			
Property, Plant and Equipment	6	2,653,256	2,488,724
Real Estate Investment	7	44,888	40,614
Intangible Assets	8	1,391	1,410
Financial Investment	9	3,410	3,410
Non-Current receivables	10	1,490	1,711
Total Non-Current Assets		2,704,435	2,535,869
CURRENT ASSETS			
Inventories	11	16,055	20,190
Trade receivables	12	78,116	36,023
Other receivables and assets	13	19,311	10,485
Cash and Cash Equivalents	5,14	35,969	81,239
Total Current assets		149,451	147,937
TOTAL ASSETS		2,853,886	2,683,806
EQUITY AND LIABILITIES			
EQUITY			
Registered capital	15	760,337	760,337
Capital funds		468,812	450,480
Legal reserve fund		21,121	21,121
Earnings from previous periods		248,887	304,534
Los for accounting period		- 101,465	- 90,911
Accumulated earnings		147,422	213,623
Total Equity		1,397,692	1,445,561
NON-CURRENT LIABILITIES			
Loans	5, 16	257,544	270,872
State and EU subsidies	17	923,969	761,472
Provisions	18, 19	71,503	91,573
Other non-current liabilities	20	16,377	7,235
Total Non-Current Liabilities		1,269,393	1,131,152
CURRENT LIABILITIES			
Short-term loans and current portion of long-term loans	5, 16	18,825	1,990
Trade liabilities	21	122,153	69,335
Payables to the public institutions	22	8,741	8,058
Other liabilities	23	33,028	23,705
Provisions	18, 19	4,054	4,005
Total Current liabilities		186,801	107,093
TOTAL EQUITY AND LIABILITIES		2,853,886	2,683,806

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

STATEMENT OF COMPREHENSIVE INCOME

	Note	31 December 2010	31 December 2009
REVENUES			
Fees for provision of railway infrastructure	24	188,508	180,333
Subsidies for railway infrastructure operation		127,797	136,095
Sales of track energy		60,913	63,738
Sales of non-track energy		5,226	5,165
Sales of IT services		3,733	3,802
Sales of telecommunication services		3,765	3,829
Revenues from real estate investments		9,049	9,228
Sales of other services	25	12,178	12,605
Own work capitalized		8,496	10,900
Other revenues	26	12,848	9,633
Net operating foreign exchange losses		-1	-484
Total revenues		432,512	434,844
OPERATING COSTS			
Materials and consumables		-26,917	-31,142
Energy costs		-78,062	-83,429
Repair and maintenance		-21,503	-21,517
Services	27	-34,321	-36,169
Payroll costs	28	-233,649	-230,509
Depreciation and amortization		-135,125	-141,005
Release of subsidy for non-current assets		36,727	28,986
Other operating costs, net	29	-32,618	-2,111
Total operating costs		-525,468	-516,896
LOSS FROM OPERATIONS		-92,956	-82,052
FINANCIAL COSTS / INCOME			
Interest from loans		-8,763	-8,970
Other financial income		254	111
Total financial costs		-8,509	-8,859
LOSS before tax		-101,465	-90,911
Corporate income tax	30	0	0
NET LOSS		-101,465	-90,911

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

STATEMENT OF CHANGES IN EQUITY

	Registered capital	Capital funds	Legal reserve fund	Accumulated losses / +earnings	Total
As at 1 January 2009	760,337	437,895	21,121	304,499	1 523,852
Total comprehensive income	0	0	0	-90,911	-90,911
Non-cash increase in capital	0	12,585	0	0	12,585
Prior period costs and income	0	0	0	35	35
As at 31 December 2009	760,337	450,480	21,121	213,623	1,445,561
As at 1 January 2010	760,337	450,480	21,121	213,623	1,445,561
Total comprehensive income	0	0	0	-101,465	-101,465
Non-cash increase in capital	0	18,332	0	0	18,332
Settlement of loss by founder	0	0	0	36,513	36,513
Prior period costs and income	0	0	0	-1,249	-1,249
As at 31 December 2010	760,337	468,812	21,121	147,422	1,397,692

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



STATEMENT OF CASH FLOWS

	Note.	31 December 2010	31 December 2009
Loss before tax		-101,465	-90,911
Adjustments by non-cash transactions		-17,764	25,784
Depreciation and amortization		135,125	141,005
Dividends and other profit sharing recorded against revenues		-5	-8
Interest recorded against expenses		8,763	8,970
Interest recorded against revenues		-492	-246
Loss from the sale of property, plant and equipment		-2,942	-1,581
Change in provisions		-20,021	-934
Amortization of state subsidies		-36,727	-28,986
Other non-monetary items		0	-1,525
Effect on changes in working capital		55,859	-21,643
Changes in receivables and other assets		-50,691	-1,853
Changes in liabilities		102,415	-24,935
Changes in inventories		4,135	5,145
Cash flow from operating activities		38,095	4,141
Interest received		485	237
Interest paid		-3,948	-3,076
Net cash flows from operating activities		34,632	1,302
Acquisition of property, plant and equipment and non-current intangible assets		-285,319	-174,819
Subsidies for acquisition of property, plant and equipment and non-current intangible assets		199,224	96,753
Cash receipts from the sale of property, plant and equipment and non-current intangible assets		4,782	3,566
Cash receipts from the sale of non-current securities		0	1
Net cash flows from investment activities		-81,313	-74,499
Cash receipts from underwriting stock and shares		5	8
Cash receipts from loans borrowing		3,370	111,579
Repayment of liabilities related to financial leasing		-1,961	-3,451
Net cash flows from financial activities		1,414	108,136
Net increase / decrease in cash and cash equivalents		-45,267	34,939
Cash and cash equivalents at the beginning of the year	14	81,236	46,297
Cash and cash equivalents at the end of the year	14	35,969	81,236

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

NOTES TO THE FINANCIAL STATEMENTS

1 COMPANY'S GENERAL INFORMATION

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

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

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

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

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

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

Administrative Board is the top managerial body of ŽSR. It is composed of nine members – six of them are experts from the transport sector, experts on finances, banking sector, economy and law; and three members are elected representatives of the employees of the railways.

Dated 13 October 2010, Ing. Vladimír Lupták became a General Director which replaced previous General Director Ing. Štefan Hlinka. General Director manages the overall activities of ŽSR and is held responsible for its performance and results to the Administrative Board. Besides, General Director is statutory body of ŽSR – he represents the company externally and undertakes actions on its behalf in all matters if these are not subject to exclusive responsibility of the Administrative Board or Ministry of Transport, Construction and Regional Development. Minister of Transport appoints and withdraws General Director on the proposal from Administrative Board.

The members of Administrative Board of ŽSR:

Ing. Jozef BELIŠ	chairman
Ing. Peter KLINKA	deputy chairman
Ing. Miroslav BARCAJ	member
Ing. Peter GUTTMAN	member
JUDr. Andrea VITKÓOVÁ	member
Ing. Darina FABUĽOVÁ	member
Mgr. František ZAPARANIK	member
Mgr. František PETROCI	member
JUDr. Ľuboš DOJČAN	member

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

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

Figures disclosed in ŽSR's separate financial statements for the year ended 31 December 2010 are presented in thousands of euro („€“ or „EUR“), unless otherwise stated. Based on the economic nature of fundamental events and circumstances, the currency euro was defined as a presentation currency of the Company.

Financial situation

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

For the year ended 31 December 2010 the Company reported a net loss of -101,465 thousand (for the year ended 31 December 2009: € -90,911 thousand).

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

2 SIGNIFICANT ACCOUNTING POLICIES

Representation on conformity with regulations

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

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

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

Basis of preparation

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

Financial statements for the previous period were approved by the Administrative Board of ŽSR on 25 March 2010 in Bratislava

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

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

The accounting period is one calendar year.

Foreign currency transactions

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

Property, plant and equipment and intangible assets

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

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

Assets under constructions represent non-current tangible assets and are reported at acquisition cost. This includes costs of this asset and other direct expenses. Assets under constructions are not depreciated until the relevant asset is ready for use.

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

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

Land and works of art are not depreciated.

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

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

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

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

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

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

Leased assets

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

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

Real Estate Investments

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

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

Financial investments

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

Inventories

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

Classification and clearing of financial instruments

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

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

Trade and other receivables

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

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

Cash and cash equivalents

Cash and cash equivalents are formed by financial funds in bank or in hand and short-term deposits with a maturity of less than 3 months from date of acquisition with only a minor risk of change in value.

For the purposes of the Statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts. Cash flows are recognized in accordance with IAS 7. Indirect method was used for recognition of operating activities.

Registered capital

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

Capital funds

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

Legal reserve fund

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

Loans and borrowings

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

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

Trade and other payables

Payables are initially recognized at nominal value and upon transfer at acquisition cost. After initial recognition, they are measured at their amortized costs.

State and EU subsidies

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

Provisions

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

Provision for Employee benefits

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

Environmental Burden provision

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

Provision for legal claims

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

Revenue recognition

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

Fees for provision of railway infrastructure

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

Rendering of services

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

Revenue from rental

Revenues from rental are recognized equally during the rental period.

Borrowing costs

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

Income Tax

Income tax includes current income tax and deferred income tax.

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

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

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

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

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



3 SIGNIFICANT ACCOUNTING CONSIDERATIONS AND ESTIMATES

Important considerations upon applying accounting principles

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

Environmental burden provision

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

Provision for legal claim

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

Sources of uncertainty upon estimates

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

Calculation and timing of Environmental burden

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

Actuarial estimates upon employee benefit provision calculation

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

4 NEW ACCOUNTING STANDARDS AND INTERPRETATIONS

In 2010 the Company has applied all new and revised standards effective on the date of the financial statements.

The Company has not applied any standards issued after 31 December 2010 in preparing the financial statements:

- amendment to IAS 1, Presentation of Financial Statement, effective from 1 January 2011
- amendment to IAS 24, Related Party Disclosures, effective from 1 January 2011
- amendment to IAS 34, Interim Financial Reporting, effective from 1 January 2011
- amendment to IFRS 1, First-time Adoption of IFRS, effective from 1 January 2011
- amendment to IFRS 3, Business Combinations, effective from 1 January 2011
- amendment to IFRS 7, Financial Instruments: Disclosures, effective from 1 January 2011
- amendment to IFRIC 13, Customer Loyalty, effective from 1 January 2011
- amendment to IFRIC 14, Pension Asset Ceiling, effective from 1 January 2011



5 FINANCIAL RISK MANAGEMENT

Financial risk factors

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

- **credit risk**
- **liquidity risk**
- **market risk, including:**
 - **interest rate risk**
 - **foreign currency risk**
 - **price risk**

Credit risk

Credit risk arises in relation to cash and cash equivalents and deposits in banks and financial institutions, and in trading with customers, including unpaid receivables. Credit risk relating to liquid funds is limited because contracting parties are banks with high rating awarded by international rating agencies.

Credit risk of the Company relates primarily to trade receivables. Maximum risk of not paying represents the book value of each financial asset shown in the Statement of financial situation and decreased by the rectifying item.

The Company is exposed to significant credit risk of an individual contractual party, as 90.86 % of receivables as at 31 December 2010 is due to from two of the most important customers: Železničná spoločnosť Cargo Slovakia, a. s., Bratislava and Železničná spoločnosť Slovensko, a. s., Bratislava

Liquidity risk

The Company has no formal policy to control liquidity risk except for the monitoring of planned and actual cash flows. In the case of liquidity decrease or shortage of financial funds the Company has at its disposal short-term operating loans and overdrafts. The biggest customer Železničná spoločnosť Cargo Slovakia, a. s. has reduced operation because of financial crises, what results in failure of financial sources, which can be covered with short-term operating loans and overdrafts (Note 33).

The Company has at its disposal € 51,277 thousand as at 31 December 2010 in form of unused overdrafts.

The following table shows the remaining contractual maturity periods for financial liabilities of the Company:

	Loans and borrowings		Liabilities	
	31 December 2010	31 December 2009	31 December 2010	31 December 2009
On demand	0	0	0	0
Up to 1 month	7	46	47,157	34,826
From 1 to 3 months	18,376	912	37,740	19,889
From 3 to 12 months	442	1,032	52,124	34,378
From 1 to 5 years	257,544	270,872	138,929	97,557
Over 5 years	0	0	0	0
Total	276,369	272,862	275,950	186,650

Market risk

Interest rate risk

As the Company does not have significant interest bearing assets, profits and cash flows from operating activities, the Company is not considerably affected by changes in market interest rates.

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

Currently, all of the Company's bank loans have a floating interest rate, whereas finance lease liabilities and repayable financial assistance have a fixed interest rate. The Company does not use derivative financial instruments for securing interest rate risks. Some banks reevaluate interest margin of current written loan contracts with contractual partners in consequence of financial crisis (Note: During 2010, 6 M EURIBOR recorded an increase of 0.228 %).

Sensitivity analysis to interest rate risk

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

Increase (decrease) of interest rate In %	Impact on profit before tax for 1 year period in € '000
+ 2.00%	- 2,056.50
- 0.33%	+ 338.30

Foreign currency risk

The Company has no loan transactions in another currency besides EUR, foreign currency risk do not exist in this case. Financial transactions in another currency besides EUR are in negligible amount so the foreign currency is minimal.

Price risk

Considering the nature of operations and types of financial instruments held the Company is not exposed to any significant price risk.

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.

Indebtedness ratio at year-end:

	31 December 2010	31 December 2009
Debt	276,369	272,862
Cash and cash equivalents	35,969	81,239
Net debt	240,400	191,623
Equity	1,397,692	1,445,561
Ratio Net debt to Equity	17.20%	13.26%

Ratio Net debt to total capital increased by 3.94 %, due to drawing loans – by interest capitalized.



6 PROPERTY, PLANT AND EQUIPMENT

	Land and Buildings	Machinery, Equipment and other assets	Assets acquisition	Total
Cost				
As at 1 January 2009	3,059,700	615,650	704,419	4,379,769
Additions	22,382	1,543	285,777	309,702
Disposals	-28,389	-22,607	-109,908	-160,904
Transfers	341,835	130,123	-471,958	0
Transfer to investments in real estate (Note 7)	-449	0	0	-449
Transfer from investments in real estate (Note 7)	3,465	0	0	3,465
As at 31 December 2009	3,398,544	724,709	408,330	4,531,583
Accumulated depreciation / Impairment				
As at 1 January 2009	1,455,889	433,954	51,196	1,941,039
Additions	77,612	38,362	12,401	128,375
Disposals	-20,532	-22,220	-8,716	-51,468
Transfers	10,107	14,806	0	24,913
As at 31 December 2009	1,523,076	464,902	54,881	2,042,859
Net book value				
As at 1 January 2009	1,603,811	181,696	653,223	2,438,730
As at 31 December 2009	1,875,468	259,807	353,449	2,488,724
Cost				
As at 1 January 2010	3,398,544	724,709	408,330	4,531,583
Additions	34,128	18,151	311,559	363,838
Disposals	-23,603	-29,577	-40,363	-93,543
Transfers	105,609	35,947	-141,556	0
Transfer to investments in real estate (Note 7)	-7,802	0	0	-7,802
Transfer from investments in real estate (Note 7)	2	0	0	2
As at 31 December 2010	3,506,878	749,230	537,970	4,794,078
Accumulated depreciation / Impairment				
As at 1 January 2010	1,523,076	464,902	54,881	2,042,859
Additions	78,864	51,604	6,901	137,369
Disposals	-11,942	-26,688	-8,886	-47,516
Transfers	2,745	5,365	0	8,110
As at 31 December 2010	1,592,743	495,183	52,896	2,140,822
Net book value				
As at 1 January 2010	1,875,468	259,807	353,449	2,488,724
As at 31 December 2010	1,914,135	254,047	485,074	2,653,256

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 € 80,383 thousand (as at 31 December 2009: € 90,557 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 2010 title to land with an administrative value of € 5,873 thousand was transferred to the Company and capitalized in its statement of financial position (as at 31 December 2009: 5,557 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 € 12,458 thousand (as at 31 December 2009: 7,028 thousand). These adjustments are recorded directly to Capital funds in Equity.

Finance lease liabilities (Note 16) of the Company are protected by lessor ownership rights to the leased assets with a book value of € 5,112 thousand (as at 31 December 2009: 5,111 thousand).

Gross carrying amount of all fully written off property, plant and equipment that are utilized by the Company is in the amount of € 1,028,045 thousand (as at 31 December 2009: 1,002,266 thousand). Temporary unused assets in original cost are in the amount of € 26,712 thousand (as at 31 December 2009: 22,669 thousand) and in carrying value in the amount of € 14,819 thousand (as at 31 December 2009: 12,389 thousand).

The Company considered reality of valuation of assets and liabilities as at 31 December 2010. Following determined facts about reality of assets valuation that indicated assets impairment, recoverable amount has been determined. Recoverable amount (higher value of its fair value less costs to sell and value in use) was defined by the expert's opinion or assessment at individual assets. Recoverable amount was lower than carrying value after the evaluation. According to IAS 36 - Impairment, as at 31 December 2010 the Company recorded allowance for property, plant and equipment in the amount of € 670 thousand.

Reversal of impairment loss in connection with the re-evaluation creation of allowances for the year 2010 is in the amount of € 857 thousand.

ŽSR has insured its assets (real estate, tangibles) with various types of insurance and up to various insurance amounts (maximum annual insurance claim is in the amount of € 33,194 thousand for natural hazards with the exception of floods).



7 REAL ESTATE INVESTMENTS

Value of assets determined for rental (real estate investments) represents a depreciable amount of € 62,879 thousand (as at 31 December 2009: € 56,303 thousand) and net book value of € 44,888 thousand (as at 31 December 2009: € 40,614 thousand).

	Year 2010	Year 2009
Cost		
As at 1 January	56,303	60,136
Additions	0	0
Disposals	-1,224	-817
Transfer from Property, Plant and Equipment (Note 6)	7,802	449
Transfer to Property, Plant and Equipment (Note 6)	-2	-3,465
As at 31 December	62,879	56,303

Accumulated depreciation / Impairment

As at 1 January	15,689	16,670
Additions	2,952	1,584
Disposals	-650	-331
Transfers	0	-2,234
As at 31 December	17,991	15,689

Net book value

As at 1 January	40,614	43,466
As at 31 December	44,888	40,614

The fair value of real estate investments as at 31 December 2010 is in the amount of € 77,429 thousands. The fair value of real estate investments for individual assets has been evaluated by simplified computing procedure using income method and terms for calculation of "external rent", using information about reached gross annual income from real and valid rental contracts and by determination of interest rate using "fischer formulas" on the strength of actual basic interest rate of ECB (which take into account level of actual basic/discount rate, level of annual interests of commercial banks, level of inflation and risk of locality and assets type, held for sale). Costs related with real estate investments represent the amount of € 1,145 thousand (as at 31 December 2009: € 1,584 thousand).

8 INTANGIBLE ASSETS

	Capitalized Development Cost	Software	Acquisition of Assets	Total
Cost				
As at 1 January 2009	94	19,328	531	19,953
Additions	0	0	7	7
Disposals	0	-4,975	-95	-5,070
Transfers	2	389	-391	0
As at 31 December 2009	96	14,742	52	14,890
Accumulated depreciation / Impairment				
As at 1 January 2009	94	16,773	22	16,889
Additions	0	1,566	0	1,566
Disposals	0	-4,975	0	-4,975
Transfers	0	0	0	0
As at 31 December 2009	94	13,364	22	13,480
Net book value				
As at 1 January 2009	0	2,555	509	3,064
As at 31 December 2009	2	1,378	30	1,410
Cost				
As at 1 January 2010	96	14,742	52	14,890
Additions	0	698	172	870
Disposals	0	-192	0	-192
Transfers	2	0	-2	0
As at 31 December 2010	98	15,248	222	15,568
Accumulated depreciation / Impairment				
K 1. januáru 2010	94	13,364	22	13,480
Additions	0	888	0	888
Disposals	0	-192	0	-192
Transfers	1	0	0	1
As at 31 December 2010	95	14,060	22	14,177
Net book value				
As at 1 January 2010	2	1,378	30	1,410
As at 31 December 2010	3	1,188	200	1,391

The Company record one non-current intangible asset with an indefinite useful life (License Agreement on use of collected work "The History of ŽSR") and asset is not depreciated. Revaluation of economic useful life will be proceeding in preparing of financial statement for the following calendar year. Other non-current intangible assets have definite useful live. Useful life on Property, Plant and Equipment is definite; it is specified according to real useful life and for various types of Property, Plant and Equipment in the range from 3 to 25 years.

9 FINANCIAL INVESTMENTS

	Subsidiaries	Associated companies	Other investments	Total 2010	Total 2009
Opening balance as at 1 January	1,009	2,246	155	3,410	1,886
Additions	0	0	0	0	1,525
Disposals	0	0	0	0	1
Closing balance as at 31 December	1,009	2,246	155	3,410	3,410

Structure of capital participation in subsidiaries and associated companies as at 31 December 2010 is as follows:

Name	Amount of Equity	Profit / Loss	Country of registration	Share of equity in %	Core business
Stabilita, d.d.s., a. s., Košice (Note 34)	5,302	1,571	Slovakia	55.26	Management of supplementary pension funds
ŽPSV a.s., Čaňa	6,951	641	Slovakia	41.06	Manufacturing of concrete products, prefabricated components and structures for construction purposes
Breitspur Planugs GmbH, Wien	3,027	-3,073	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
Martinská mechatronická, a. s., Bratislava *	**	**	Slovakia	20.00	Manufacturing of rail and tram engines

* bankrupt of debtor has been declared by order of the District Court Bratislava I on 16 August 2010

** the company did not supply financial statements

10 NON-CURRENT RECEIVABLES

	31 December 2010	31 December 2009
Non-current trade receivables and advances given, net	391	360
Receivables from sale of flats, net	1,087	1,366
Other non-current receivables	29	13
Allowances for receivables	-17	-28
Total non-current receivables	1,490	1,711

11 INVENTORIES

	31 December 2010	31 December 2009
Inventories at cost	25,295	29,776
Allowances for Inventory	-9,240	-9,586
Total inventories	16,055	20,190

The Company recorded allowances for slow moving inventories following comparison of valuation with net realizable value as at 31 December 2010.

12 CURRENT TRADE RECEIVABLES

	31 December 2010	31 December 2009
Trade receivables	142,598	47,513
Advances given	127	253
Other trade receivables	6,486	3,036
Allowances for receivables	-71,095	-14,779
Total current receivables	78,116	36,023

Trade receivables increased by € 95,085 thousand due to deterioration of payment discipline of Železničná spoločnosť Cargo Slovakia, a.s..

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 2009	14,779	1,787
Creation	57,567	51
Reversal because of receivable write-off	567	344
Reversal because of full or partial collection	684	16
Balance as at 31 December 2010	71,095	1,478

Allowances are recorded pursuant to time raster of receivables after maturity and assigned percents to them. In 2010, allowances for bad and doubtful receivables increased by € 56,316 thousand due to deterioration of payment discipline of customers, mainly Železničná spoločnosť Cargo Slovakia, a. s.. Allowances for receivables from transport operator with cancelled licence to operate a railway transport were created in the amount of 100%.

13 OTHER RECEIVABLES AND ASSETS

	31 December 2010	31 December 2009
Other receivables	6,792	1,952
Other state receivables	12,234	7,007
Allowances for receivables	-732	-1,064
Prepaid expenses	1,017	2,590
Total other receivables	19,311	10,485

Other receivables increased by € 4,840 thousand due to claim damages against the insurance company of insurance contract. Other state receivables increased by € 5,227 thousand due to the increase of tax assets.

Progress in allowances for other receivables:

Balance as at 31 December 2009	1,064
Creation	92
Reversal because of receivables write-off	1
Reversal because of full or partial collection	423
Balance as at 31 December 2010	732

14 CASH AND CASH EQUIVALENTS

	31 December 2010	31 December 2009
Cash on hand	631	504
Cash in bank	1,112	1,028
Short-term deposit	34,226	79,707
Total cash and cash equivalents	35,969	81,239

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

	31 December 2010	31 December 2009
Cash and cash equivalents	35,969	81,239
Credit cards	0	-3
Total cash and cash equivalents	35,969	81,236

Interest rates on current accounts range from 0.05 % p. a. up to 0.10 % p. a., those on short-term deposits from 0.05 % p. a. up to 1.60 % p. a..

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

15 REGISTERED CAPITAL

Registered capital is in the amount of € 800,170 thousand (as at 31 December 2009: € 800,170 thousand) and unregistered changes in capital are in the amount of € -39,833 thousand (as at 31 December 2009: € -39,833 thousand).

Based on the Administrative Board Decision dated 25 March 2010 profit from previous accounting period was used for cover accumulated loss from previous years in the amount of € 36 thousand, to retained earnings from previous years in the amount of € 90,875 thousand.



16 LOANS

	31 December 2010	31 December 2009
Short-term loans and current portion of long-term loans		
Repayable financial assistance - current portion	17,477	0
	17,477	0
Provision for interest on repayable financial assistance	898	909
	898	909
Credit cards	0	3
	0	3
Short-term finance lease	450	1,078
	450	1,078
Total Short-term loans and current portion of long-term loans	18,825	1,990

Loans		
Euro		
6ME + margin, maturity 3 October 2012	98,154	96,881
6ME + margin, maturity 8 June 2012	50,537	49,791
6ME + margin, maturity 15 August 2013	30,906	30,406
6ME + margin, maturity 20 May 2014	24,103	23,389
	203,700	200,467
Provision for interest on loans	539	392
	539	392
Repayable financial assistance - long-term portion	52,430	69,906
	52,430	69,906
Long-term finance lease	875	107
	875	107
Total loans	257,544	270,872

The Company reports bank loans not covered by State guarantees in the amount of € 203,700 thousand (as at 31 December 2009: € 200,467 thousand). All loans are bearing interest with floating interest rate from 0.886 % up to 5.100 %. The Company's loans come from reputable banks in the Slovak Republic respectively abroad.

In 2010, portion of repayable financial assistance (granted in 2009) was reclassified from long-term portion to current portion in the amount of € 17,477 thousand. Repayable financial assistance is bearing fixed interest rate.

Finance lease relates to vehicles with the average lease period 36 months. Finance lease liabilities of the Company are secured by ownership rights of the lessor to leased assets (Note 6).

	Minimum lease payments		Present value of minimum lease payments	
	31 December 2010	31 December 2009	31 December 2010	31 December 2009
Up to 1 year	878	1,272	450	1,078
From 1 to 5 years	1,038	280	875	107
5 years and more	0	0	0	0
	1,916	1,552	1,325	1,185
Less future finance costs	-591	-367	0	0
Present value of minimum lease payments	1,325	1,185	1,325	1,185
Disclosed in the Statement of financial position:				
Short-term finance lease	0	0	450	1,078
Long-term finance lease	0	0	875	107

Fair value of finance lease liabilities equals their book value. These liabilities are denominated in EUR.

17 STATE AND EU SUBSIDIES

	31 December 2010	31 December 2009
Investment subsidies from EU – State Budget funds	100,844	69,966
Investment subsidies from EU – EU funds	351,534	196,741
Investment subsidies – ISPA program - State Budget funds	156,649	165,065
Investment subsidies – ISPA program - EU funds	105,871	116,553
Investment subsidies – others	207,546	211,622
Subsidy – share repurchase	1,525	1,525
Total state and EU subsidies	923,969	761,472

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

18 PROVISIONS

	31 December 2010	31 December 2009
Legal claims	1,069	25,396
Environmental burden	47,250	48,469
of which short-term portion	2,157	2,156
Total provisions	48,319	73,865

Progress in provisions:

	Environmental burden provision	Provision for legal claims	Total provisions
Balance as at 31 December 2009	48,469	25,396	73,865
Creation	140	354	494
Interest expense	797	0	797
Cancellation as not justified	165	24,480	24,645
Reversal due to provision drawing	1,991	201	2,192
Balance as at 31 December 2010	47,250	1,069	48,319

Provision for legal claims

Reported amounts represent provision for certain legal claims raised against the Company by its contracting parties. Management believes, after consultations with lawyers, that no significant liabilities will arise as a result of raising these legal claims, except for those for which the provision has been created. After reviewing of the latest evidence management of the company presumes it is probable as a result of settlement of legal claims that the company will have to incur financial resources in the amount of € 1,069 thousand (as at 31 December 2009: € 25,396 thousand). During 2010, the Company recorded provision for legal claims due to termination of significant legal claims in the amount of € 24,681 thousand.

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

Environmental burden provision

In accordance with environmental rules the Company performed revision of created provision. In 2010 old ecological burden and remedy of ground water include bioventing in Čierna nad Tisou, as a remedy of ground water and bedrock in Brezno have been eliminating. New burdens have been registered for which 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, whereas this estimate is based on existing technology and actual prices. Drawing of the provision is forecasted within a timeline of the next 10 - 15 years. The Company is applying for EU funds to fund these costs. Long-term portion of provision is calculated by a fixed interest rate of 3.0 % as at 31 December 2010 (as at 31 December 2009: 3.0 %).

Environmental burden provision as at 31 December is in the amount of € 47,250 thousand (as at 31 December 2009: € 48,469 thousand).

Interests from discounting are in the amount of € 797 thousands (as at 31 December 2009: € 1,225 thousand).

19 EMPLOYEE BENEFITS

	31 December 2010	31 December 2009
Employee benefit	27,238	21,713
of which short-term portion	1,897	1,849
Total employee benefit	27,238	21,713

Progress in employee benefit:

	2010	2009
Balance as at 1 January	21,713	20,712
Creation	7,374	1,839
Reversal due to provision drawing	1,849	838
Balance as at 31 December	27,238	21,713

Employee benefit provision

As at 31 December 2010 the Company recorded a provision in the amount of € 27,238 thousand (as at 31 December 2009: € 21,713 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.

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

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

The Company does not have prepared any detailed plan to reduce the number of employees as at the day of preparation of financial statements (Note 34).

Main actuarial assumptions used:

Discount rate	5.0 % p. a.
Future salary increases	0.0 % p. a.
Mortality	Mortality of the Slovak population based on the mortality tables issued by the Statistical office of the Slovak Republic from 2004-2008

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

20 OTHER NON-CURRENT LIABILITIES

	31 December 2010	31 December 2009
Social fund liabilities	1,382	1,651
Other non-current liabilities	14,995	5,584
Total other non-current liabilities	16,377	7,235

Other non-current liabilities increased by € 9,142 thousand due to increase of long-term retained sums under contracts of work that will be paid after completion and delivery structures for use.

Structure of social fund:

	2010	2009
Balance of fund as at 1 January	1,651	1,706
Creation	1,469	1,473
Spending	1,738	1,528
Balance as at 31 December	1,382	1,651

21 CURRENT TRADE PAYABLES

	31 December 2010	31 December 2009
Trade payables	119,390	65,903
Advances received	431	1,683
Other payables	2,332	1,749
Total current payables	122,153	69,335

Current payables increased by € 52,818 thousand due to increase of payables from investing activities.

Current trade payables in maturity are in the amount of € 101,363 thousand (as at 31 December 2009: € 61,737 thousand) and overdue are in the amount of € 20,790 thousand (as at 31 December 2009: € 7,598 thousand).

22 PAYABLES TO PUBLIC INSTITUTIONS

	31 December 2010	31 December 2009
Payables to insurance companies	7,315	6,932
Payables to tax authorities	1,426	1,126
Total payables to public institutions	8,741	8,058

23 OTHER PAYABLES

	31 December 2010	31 December 2009
Employees	15,294	14,266
Other payables	17,734	9,439
Total other payables	33,028	23,705

Other payables increased by € 9,323 thousand due to reclassify from long-term portion to short-term portion.

24 FEES FOR PROVISION OF RAILWAY INFRASTRUCTURE

	31 December 2010	31 December 2009
Provision of railway infrastructure - cargo transport	130,258	121,838
- passenger transport	58,250	58,495
Fees for provision of railway infrastructure	188,508	180,333

25 SALES OF OTHER SERVICES

	31 December 2010	31 December 2009
Sales of lease of movable property	930	1,028
Sales of trailers turned out and other technical services	2,841	3,101
Sales of fire prevention and repression	1,182	1,080
Sales of works canteens and catering services	870	820
Sales for training, education	1,358	987
Other services	4,997	5,589
Total sales of other services	12,178	12,605

26 OTHER REVENUES

	31 December 2010	31 December 2009
Revenue from sales of products	256	323
Changes in work in progress	-9	21
Changes in products	47	0
Other revenues from economic activities	12,554	9,289
Total other revenues	12,848	9,633

27 SERVICES RECEIVED

	31 December 2010	31 December 2009
Costs of waste disposal	-3,658	-5,572
IT support and consulting costs	-6,290	-2,451
of which costs of auditing services	-117	-117
Costs of complex services and heat installation	-1,200	-3,391
Clean-up costs	-3,747	-3,966
Costs of diagnostics, metrology, project documentation, experts opinions	-3,329	-3,248
Costs of Telecommunication services	-1,268	-1,868
Materiology costs	-1,530	-1,358
Others	-13,299	-14,315
Total services received	-34,321	-36,169

28 PERSONNEL COSTS

	31 December 2010	31 December 2009
Salary costs	-155,736	-156,592
Social security costs	-56,827	-57,326
Other personnel costs	-21,086	-16,591
Total personnel costs	-233,649	-230,509

The Company employed 16,989 employees as at 31 December 2010 (as at 31 December 2009: 17,070 employees) of which manager employees: 750 (as at 31 December 2009: 754).

29 OTHER OPERATING COSTS

	31 December 2010	31 December 2009
- Creation / + Reversal of allowances for receivables	-56,525	2,055
Fare	-3,579	-3,472
Taxes and fees	-2,615	-2,409
Profit from disposal of non-current assets	2,942	1,581
+ Profit / - Loss from sale of material	395	-162
+ Settlement / - Creation of legal claims provision	24,324	-118
Settlement of provision for environmental burden	2,016	3,295
Other costs and revenues	424	-2,881
Total other operating costs, net	-32,618	-2,111

Deterioration of payment discipline of customers occurred in receivables overdue, mainly Železničná spoločnosť Cargo Slovakia, a. s.. Based on this, creation of allowances for receivables increased in 2010 (Note 12). The Company recorded provision for legal claims due to termination of significant legal claims in 2010 (Note 18).



30 CORPORATE INCOME TAX

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

	31 December 2010	31 December 2009
Net loss for the period before tax	-101,465	-90,911

Income tax at statutory rate	-19,278	-17,273
Permanent differences	149	1,235
Deductible temporary differences for which no deferred tax was created	19,129	16,038
Tax expense	0	0

Deferred tax liabilities	31 December 2010	31 December 2009
Difference between book and tax value of non-current assets	-72,163	-62,427
Temporary differences of expenses and revenues taxable upon payment	-689	-56
Gross deferred tax liabilities	-72,852	-62,483

Gross deferred tax assets	31 December 2010	31 December 2009
Allowances for doubtful debts and slow moving and obsolete materials	15,134	4,509
Allowance for assets under construction	11,878	12,150
Provisions	15,044	18,684
Loss amortization	61,899	52,130
Gross deferred tax assets	104,013	87,473

Nondisclosure of deferred tax asset	-31,103	-24,990
Deferred tax assets, net	72,852	62,483
Deferred tax assets (liabilities), net	0	0

In the period of taxation 2010 the Company disclosed tax loss in the amount of € 91,469 thousands. As tax base has not been achieved, obligation for paying income tax of corporate entity did not arise in accordance with Act No. 595/2003 Coll. on Income Tax as amended.

A deferred tax asset recognized for cumulated tax of € 31,103 thousand (as at 31 December 2009: € 24,990 thousand), has not been recorded, as uncertainty exists about sufficient taxable profits in future.

31 COMMITMENTS AND CONTINGENCIES

Capital commitments

The Company is engaged in a continuous capital investment program, including projects for environmental improvements, modernization, replacement and expansion, much of which is connected with the accession of the Slovak Republic to the European Union. The Company's capital expenditure budget for each of the years 2011 – 2013 is set out in the table below and there is a big probability to change because of financial crises:

Year	Track and infrastructure	IT and telecom	Total
2011	536,655	700	537,355
2012	465,600	1,000	466,600
2013	400,580	3,000	403,580
Total	1,402,835	4,700	1 407,535

32 CONTINGENT LIABILITIES

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

33 RELATED PARTY TRANSACTIONS

Based on the volume of realized transactions, the most significant related parties in 2010 were Železničná spoločnosť Cargo Slovakia, a. s. and Železničná spoločnosť Slovensko, a. s., with the State as the sole shareholder. Fees for provision of railway infrastructure from these two companies represent 65.36 % (as at 31 December 2009: 64.66 %) and 30.90 % (as at 31 December 2009: 32.44 %), of the total revenues for rendered services.

Summary of liabilities and receivables as at 31 December 2010 is as follows:

	ZSSK Cargo		ZSSK Slovensko	
	31 December 2010	31 December 2009	31 December 2010	31 December 2009
Liabilities	424	134	58	64
Receivables	127,080	31,196	2 485	1 683

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. 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 (Note 9).

As at 31 December 2010, the Company records no receivables due from associated company Železničná priemyselná stavebná výroba, Čaňa (as at 31 December 2009: € 4 thousand) for technical services and training. As at 31 December 2010 and as at 31 December 2009 the Company records no liabilities due this company (Note 9),

As at 31 December 2010, the Company records receivables due from associated company Martinská mechatronická, Bratislava in the amount of € 13 thousand (as at 31 December 2009: € 0) for interest for late payment and legal charges. As at 31 December 2010 and as at 31 December 2009 the Company records no liabilities (Note 9).

In 2010 the Company paid out employee benefits in the amount of € 788 thousand (in 2009: € 660 thousand) to the key management of the Company, of this Administrative Board in the amount of € 172 thousand (as at 31 December 2009: € 148 thousand).

34 EVENTS AFTER THE REPORTING PERIOD

From 1 January 2011, pursuant to Act No. 513/2009 Coll. on Railroads as amended by later regulation, the new price calculation for use of railway infrastructure is set – reducing by about 50 % for freight and about 10 % for passenger traffic. Loss of revenue will be covered in accordance with the Contract on access to railway infrastructure.

In November 2010, validity of the future contract to sell ŽSR's shareholding in the company STABILITA d. d. s., a. s. expired. Dated 24 February 2011, Administrative Board of ŽSR re-endorsed the intention to sell ŽSR's shareholding in this company by tendering the best proposal for the purchase of ŽSR's shares in the company STABILITA, d. d. s., a. s.. Up to 31 December 2010, ŽSR did not meet criteria for these assets to be classified as "held for sale" in accordance with IFRS 5; for these reasons the financial investment is still part of non-current asset.

Based on the Government Decree No. 188/2011 dated 16 March 2011 Program of revitalization of railway companies has been approved to aimed at stabilizing and rehabilitating of railway companies defining the set of measures and obligations for the State represented by Ministry of Transport, Construction and Regional Development of the Slovak Republic and for the railway companies, including ŽSR.

35 APPROVAL OF FINANCIAL STATEMENTS

Financial statement in notes 1 to 35 were prepared and signed on behalf of the Company on 17 March 2011:

statutory authority of the entity



Ing. Vladimír Ľupták
General Director

person responsible
for bookkeeping



Mária Laurová
Director of financing,
bookkeeping and tax division

person responsible for preparation
of the financial statements



Milota Šnegoňová
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